MURPHY OIL CORP /DE
Form DEF 14A
April 04, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ PreliminaryProxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Under Rule 14a-12

¨ Confidential, For Use of the Commission Only(as permitted by Rule 14a-6(e)(2))

Murphy Oil Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

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1. Amount previously paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

NOTICE OF ANNUAL MEETING

To the Stockholders of

Murphy Oil Corporation:

The Annual Meeting of Stockholders of Murphy Oil Corporation will be held at the South Arkansas Arts Center, 110 East 5th Street, El Dorado, Arkansas, on Wednesday, May 14, 2003, at 10:00 a.m., Central Daylight Time, for the following purposes:

1. To elect directors to serve for the ensuing year.
2. To vote upon the Company s Stock Plan for Non-Employee Directors.
3. To vote upon an amendment to limit the term of the Company s Management Incentive Plan to five years.
4. To approve or disapprove the action of the Board of Directors in appointing KPMG LLP as the Company s independent auditors for 2003.
5. To vote upon a shareholder proposal concerning the Company s Shareholder Rights Plan.
6. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on March 28, 2003, the record date fixed by the Board of Directors of the Company, will be entitled to notice of and to vote at the meeting or any adjournment thereof. A list of all stockholders entitled to vote is on file at the offices of the Company, 200 Peach Street, El Dorado, Arkansas 71730.

You may vote your shares by signing and returning the enclosed proxy card or by telephone or internet as explained on the card.

Walter K. Compton

Secretary

El Dorado, Arkansas

April 4, 2003

PROXY STATEMENT

April 4, 2003

SOLICITATION

The solicitation of the enclosed proxy is made on behalf of the Board of Directors of Murphy Oil Corporation (the Company) for use at the Annual Meeting of Stockholders to be held on May 14, 2003. It is expected that this Proxy Statement and related materials will first be mailed to stockholders on or about April 4, 2003.

The complete mailing address of the Company s principal executive offices is 200 Peach Street, P.O. Box 7000, El Dorado, Arkansas 71731-7000.

VOTING PROCEDURES

The affirmative vote of a majority of the shares present in person or represented by proxy at the meeting is required for approval of matters presented at the meeting. Your proxy will be voted at the meeting, unless you (i) revoke it at any time before the vote by filing a revocation with the Secretary of the Company, (ii) duly execute a proxy card bearing a later date, or (iii) appear at the meeting and vote in person. Proxies returned to the Company, votes cast other than in person and written revocations will be disqualified if received after commencement of the meeting. If you elect to vote your proxy by telephone or internet as described in the telephone/internet voting instructions on your proxy card, we will vote your shares as you direct. Your telephone/internet vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned your proxy card.

Votes cast by proxy or in person at the meeting will be counted by the persons appointed by the Company to act as election inspectors for the meeting. The election inspectors will treat shares represented by proxies that reflect abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum and for purposes of determining the outcome of any other business submitted at the meeting to the stockholders for a vote. Abstentions, however, do not constitute a vote for or against any matter and thus will be disregarded in the calculation of votes cast.

The election inspectors will treat shares referred to as broker non-votes (i.e., shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote and that the broker or nominee does not have discretionary power to vote on a particular matter) as shares that are present and entitled to vote for purposes of determining the presence of a quorum. However, for purposes of determining the outcome of any matter as to which the broker has physically indicated on the proxy that it does not have discretionary authority to vote, those shares will be treated as not present and not entitled to vote with respect to that matter (even though those shares are considered entitled to vote for quorum purposes and may be entitled to vote on other matters).

Unless specification to the contrary is made, the shares represented by the enclosed proxy will be voted FOR all the nominees for director; FOR approval of the Company s Stock Plan for Non-Employee Directors; FOR approval of the amendment to limit the term of the Company s Management Incentive Plan to five years; FOR approval of the appointment of KPMG LLP as the Company s independent auditors; and AGAINST the shareholder proposal concerning the Company s Shareholder Rights Plan.

VOTING SECURITIES

On March 28, 2003, the record date for the meeting, the Company had outstanding 91,786,676 shares of Common Stock, all of one class and each share having one vote in respect of all matters to be voted on at the meeting. This amount does not include 2,826,409 shares of treasury stock. Information as to Common Stock Ownership of certain beneficial owners and management is set forth in the tables on pages 4 and 5 (Security Ownership of Certain Beneficial Owners and Security Ownership of Management).

ELECTION OF DIRECTORS

The by-laws of the Company provide for ten directors who will be elected at the Annual Meeting of Stockholders. Proxies cannot be voted for a greater number of persons than the number of nominees named. The by-laws also provide that the directors elected at each Annual Meeting of Stockholders shall serve until their successors are elected and qualified.

To the extent authorized by the proxies, the shares represented by the proxies will be voted in favor of the election as directors of the ten nominees whose names are set forth below. If for any reason any of these nominees is not a candidate when the election occurs, the shares represented by such proxies will be voted for the election of the other nominees named and may be voted for any substituted nominees. However, management of the Company does not expect this to occur. All of management s nominees, other than Frank W. Blue and Ivar B. Ramberg, were elected at the last Annual Meeting of Stockholders. Mr. Blue and Dr. Ramberg were elected by the Board on February 5, 2003. The names of the nominees, and certain information as to them, are as follows:

Name and age	Principal occupation or employment	Director since	Other directorships	Board committees
Frank W. Blue Houston, Texas Age: 61	Attorney, Fulbright & Jaworski since July, 2001; Vice President, General Counsel and Corporate Secretary of Caltex Corporation, a petroleum refining and marketing company, from March, 1989 to June, 2001.	2003	None	Audit Nominating & Governance
George S. Dembroski Toronto, Ontario, Canada Age: 68	Vice Chairman, Retired, RBC Dominion Securities, an investment banking firm; Vice Chairman, RBC Dominion Securities from June, 1981 to January 31, 1998.	1995	Cameco Corporation Saskatoon, Saskatchewan, Canada Extendicare Inc. Markham, Ontario, Canada	Executive Audit Executive Compensation Chair
Claiborne P. Deming El Dorado, Arkansas Age: 48	President and Chief Executive Officer of the Company.	1993	Entergy Corporation New Orleans, Louisiana	Executive
H. Rodes Hart Nashville, Tennessee Age: 71	Chairman and Chief Executive Officer, Franklin Industries Inc., engaged in the manufacture of brick and industrial minerals.	1975	None	Audit Executive Compensation
Robert A. Hermes Houston, Texas Age: 63	Chairman of the Board, Purvin & Gertz, Inc., an international energy consulting firm, since January 1, 2000; President, Purvin & Gertz, Inc. from 1987 to December 31, 1999.	1999	None	Nominating & Governance Chair Public Policy & Environmental
R. Madison Murphy El Dorado, Arkansas Age: 45	Private Investor; Chairman of the Board of the Company from October, 1994 to July, 2002.	1993	Deltic Timber Corporation El Dorado, Arkansas BancorpSouth Tupelo, Mississippi	Executive Audit Chair
William C. Nolan, Jr. El Dorado, Arkansas Age: 63	Chairman of the Board of the Company; Partner, Nolan and Alderson, Attorneys; President, Noalmark Broadcasting, engaged in radio broadcasting in Arkansas and New Mexico.	1977	None	Executive Chair Ex-officio member of all committees

Ivar B. Ramberg Lysaker, Norway Age: 65	Executive Officer, Ramberg Consulting AS (Ram-Co), a consulting firm in the oil, gas and energy sector, since 2000; President and Chief Executive Officer of Norsk Hydro Canada, engaged in oil and gas exploration and production in Canada, from 1996 to 2000.	2003	None	Nominating & Governance Public Policy & Environmental

Name and age	Principal occupation or employment	Director since	Other directorships	Board committees
David J. H. Smith Maidstone, Kent, England Age: 61	Chief Executive Officer, Retired, Whatman plc, a life-sciences company, since September, 2001; Chief Executive Officer of Whatman from 1996 to September, 2001.	2001	None	Executive Compensation Public Policy & Environmental
Caroline G. Theus Alexandria, Louisiana Age: 59	President, Inglewood Land and Development Company, a farming and land holding corporation; President, Keller Enterprises, LLC which manages investments and real estate holdings.	1985	None	Executive Public Policy & Environmental Chair

Claiborne P. Deming, R. Madison Murphy, William C. Nolan, Jr. and Caroline G. Theus are first cousins.

Committees

The standing committees of the Board of Directors are the Executive Committee, the Audit Committee, the Executive Compensation Committee, the Nominating and Governance Committee, and the Public Policy and Environmental Committee.

The Executive Committee is empowered to exercise certain functions of the Board of Directors when the Board is not in session.

The Audit Committee s functions include an oversight role for the Company s financial statements and review of the results and scope of the work of the Company s independent auditors and the Company s internal Auditing Division. This committee meets with representatives of the independent auditors and with members of the internal Auditing Division for these purposes. The Audit Committee charter is attached as Exhibit A.

The Executive Compensation Committee administers the Company s 1992 Stock Incentive Plan and the Annual Incentive Compensation Plan and reviews generally the compensation of the CEO and other executive and key employees of the Company and subsidiaries.

The Nominating and Governance Committee identifies and recommends Board members, recommends appointments to Board committees, oversees evaluation of Board performance and develops, reviews and assesses the corporate governance guidelines of the Company. Stockholders desiring to recommend candidates for membership on the Board of Directors for consideration by the Nominating and Governance Committee should address their recommendations to: Nominating and Governance Committee of the Board of Directors, c/o Secretary, Murphy Oil Corporation, P.O. Box 7000, El Dorado, Arkansas 71731-7000.

The Public Policy and Environmental Committee provides review and oversight of the Company s policies, programs and practices with regard to environmental, health and safety compliance and in relation to public issues.

All committee charters are available on the Company s website, *www.murphyoilcorp.com* and free of charge from the Corporate Secretary.

Meetings and Attendance

During 2002 there were six regular meetings and two special meetings of the Board of Directors, eleven meetings of the Executive Committee, nine meetings of the Audit Committee, three meetings of the Executive Compensation and Nominating Committee (precursor to the Executive Compensation and Nominating and Governance Committees), and three meetings of the Public Policy and Environmental

Committee. All nominees attended a minimum of 75% of the total number of meetings of the Board of Directors and committees on which they served.

Compensation of Directors

The Company has a standard arrangement for compensation of directors who are not also employees of the Company. Under this arrangement, for the first seven months of fiscal year 2002, non-employee directors were compensated at the rate of $30,000 per annum plus $1,000 for each meeting attended of the Board, the Audit Committee, the Executive Compensation and Nominating Committee, or the Public Policy and Environmental Committee.

Beginning in August, 2002, directors are paid a cash component of $37,500 per annum plus $1,250 for each Board or committee meeting attended. The Chairman of the Board is paid the aforementioned plus an additional $75,000 per annum. Committee chairs and the designated audit committee financial expert receive an additional $5,000 per annum. The Company also reimburses directors for travel, lodging and related expenses they incur in attending Board and committee meetings. Subject to shareholder approval, directors will receive an equity component pursuant to the Stock Plan for Non-Employee Directors which is discussed on page 11. The combination of the cash and equity components of compensation are intended to bring total director compensation to the 50th percentile of the competitive market. Concurrent with the implementation of the Stock Plan for Non-Employee Directors, the 1994 retirement plan for non-employee directors will be frozen. At that time, current directors will be vested based on their years of service, no further benefits will accrue and the plan will pay out according to its terms.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the United States, the Company s directors and its executive officers are required to report their ownership of the Company s Common Stock and any changes in that ownership to the Securities and Exchange Commission and the New York Stock Exchange. Specific due dates for these reports have been established and the Company is required to report in this proxy statement any failure to file by these dates. In 2002, all officers and directors satisfied their filing requirements.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

As of December 31, 2002, the following are known to the Company to be the beneficial owners of more than five percent of the Company s Common Stock:

Name and address of beneficial owner	Amount and nature of beneficial ownership[1]	Percentage
BancorpSouth, Inc.	4,746,124[2]	5.2%
One Mississippi Plaza		
201 South Spring Street		
Tupelo, MS 38804		
Capital Research and Management Company	6,036,600[3]	6.6%

333 South Hope Street
Los Angeles, CA 90071

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(1) Includes Common Stock for which the indicated owner has sole or shared voting or investment power and is based on the indicated owner s 13G filing for the period ended December 31, 2002.

(2) Shares reported are held in various trust accounts of which a subsidiary of the filing person is a trustee. Total includes 2,164,184 sole voting power shares, 2,581,940 shared voting power shares, 98,798 sole investment power shares and 4,647,326 shared investment power shares.

(3) An investment adviser registered under Section 203 of the Investment Advisers Act of 1940. All shares are sole investment power shares.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information, as of February 21, 2003, concerning the number of shares of Common Stock of the Company beneficially owned by all directors and nominees, each of the Named Executives (as hereinafter defined), and directors and executive officers as a group:

Name	Amount and nature of beneficial ownership(1)	Percent of outstanding (if greater than one percent)
Frank W. Blue		
George S. Dembroski		
Claiborne P. Deming	1,630,886(2)	1.8
H. Rodes Hart	345,340	
Robert A. Hermes	4,000	
Michael W. Murphy	824,224(3)	
R. Madison Murphy	5,479,891(3)	6.0
William C. Nolan, Jr.	1,125,962	1.2
Ivar B. Ramberg		
David J. H. Smith	4,000	
Caroline G. Theus	1,890,730	2.1
Herbert A. Fox, Jr.	78,071(2)	
Enoch L. Dawkins	22,546	
Steven A. Cossé	84,134(2)	
Bill H. Stobaugh	77,071(2)	
Directors and executive officers as a group	10,776,204(4)	11.7

(1) Includes common stock held by directors and officers or by their spouses and other household members for which the directors and officers have sole or shared voting or investment power.
(2) Includes shares subject to options exercisable within sixty days in the following amounts: Deming 320,000; Fox 20,000; Cossé 50,000; and Stobaugh 58,500.
(3) Includes shares for which voting and/or investment power is shared between Michael W. Murphy and R. Madison Murphy.
(4) In computing the aggregate number of shares owned by directors and officers as a group, the same shares have not been counted more than once.

CERTAIN BUSINESS RELATIONSHIPS

In 2002, prior to Frank W. Blue s election to the Board in February, 2003, the Company retained Mr. Blue s law firm, Fulbright & Jaworski, for a single legal matter. The matter was concluded in 2002. The Company does not anticipate retaining Fulbright & Jaworski in 2003.

EXECUTIVE COMPENSATION

The following table sets forth information with respect to the individual who served as the Company s chief executive officer during 2002 and the four other most highly compensated executive officers of the Company at the end of 2002 (collectively, the Named Executives):

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards		
Name and principal position	**Year**	**Salary ($)(1)**	**Bonus ($)(2)**	**Other Annual Compensation ($)**	**Restricted stock awards ($)(3)**	**Securities underlying options(4)**	**All other compensation ($)(5)**
Claiborne P. Deming	2002	845,834				120,000	59,475
President and Chief Executive Officer	2001	791,671	900,000			100,000	144,795
Murphy Oil Corporation	2000	691,674	650,000			60,000	58,265
Herbert A. Fox, Jr.(6)	2002	457,917					32,330
Executive Vice President	2001	432,084	350,000				415,648
Worldwide Downstream Operations	2000	394,174	250,000			40,000	32,052
Murphy Oil Corporation							
Enoch L. Dawkins(7)	2002	457,917					32,330
President, Murphy Exploration &	2001	430,000	325,000				74,600
Production Company (a 100% subsidiary)	2000	372,917	250,000				30,991
Steven A. Cossé	2002	378,334				50,000	28,343
Senior Vice President and General	2001	356,250	300,000			60,000	70,907
Counsel, Murphy Oil Corporation	2000	312,917	200,000			40,000	27,991
Bill H. Stobaugh	2002	267,502				30,000	12,086
Vice President	2001	240,006	150,000			35,000	38,177
Murphy Oil Corporation	2000	207,504	75,000			30,000	14,492

(1) Includes amounts of cash compensation earned and received by executive officers as well as amounts earned but deferred at the election of those officers.

(2) Bonuses were awarded and paid after the end of the year in which they are reported. Because these payments related to services rendered in the year prior to payment, the Company reported bonuses as a component of compensation expense in the prior year.

(3) Dividends are being paid on restricted stock at the same rate paid to all shareholders. Awards are subject to performance-based conditions and are forfeited if grantee terminates for any reason other than retirement, death or full disability. None of the restricted stock awards vest in under five years from the date of grant. On December 31, 2002, Mr. Deming held a total of 20,000 nonvested restricted shares having a then current value of $857,000; Messrs. Fox, Dawkins and Cossé each held a total of 10,000 nonvested restricted shares having a then current value of $428,500; and Mr. Stobaugh held a total of 5,000 nonvested restricted shares having a then current value of $214,250.

(4) Option grants have been adjusted for 2-for-1 stock split effective December 30, 2002.

(5) The total amounts shown in this column for 2002 consist of the following:

Mr. Deming: $15,500 Dividends on nonvested restricted stock; $42,295 Company contributions to defined contribution plans; and $1,680 Benefit attributable to Company-provided term life insurance policy.

Mr. Fox: $7,750 Dividends on nonvested restricted stock; $22,900 Company contributions to defined contribution plans; and $1,680 Benefit attributable to Company-provided term life insurance policy.

Mr. Dawkins: $7,750 Dividends on nonvested restricted stock; $22,900 Company contributions to defined contribution plans; and $1,680 Benefit attributable to Company-provided term life insurance policy.

Mr. Cossé: $7,750 Dividends on nonvested restricted stock; $18,913 Company contributions to defined contribution plans; and $1,680 Benefit attributable to Company-provided term life insurance policy.

Mr. Stobaugh: $3,875 Dividends on nonvested restricted stock; $6,531 Company contributions to defined contribution plans; and $1,680 Benefit attributable to Company-provided term life insurance policy.

(6) Retired, effective April 1, 2003.
(7) Retired, effective March 1, 2003.

OPTION EXERCISES AND FISCAL YEAR-END VALUES

Shown below is information with respect to stock options exercised in fiscal 2002 and the fiscal year-end value of unexercised options for the Named Executives:

Aggregated Option Exercises in Last Fiscal Year

and FY-End Option Values

			Number of securities underlying unexercised options at FY-end (#)(1)		Value of unexercised in-the-money options at FY-end ($)(2)	
Name	**Shares acquired on exercise (#)(1)**	**Value realized ($)**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Claiborne P. Deming	92,560	$ 1,839,698	240,000	250,000	3,996,093	2,112,668
Herbert A. Fox, Jr.	80,000	1,210,409		20,000		287,312
Enoch L. Dawkins	15,000	377,456				
Steven A. Cossé	110,000	1,938,874		130,000		1,208,387
Bill H. Stobaugh	22,500	437,428	26,000	80,000	409,772	756,109

(1) Awards have been adjusted for 2-for-1 stock split effective December 30, 2002.
(2) Represents market value of underlying securities at year-end less the exercise price.

OPTION GRANTS

Shown below is further information on grants of stock options pursuant to the 1992 Stock Incentive Plan during the fiscal year ended December 31, 2002 to the Named Executives:

Option Grants in Last Fiscal Year

	Individual grants				
Name	**Number of securities underlying options granted (#)(1)(2)**	**% of total options granted to employees in fiscal year**	**Exercise or base price ($/Sh)**	**Expiration date**	**Grant date present value ($)(3)**
Claiborne P. Deming	120,000	12.70%	$ 38.8525	02/05/12	$ 1,150,800

Herbert A. Fox, Jr.					
Enoch L. Dawkins					
Steven A. Cossé	50,000	5.29%	38.8525	02/05/12	479,500
Bill H. Stobaugh	30,000	3.17%	38.8525	02/05/12	287,700

(1) Awards have been adjusted for 2-for-1 stock split effective December 30, 2002. No stock appreciation rights were granted in 2002.

(2) Options granted in 2002 vest 50% at the end of two years and 100% at the end of three years from the date of grant and are exercisable for a period of 10 years from the date of grant.

(3) Values were based on the Black-Scholes option pricing model adapted for use in valuing executive stock options. The actual value, if any, an executive may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised. There is no assurance that value realized by the executive will be at or near the value estimated by the Black-Scholes model. The estimated values under that model are based on arbitrary assumptions as to certain variables and in 2002 included the following:

Risk-free rate of return	4.89%
Stock volatility	26.80%
Dividend yield	2.564%
Expected life of option	5 years

Based on the Black-Scholes option pricing model, using the above assumptions, the options granted in 2002 have been valued at $9.59 per share as of the grant date.

COMPENSATION COMMITTEE REPORT FOR 2002

Executive Compensation Philosophy and Principles

The Company s executive compensation policies applicable to the Named Executives are based on principles designed to align the interests of the executives with those of shareholders. Compensation is also intended to provide a direct link with the Company s values, objectives, business strategies and financial results. In order to attract and retain key executives who are critical to its long-term success, the Company believes that its pay package should be competitive with others in the energy industry. Executives should be rewarded for both the short-term and long-term success of the Company and, conversely, be subject to a degree of downside risk in the event that the Company does not achieve its performance objectives.

Toward this end, the Named Executives each have a compensation package which includes a base salary, participation in a cash based annual incentive plan and participation in an equity based long-term incentive plan. Each of these three elements is discussed in more detail below.

Base Salary Practices

Base salaries for the Named Executives are ultimately based on a combination of experience, performance, responsibilities and other factors. As guidance, the Company relies on energy industry salary surveys conducted by one or more major compensation consulting firms. Many of the companies in the surveys are also included in the AMEX Oil Index which is depicted in the performance graph shown on page 15. For each of the Named Executives, their salaries and the amount of increases for 2002 were at or near the mid-point of the salary surveys. Annual salary review for the Named Executives focuses on factors including individual performance, Company performance, general economic conditions and marketplace compensation trends.

Annual Incentive Compensation Program

The Company s annual incentive plan provides for cash bonuses, based on a percentage of base salary, if the Company achieves a targeted return on capital employed. The target level for 2002 was developed based on a projection of the Company s weighted average cost of capital. Because the Company did not meet the performance target in 2002, no awards under this plan were paid to the Named Executives.

Long-Term Incentive Compensation

Long-term incentive compensation is provided by the 1992 Stock Incentive Plan, which provides for stock options, stock appreciation rights and performance-based restricted stock. In 2002, only stock options were awarded. A stock option gives the executive the right to purchase a specified number of shares of the Company s common stock at a price equal to the market price on the date of the grant. The options, all of which are nonqualified, vest in two years as to half and in three years as to the remaining half. Once vested, the options are exercisable for ten years from the date of the grant. The Company s stock option grants in 2002 were, based on survey data provided by a major compensation consulting firm, generally between the 25th and 50th percentile levels of energy industry practices. Total grants in 2002 equaled 1.04% of the Company s issued and outstanding shares.

Internal Revenue Code Section 162(m)

The Company intends to structure its executive compensation packages so as to maintain full deductibility of compensation pursuant to section 162(m) of the Internal Revenue Code. However, the Company monitors compensation on an ongoing basis and may, when it is considered to be in the best interest of the Company, approve compensation for which deductibility is limited by Section 162(m).

Discussion of 2002 Compensation for the President and Chief Executive Officer

Factors and criteria on which the CEO s compensation is based are consistent with the policies and philosophies applicable to the other Named Executives outlined at the beginning of this report. Claiborne P. Deming, the Company s President and CEO, received a salary increase in 2002 of 6.25%. Both the amount of the increase and the resulting base salary are near the median of the competitive market as determined by a major compensation consulting firm. No bonus was awarded to Mr. Deming for the year 2002, because the targeted return on capital employed was not attained. In 2002, Mr. Deming was awarded long-term compensation in the form of 120,000 nonqualified stock options with terms and conditions as discussed above. Mr. Deming s long-term compensation is below the 25th percentile of the competitive market as determined by a major compensation consulting firm.

The Board restructured the composition of its committees in July, 2002 and in February, 2003. This report is submitted by the members of the Executive Compensation and Nominating Committee as of February 4, 2003, all of whom served since at least July, 2002: George S. Dembroski, Chairman, H. Rodes Hart, Robert A. Hermes, David J. H. Smith and William C. Nolan, Jr., ex-officio.

Effective February 5, 2003, separate committees were created for Executive Compensation and for Nominating and Governance. Members of the newly constituted Executive Compensation Committee are George S. Dembroski, Chairman, H. Rodes Hart, David J. H. Smith and William C. Nolan, Jr., ex-officio.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about the securities authorized for issuance under the Company s equity compensation plans as of December 31, 2002:

Plan Category	**Number of securities to be issued upon exercise of outstanding options warrants and rights(1)**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)(2)(3)**
Equity compensation plans approved by security holders	3,296,840	$ 31.08	4,584,966
Equity compensation plans not approved by security holders	6,432	39.44	
Total	3,303,272	$ 31.10	4,584,966

(1) The share numbers in the above table are as of December 31, 2002 and have been adjusted to reflect the 2-for-1 stock split effective on December 30, 2002.

(2) Number of shares available for issuance determined by calculating one percent of the issued and outstanding shares.

(3) Assumes the term of the Management Incentive Plan is limited to five years pursuant to the proposed amendment.

SUMMARY DESCRIPTION OF MATERIAL TERMS OF EQUITY COMPENSATION PLAN NOT APPROVED BY SHAREHOLDERS:

The Company s Canadian subsidiary offers its employees a Canada Customs and Revenue Agency approved savings plan. The plan matches on a one-for-one basis employee contributions up to 4% of base salary for employees with less than two years service and up to 6% for those with two years or more service. A number of investment alternatives are available with each employee determining the direction of his/her contributions as well as the Company match. One of the investment alternatives is Murphy Stock. In 2002, the employee directed Company match into Company stock under this plan totaled 1,912 shares.

In 2002, the Company s U.K. based subsidiary offered its employees two types of plans that encourage savings and provide for the acquisition of Company stock: the Save As You Earn Plan (SAYE) and the Profit Sharing Scheme (PSS). Both are Inland Revenue approved plans.

The SAYE plan allows employees to contribute up to £3,000 annually. Contributions are invested in an approved Building Trust for a three year period, at the end of which, the employee has the option to direct the amount saved and the interest earned to purchase Company stock at a price equal to 90% of the fair market value of the stock at the beginning of that period. It is permitted to run three plans concurrently but the individual savings limit is £3,000 annually on an aggregate basis. The following details the 1999, 2001 and 2002 SAYE plans:

	Start Date	Maturity	Option Outstanding	Options Exercised
SAYE 1999	11/99	10/02	203	4,307
SAYE 2001	03/01	02/04	1,841	
SAYE 2002	11/02	10/05	4,388	

The PSS facilitated the ownership of Company stock. Under this program, employees may contribute up to 5% of their base salary for the purchase of Company stock at market value. The Company matches the employee purchases on a one-for-one basis. In 2002, the Company match totaled 5,616 shares. Effective January 1, 2003 the Share Incentive Plan (SIP) replaced the PSS. The limit on employee contributions subject to Company match is the same as under the PSS.

RETIREMENT PLANS

The following table shows the estimated annual pension benefit payable, at age 65, under Murphy Oil Corporation s Retirement Plan at December 31, 2002 for the compensation and length of service indicated. The amounts shown are subject to reduction for social security benefits.

Pension Plan Table Murphy Oil Corporation Plan

	Years of Service					
Remuneration(1)	**15**	**20**	**25**	**30**	**35**	**40**
$ 200,000	$ 48,000	$ 64,000	$ 80,000	$ 96,000	$ 112,000	$ 128,000
400,000	96,000	128,000	160,000	192,000(2)	224,000(2)	256,000(2)
600,000	144,000	192,000(2)	240,000(2)	288,000(2)	336,000(2)	384,000(2)
800,000	192,000(2)	256,000(2)	320,000(2)	384,000(2)	448,000(2)	512,000(2)
1,000,000	240,000(2)	320,000(2)	400,000(2)	480,000(2)	560,000(2)	640,000(2)
1,200,000	288,000(2)	384,000(2)	480,000(2)	576,000(2)	672,000(2)	768,000(2)
1,400,000	336,000(2)	448,000(2)	560,000(2)	672,000(2)	784,000(2)	896,000(2)
1,600,000	384,000(2)	512,000(2)	640,000(2)	768,000(2)	896,000(2)	1,024,000(2)
1,800,000	432,000(2)	576,000(2)	720,000(2)	864,000		