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# EDITED TRANSCRIPT

MUR - Q3 2018 Murphy Oil Corp Earnings Call

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NOVEMBER 08, 2018 / 4:00PM, MUR - Q3 2018 Murphy Oil Corp Earnings Call

## CORPORATE PARTICIPANTS

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**Kelly L. Whitley** *Murphy Oil Corporation - VP of IR & Communications*

**Roger W. Jenkins** *Murphy Oil Corporation - CEO, President & Director*

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**Pavel S. Molchanov** *Raymond James & Associates, Inc., Research Division - Energy Analyst*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to the Murphy Oil Corporation Third Quarter 2018 Earnings Conference Call. (Operator Instructions) This call is being recorded on Thursday, November 8, 2018.

And now I would like to turn the conference over to Kelly Whitley, Vice President, Investor Relations and Communications. Please go ahead.

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**Kelly L. Whitley** - *Murphy Oil Corporation - VP of IR & Communications*

Good morning, everyone, and thank you for joining us on our third quarter earnings call today.

With me are Roger Jenkins, President and Chief Executive Officer; and David Looney, Executive Vice President and Chief Financial Officer.

Please refer to the informational slides we have placed on the Investor Relations section of our website as you follow along with our webcast today. Please keep in mind that some of the comments made during this call will be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. As such, no assurances can be given that these events will occur or that the projections will be attained. A variety of factors exist that may cause actual results to differ. For further discussion of risk factors, see Murphy's 2017 annual report on Form 10-K on file with the SEC. Murphy takes no duty or publicly -- to publicly update or revise any forward-looking statements.

I will now turn the call over to Roger.

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**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

Thank you, Kelly. Good morning, everyone. I have a bit of a cough today, so bear with me. Thanks for listening in today.

2018 has been an excellent year both financially and operationally for Murphy. Our excellent third quarter results illustrate our commitment to a diversified portfolio as robust production from our oil-weighted onshore and offshore plays continue to drive high-margin realizations.

Production in the third quarter averaged 169,000 barrel equivalent per day at 58% liquids. Production exceeded the high end of the guidance by over 1,200 barrel equivalent per day. This beat was driven by outperformance on our onshore Canada, Tupper Montney and our offshore Sarawak, Malaysia assets.



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In the third quarter, we generated \$94 million and \$0.54 per share of earnings. Our disciplined capital allocation enabled us to return 12% of our operating cash flow to our shareholders. We achieved an annualized EBITDA per capital employed of 21% and maintained our balance sheet streak with \$2 billion of liquidity. In the quarter, we also paid our own way of building our cash position.

In early October, following the announcement of our accretive Gulf of Mexico transaction, we received an upgrade from Fitch ratings to BB+. We view this as a step in the right direction on our path back to investment grade.

Through the cycle, we've maintained unique ability to successfully execute deepwater projects offshore. We installed the Kikeh gas asset project in offshore Malaysia as well as the Dalmatian subsea pump in Gulf of Mexico. We also successfully drilled the Samurai-2 sidetrack well. And after early analysis of well logs and core data, we now believe we have approximately 90 million barrels equivalent of discovered resources.

In our North American onshore business, we're able to continuous improvement in cost reductions by achieving lease operating expenses just over \$6 per barrel equivalent sold. We simultaneously deliver on our growth plans while spending within cash flow in growing our Kaybob Duvernay shale by 2.5x year-over-year.

Slide 4. Subsequent to quarter end, we announced an extremely accretive bolt-on transaction in the Gulf of Mexico that we will immediately provide additional free cash flow. This is accomplished by forming a JV with Petrobras, but we will ultimately own 80% of the combined company's assets for a consideration of \$900 million subject to closing adjustments. The full details of the transaction can be found in our press release issued on October 10. The deal is expected to close by the end of the month.

We continue to successfully execute on our strategy. We have returned to offshore exploration with the success of Samurai project. Our low-cost innovative offshore projects in Malaysia and the Gulf of Mexico are now installed and beginning to see production uplift.

Our team delivered excellent operational performance in the third quarter where we see Kaybob continuing to exceed our expectations. During the third quarter, our diversified portfolio delivered a weighted average price of over \$69 per barrel of oil sold. No matter the price of oil, Murphy remains advantaged to our peers.

Slide 6. Over the course of 2018, we delivered strong EBITDA per BOE from 3 core areas. These areas received premium prices, which is the key to our high-margin generation and account for 70% of our total production and 70% of our annual capital. We generated solid results in EBITDA from these assets, ranging from \$34 to \$40 per barrel.

Slide 7. We're maintaining our full year CapEx at \$1.18 billion with the annual production being in the range of 168.5 to 170.5 barrels of oil equivalent per day. Both CapEx and production do not include adjustments for the recently announced joint venture. We intend to provide those updates upon closing.

Fourth quarter production is expected to be the range of 167,000 to 169,000 barrels per day equivalent. The fourth quarter is being affected by series of temporary one-off events across many of our assets, so we've accounted for those events in our production guidance.

In the Gulf of Mexico, production shut in, in October due to the impacts of active tropical storm and hurricane season. In Malaysia, we had a series of mechanical issues in the field and some non-operated onshore facilities at lower production levels. In offshore Canada, a scheduled turnaround to non-operating Hibernia field was delayed and extended into the fourth quarter. These issues had been rectified and production had been restored to previous levels. Additionally, recent flooding across most of our Eagle Ford Shale acres has caused shut ins due to road damage at some of our facilities.

At this time, I'll turn the call over to our CFO, David Looney, for a financial update.

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**David R. Looney** - *Murphy Oil Corporation - Executive VP & CFO*

Thank you, Roger.



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I'll be starting on Slide 8. Consolidated results in the third quarter of 2018 included net income of \$96 million or \$0.55 per diluted share compared to a loss of \$66 million, which is a loss of \$0.38 per diluted share in the same quarter 1 year ago. Our adjusted income was a profit of \$61 million or \$0.35 per diluted share in the third quarter of 2018 versus a loss of \$6 million in the comparable quarter last year. The adjusted income varies from our net income due to the following after-tax items. Number one, an unrealized mark-to-market gain on crude oil derivative contracts of \$21 million. Two, proceeds from an Ecuador arbitration settlement of \$21 million. The Ecuador arbitration settlement relates to a change in fiscal terms for a block previously owned by the company. Number three, a prior period net income adjustment of \$9 million for the reconciliation associated with the unitization of the Gumusut-Kakap field in Brunei working interest income. This settlement, which was signed in 2017, relates to the reconciliation of accounts amongst the Malaysia and Brunei parties. It is important to note that there was no change in the quarter to Murphy's working interest in the Gumusut-Kakap field. And finally, a loss on foreign exchange of \$18 million.

At September 30, Murphy's total debt amounted to \$2.8 billion, excluding capital leases, or 38% of total capital while net debt to total capital was 30%. At the end of third quarter, we had no outstanding borrowings under our \$1.1 billion revolving credit facility, and cash and equivalents were approaching \$950 million at quarter end.

Moving to Slide 9. One of the hallmarks at Murphy over the years has been our disciplined approach to capital spending within our cash flow. As Slide 9 indicates, we're once again leading our peer group in this area as Murphy is currently 1 of only 2 companies in our 17-company peer group to generate free cash flow every quarter this year.

Additionally, as the graph indicates, our free cash flow yield calculated by annualizing our 9-month free cash flow and dividing by our equity capitalization at 9/30 ranked us first in this metric among the peer group. As you can see, while many others talk about free cash flow, we, at Murphy, are delivering. This is really nothing new for Murphy as we have always been focused on disciplined free cash flow generation and strong execution. We're not simply growing for growth's sake, but rather with the goal of operating each of our assets as a free cash flow generating entity. At present, among our primarily assets, only the Kaybob Duvernay is expected to be free cash flow negative for the year, which is not at all unusual for an early innings shale play such as this. By employing this approach at the individual asset level, we generate free cash flow as a company, which we then allocate in a shareholder-friendly way. This disciplined capital allocation approach leads to predictable consistent execution quarter in and quarter out.

With that, I'll turn it over to Roger to review the company's operations.

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**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

Thank you, David.

Let me start on Slide 11. The Malaysia assets continue to be a reliable free cash flow generating business. Our key Kikeh DTU gas lift project is now complete. And in the third quarter, we achieved a milestone with the Kikeh FPSO, completing over 600 liftings since we started production with that asset.

In Sarawak, in South Acis, we completed an infill 3-well drilling campaign with the wells now in line. In Sarawak, we completed the 9-well gas recompletion project that allowed for continued gas deliverability up to 300 million cubic feet per day gross.

Our Block H Rotan FLNG project remains on track with manufacturing completing -- completed for flexible flowlines and dynamic riser section.

In Vietnam, our LDV development continues to progress the field development plan and progressing approvals aiming to declare commerciality by year-end.

In the Gulf of Mexico, we commenced installation in the Dalmatian subsea pump late in the quarter. Early in the fourth quarter, the installation was completed and it's currently delivering incremental production of 7,000 barrels a day equivalent gross with rates exceeding 11,000 barrels equivalent per day gross. This is an increase of 250% from prior quarter production. Also, this pump installations sets a record. It's the longest umbilical used



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in subsea pumps at over 22 miles. This, again, is example that sets Murphy apart. Another industry first as we made the technology we believe we can use long term in the Gulf of Mexico, including our new joint venture fields.

Slide 12 on Eagle Ford Shale. In the quarter, we brought 9 wells online in Eagle Ford, all in Catarina. In the fourth quarter, we plan on bringing additional 4 Catarina area wells online. Eagle Ford Shale team continues to lower drilling costs while maintaining completion costs in spite of service cost inflation. We continue to see cost-per-foot improvements with 2018 year-to-date below last year. We continue to lower completion costs as our 2018 year-to-date is now approaching levels from 2015 with the backdrop of overall cost inflation and performance-driven sand-per-foot increases during this time frame. This is all from continued outstanding execution and procurement work. For the 9 months ended September 30, this asset has generated \$140 million of free cash flow.

Slide 13. The Tupper Montney continues to deliver reliable well performance and free cash flow with operating expenses below USD 0.60 this quarter. For the 9 months ended September 30, the asset has generated \$12 million of free cash flow in this gas price environment. We continue to mitigate our AECO spot exposure to hedges in all of AECO sales with 40% of our Tupper Montney natural gas exposed to daily spot. In the third quarter, realized CAD 2.25 per MCF for our gas.

Slide 14. An active quarter in the Kaybob Duvernay bring 10 wells online. At this time, we feel that our appraisal plan is complete with the exception of the Two Creeks area, which we're drilling and executing today. During the fourth quarter, we plan to bring 5 wells online, which brings our total 2018 wells online to 27. With this plan, we are on track to deliver fourth quarter exit rate of more than 11,000 barrels equivalent per day in this field.

Slide 15. We continue to have strong well performance at Duvernay. Production increases 36% from second quarter, exceeding 10,000 barrels equivalent per day with 61% liquids. We continue to drill longer, faster, cheaper wells. We drilled our longest well lateral in the play exceeding 11,400 feet in the Kaybob West area. The fastest and least expensive wells drilled were in the Simonette area where we drilled a well in 18 days for \$3 million.

Our lease operating expenses continue to trend down. We achieved an all-time low of \$7.29 per barrel equivalent in the quarter, which is outstanding considering we've only operated here for 2 years and delineating across all areas of our acreage. Murphy has only executed 36 new wells in the play since becoming operator, proving again outstanding execution.

In Slide 15, we're showing some of the results from the 4-well pads that we executed this year. Clearly, illustrating value creation as we move to full development mode with outstanding IP30 rates in cumulative production volume.

17. I'm pleased with our early results and our new focused exploration strategy. Our Samurai-2 well where we were able to find contiguous sands over hedge is strategically connected to update pay zones. With the Samurai-2 sidetrack, we maintain an adjacent block in Green Canyon 476 where we have proven all accumulations extending across 3 sands of the pay.

As we analyze the well logs and core samples from the sidetrack, we feel confident in increasing the pre-drill resource estimate from 75 million barrels equivalent to over 90 million barrels equivalent while targeting a full cycle IRR of 30%. We're currently working on development plans. We look forward to bringing you more information how Samurai success plays out in the New Year.

Drilling King Cake prospect, Slide 18. Today, in the Gulf of Mexico, we will spud the Murphy operated King Cake well with a 31.5% working interest. The amplitude-supported prospect is testing the same intervals as the Gunflint discovery nearby with primary objectives in the Middle Miocene.

Murphy's net well cost is expected to be at around \$25 million. The main gross resource potential is 50 million barrels equivalent with an upside potential of 100 million barrels equivalent. With this main resource size, we again see full cycle breakeven of \$40 per barrel or less and successful cycle IRR of over 30%. We look forward to updating you all on the King Cake well in our fourth quarter call next year.

Slide 19. A quick update to 2 other important exploration wells, the Cholula prospect, formerly known as the Palenque well in Mexico, received exploration plan approval from the regulators. And we're now waiting approval of the drilling plan. We plan to spud this well now in early 2019. In Vietnam, we expect to spud the LDT prospect in 15-01/05 in the first quarter of 2019 also.



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As you look back on '18 and forward to '19, we plan to drill our exploration wells in Mexico and Vietnam very early plus 2 additional wells in the Gulf of Mexico. These exploration wells are exciting and allow for continued growth in all reserves upon success. In our non-operated offshore Brazil acreage in Sergipe-Alagoas basin, the 3D seismic survey is completed. We'll have the fast track data to work in our offices in the first quarter of 2019. We continue to add to our Gulf of Mexico expiration inventory with the recent award of the Highgarden prospect in Green Canyon Block 852.

In closing, we're delivering on our 2018 plan and especially proud to be one of the few companies with free cash flow yield and returning significant cash to our shareholders. This is enhanced by our exciting new joint venture in the Gulf of Mexico that immediately delivers additional free cash flow. And we have a unique ability to create upside for our shareholders with continued success in our exploration strategy, plus we're executing well in North America onshore and our global offshore businesses.

Finally, I'd like to, as usual, thank all of our dedicated employees that work diligently each day, executing our strategy. I appreciate your time today, and I'll open up for calls at this time.

### QUESTIONS AND ANSWERS

#### Operator

(Operator Instructions) From Arun at JPMorgan.

#### **Arun Jayaram** - JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst

I heard the word free cash flow mentioned a number of times in the commentary, which is encouraging. But post the Petrobras deal, in our model, we feel with \$800 million of free cash flow generation for Murphy at a recent price deck. So I guess the question we have is what are your thoughts on deploying that free cash flow? How do buybacks -- debt reduction? What -- where's your thought process behind free cash flow in 2019?

#### **Roger W. Jenkins** - Murphy Oil Corporation - CEO, President & Director

Well, we want to use a portion of that cash flow and get CapEx into the Eagle Ford. You can tell on our call today, we still have pretty good results there. But delivering 4 wells a quarter just won't make it in an oil-rich play like that that's low-entry cost, working well and executing well. So we want to get a lot of CapEx into that next year, increase the CapEx for that, I would say, just to get the budget-type things behind this year. We're going to release that in late January, which is not so far away from now. We had a significant accretive cash flow providing business to get closed by then. I feel real good about that closing and about that change. And so our budget is going to be different from last year, but in a very positive way. We're going to be using both 60s WTI, low-70s Brent. We're not focusing on growth, but we're going to have production growth. We're going to have significant oil CAGR and have probably a 50% increase in CapEx in the Eagle Ford alone. And we, again, will have free cash flow ahead of our dividend there. We're not putting all this free cash flow right back to work and focusing it really just on Eagle Ford Shale with the rest of our businesses being maintained and our exploration, probably slightly less than this year. And those are the things we're working on. And so it's not that we're putting all that capital to work. Our CapEx will be higher, production will be higher, oil CAGR will be higher. All the way, production will be higher and our free cash flow yields are going to be higher. So it should be a very positive budget when this closes. We'd like to get this closed, go through our board and do that then. So it's a roundabout way of answering your question. At this time, we're maintaining our dividend and having additional free cash flow yield. We have the option of paying back some of the draw in our revolver with that over the next couple of years as we see fit as oil prices behave and have a lot of optionality around that. But we're very proud about how our budget is going to look and how we're looking once we get this asset in our control here real soon, Arun.



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**Arun Jayaram** - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

All right. Two other quick ones from me. Regarding the Petrobras deal, I know it had a 10/1 effective date. Any estimate of how much cash that asset would generate between 10/1 and closing? And thoughts on maybe hedging the oil price just to reduce your overall -- (inaudible) the cash flow stream from the Petrobras deal.

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

It's probably \$50 million, \$60 million a month kind of thing, Arun, something to that effect. And of course, you got to get to the final closing statement. This is complex transaction involving a bunch of assets. So I feel pretty good about that number. And we are not hedged in '19. We're using a low-60s WTI right now. I'm still comfortable with that because I'm comfortable with the outcomes that I have in my budget as I just went through the high-level budget discussion of our pillars for our budget. So we're not hedging that, and we don't think we need to. And our liquidity and our revolver situation, which is improving, doesn't require that in our mind. And we are hopeful that this oil price will return to more stable times after we get through everything's been going on of late and not hedged today.

**Arun Jayaram** - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

And just final question is, you reported just in Q4 some kind of quarter-specific items, weather, et cetera. Is there any knock-on effect to some of the fourth quarter items that you highlighted in the press release towards 2019?

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

No. I wouldn't anticipate that at all.

**Operator**

Next question will be from Leo at NatAlliance Securities.

**Leo Paul Mariani** - *National Alliance Securities, LLC, Research Division - Research Analyst*

A couple of questions for you guys here. On Kikeh, you guys obviously got that gas lift project working here. Just trying to get a sense of whether or not you actually see production uplift at Kikeh. Or is that more of a maintenance of production? And if there is uplift, can you just take a stab at quantifying that?

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

No, there's an uplift from it, probably in the 2,000 range. This is one of the sources of some mechanical issues we had. We're -- if you follow back on our prior calls, we were doing some -- an infill work over on subsea wells. And that's been flowing in. We've been doing a debottlenecking and lowering system pressure on a compressor on the platform, the main FPSO, all in our mind trying to get a -- our DTU to work. So we don't really have the uplift today because it's hurt by some water injection problems and some issues in shore with the gas plant where we sell gas. So it hasn't been a good time to get that kicked off, but it's performing very well. And we're going to add, I believe, up to 5 more tubing streams between now and the end of the year. I'm anticipating kind of a 2,000 increase. But then overall, a maintenance-type deal in a field that's producing now for 11 years.



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**Leo Paul Mariani** - *National Alliance Securities, LLC, Research Division - Research Analyst*

Okay. That's helpful. And I guess similar question around Dalmatian. You guys obviously talked about 7,000 BOE per day of incremental projection. Do you guys see that as sort of incremental flush production in the short term that might start declining lower than that 7,000? Or do you think that could be maintained for some period? What can you tell us about that?

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

I think it's going to be maintained for a while. This is a mechanical situation. There will be no evacuation of oil from the reservoir as we go through. We're looking in the budget today, in our draft budget to drill another well out there because this is performing so exceptionally well. This is a -- pretty much a pressure drill down of the long pipeline system to allow the wells to evacuate oil at a lower pressure. It's working incredibly well. It's industry leading. It's an outstanding project executed here in our Houston office. And so I'm not seeing major decline coming out of that because it's a mechanical uplift that's overriding that well into '19.

**Leo Paul Mariani** - *National Alliance Securities, LLC, Research Division - Research Analyst*

Okay. And that's helpful. And I guess you just mentioned potentially drilling another well there. I think in your prepared comments, you talked about 2 wells in the Gulf of Mexico in 2019. Would that be one of the wells?

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

That would be in addition to that. That would be a well from a reservoir we have in that field. That's not an exploration well.

**Leo Paul Mariani** - *National Alliance Securities, LLC, Research Division - Research Analyst*

Okay. So it'd be 2 exploration wells potentially in the budget in the Gulf for next year?

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

Plus the finishing off of the Mexico and the Vietnam well. Correct.

**Leo Paul Mariani** - *National Alliance Securities, LLC, Research Division - Research Analyst*

Okay. At then at Samurai, any initial thoughts on development program there? I know you guys just finished giving some appraisal or the size. But any initial thoughts on how that might go?

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

Well, we're very pleased with the outcome. Very pleased that this is a very nice resource size to use in the tie-back system. We have to work with our partner there. We just developed our pre-ANP to study various development plans. Probably looking at a 3- or 4-well-type development with probably 6 or 7 different completions in the various reservoirs we've discovered. We outlined, in early October, series of slides that shows how a development like that would work probably 18 months from drilling a well next year. We may not have to drill the well. We're in the middle of deciding that now. We could just drill a development well later. So looking at drilling a well late '19, full in oil 2 years from that point, 18 months to 2 years from that point. And these things are going to -- probably on a growth to production basis kind of top out in a couple of years at 30,000 gross. We're 50-50. And the client from there has a very nice asset with outstanding economics that can compete with any capital in the world.



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**Operator**

(Operator Instructions) And next question will be from Muhammed at Raymond James.

**Muhammed Kassim Ghulam** - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

So if I'm reading this correctly, Eagle Ford production is going to be down pretty significantly next quarter. What exactly the driver behind that?

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

Well, we had a pretty rough start and continued into this week. We've removed hundreds of yards of segments of roads going into some of our newer pads in the Catarina and Karnes area. With water, we had to get some actual boats there to go service and turn the wells. We're afraid to leave the wells where we can't attend to them as the road is washed out. So it's put a hurt on that. Not so much on completions and drilling, we happen to be in a dryer area while we're doing that. And just a very limited well count and delivering 9 wells in 1 quarter, and 4 coming up in the next in the shale play. It doesn't take much to have the production declined. So again, our focus is to get our accretive business in the Gulf in order of tax advantage business, take that free cash flow and up our capital gain to have more consistent, non-front-end loaded Eagle Ford business that will not allow for those type of pullbacks, primarily this year.

**Muhammed Kassim Ghulam** - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Okay. And in Mexico, so you the prospects there next year. Is there any risk to the timetable given the new administration are going to come in, in December?

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

What was that again? And what areas? Mexico?

**Muhammed Kassim Ghulam** - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Yes.

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

No. We've had -- maybe we've had a -- we're progressing well. We had a milestone of the exploration program approved. There are some nearby peers that are gaining approval with theirs that are slightly ahead of us. And they've been able to do it. We're communicating with them. Our relationship with the government and the quality of the permit that we turned in has helped us. They were outstanding team that used to working internationally here at Murphy. And the quality of our work enable to get in and our relationship with them, and we feel that we are going to get the permit in December and drill our well.

**Muhammed Kassim Ghulam** - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Okay. Can you remind us of the pre-drill estimated cost for that well and also the one in Vietnam? Do you guys have it in front of you?



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**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

It should be here. Just one second. It's on the slide that we're using this morning. I was reading at it and I -- here you go. The well in the Gulf of Mexico will be \$25 million for Murphy. The well in Mexico will be \$15 million. And The Vietnam well will be around \$20 million. And what else is your question on that, Muhammed?

**Pavel S. Molchanov** - *Raymond James & Associates, Inc., Research Division - Energy Analyst*

Pre-drill estimates, if there are any?

**David R. Looney** - *Murphy Oil Corporation - Executive VP & CFO*

The team K well has a gross main of \$50 million or 31%. The Mexico well has 200 million barrels or 30%. The Vietnam well has 35 million or 40%. But it hasn't -- and all these have enormous upsides ranging from 100 to 250 to 500 million barrel improvement. These are very big upside opportunities for us and our company.

**Operator**

Next question will be from Luke at Energy Intelligence.

**Luke Johnson**

I was just wondering if among the exploration wells you're planning next year if any of that involves further appraisal at Hoffe Park. I know you guys just acquired full operatorship there from Chevron. Just wondering what your plans might be for that discovery going forward.

**David R. Looney** - *Murphy Oil Corporation - Executive VP & CFO*

Yes. In our current budget draft, a well to be drilled in Hoffe Park is included. And we're very excited about it.

**Luke Johnson**

And you got any resource estimate for that?

**David R. Looney** - *Murphy Oil Corporation - Executive VP & CFO*

It'll probably be around 100 million barrel prospect at this time.

**Operator**

There are no further phone questions at this time. I would like to turn the call back over to Roger Jenkins for any closing remarks.

**Roger W. Jenkins** - *Murphy Oil Corporation - CEO, President & Director*

Appreciate people calling in today, and we'll -- if you have any further questions, contact our IR team, and we'll get those lined up for you. And appreciate it, and we'll talk to you soon. Thank you.

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## Operator

Thank you, sir. Ladies and gentlemen, this does conclude the conference call for today. Once again, thank you for attending. We now ask that you please disconnect your lines.

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