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MUR - Murphy Oil Corp Announces Strategic Sale of Malaysian Portfolio

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OVERVIEW:

Co. announced that it has signed a definitive purchase and sale agreement to sell Malaysian business. This is a $2.127b all-cash transaction signed with PTT Exploration and Production Public Company Limited (PTTEP).

CORPORATE PARTICIPANTS

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

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Murphy update conference call. (Operator Instructions)

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

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

Good morning, everyone, and thank you for joining us on our call today. With me are Roger Jenkins, President and Chief Executive Officer; David Looney, Executive Vice President and Chief Financial Officer; and Eric Hambly, Executive Vice President, Onshore.

Before we get started, I'd like to remind you that a slide deck summarizing some of the highlights of the transaction, which we will be discussing today, have been posted to the Investor Relations section of our website, so I encourage you to review as you listen to the webcast. Additionally, 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 assurance 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.

We will be referring to certain non-GAAP financial measures this morning. Reconciliations of these measures to the comparable GAAP financial measures are included in an appendix to the presentation. For further discussion of risk factors, see Murphy's 2018 Annual Report on Form 10-K on file with the SEC. Murphy takes no duty to publicly update or revise any forward-looking statements.

I will now turn the call over to Roger Jenkins, President and Chief Executive Officer.

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

Thank you, Kelly. Good morning, everyone, and thank you for taking the time to join us on our call today. As you know, we just announced that Murphy signed a definitive purchase and sale agreement to sell our Malaysian business. Mike McFadyen, Executive Vice President of our Offshore Business, represented me in Kuala Lumpur and signed the PSA this morning.

This is a $2.127 billion all-cash transaction signed with PTT Exploration and Production Public Company Limited, known as PTTEP, the national petroleum exploration and production company of Thailand. As part of the agreement, there is a conditional payment of up to $100 million if they achieve certain future exploratory drilling results prior to October 2020. We expect the transaction to close by the end of second quarter of 2019, subject to customary conditions, including necessary regulatory approvals.

These assets have been sought after in recent years by companies that were looking to make a strategic change in their portfolio in this region. Acting on behalf of our shareholders, we had to closely examine the offers and what that meant to our business going forward. This is a monumental transaction for Murphy as it presented unique opportunity to fully monetize all of our proved and probable resources at prices well ahead of current market conditions.

While an incredible sum, it only equates to about 16% of our 1P reserves and 22% of our 2019 production. As I'm sure you will agree, it's an offer that we could not pass up. Also, the amount offered was naturally well ahead of our recently disclosed standard measure for oil and gas reported in our 10-K on our Malaysian assets.

At the end of our 20-year very successful run in Malaysia, we take note that we spent over $15 billion in total cash expenses of all kinds, and including this transaction, we would have generated revenues of over $22 billion, generating a full cycle rate of return of almost 28%. That's over $7 billion of cash net to Murphy over the last 20 years, an incredible return. Under current tax rules and advanced planning by our outstanding tax team, we expect to be able to repatriate essentially all the cash proceeds to the United States with no tax leakage.

As we previously disclosed, we're continuing to take steps to simplify our portfolio, focus on ongoing production in our high-margin oil-weighted assets, and this transaction is another important step in that process. Oil production in our Malaysian portfolio is expected to climb as these assets are planned to generate increased natural gas production over the coming years. With that said, along with the desire and ability to allocate more capital to our Western Hemisphere tax-advantaged areas such as the U.S., we believe now is the right time to transition the business to a new owner.

Slide 4 provides a brief summary of the properties we're divesting. In 2018, these properties delivered approximately 48,000 barrels equivalent per day of production, 60% oil, 38% gas and NGLs of only 2%. Our net reserves were 129 million barrels equivalent at year-end '18 with proved developed reserves representing 46% of that total.

Slide 5. We are most excited about the use of proceeds and opportunity it creates to reward OUR shareholders. We intend to prioritize the use of proceeds from this transaction to buy back shares, decrease debt and grow cash ON our balance sheet. Overall, the proceeds provides us with increased optionality for future capital allocation. Whether it be deepwater Gulf of Mexico projects, U.S. onshore opportunities or additional funding for organic projects within our existing portfolio, we have options that will advance our highly economic liquids-oriented production profile.

I'm also pleased to announce that consistent with our long history of returning capital to shareholders, we have gained approval from our Board of Directors for a new $500 million share repurchase program. It's expected to be executed in 2 tranches: $300 million sometime before the end of the year followed by $200 million by the end of 2020. The share repurchase is again a sign of our continued shareholder support, including peer group-leading dividend yield and the firm commitment we made not to dilute our shareholders by issuing equity in 2016.

In the near term, as I mentioned, we intend to use a portion of the proceeds to pay down approximately $750 million of outstanding debt, including $325 million to bring our revolver balance to 0 and $425 million target for the repurchase or redemption of outstanding notes. By confirming our share repurchase plans and debt reduction, that leaves us with approximately $750 million cash added to our balance sheet. With this level of cash, we will continue to pursue either potential oil-weighted acquisitions and/or accretive deepwater and U.S. onshore projects, all while being disciplined and opportunistic and only deploying shareholder capital for accretive high-margin opportunities.

Following this transaction and looking over the longer term to 2023, we expect our remaining assets will increase oil production by approximately 8% compounded annual growth rate. We will also have an 8 pound -- an 8% compound annual growth rate per BOE production as well, so all of our growth is coming from oil. Furthermore, in the next 4 years, we expect to return more than $1.2 billion to shareholders through dividend and share repurchases and should generate more than $400 million of free cash flow above dividend levels. We're excited about our outlook and bright prospects for delivering competitive returns for all of Murphy's shareholders.

Slide 6. Here's a detailed use of proceeds over the next 5 years. It's important to note that following divestiture and previously mentioned use of proceeds, we'll have cash on the balance sheet of approximately $1.1 billion. As we move forward executing on our plan, we expect to generate approximately $1.2 billion of free cash flow at a flat $55 WTI price, of which we expect to allocate a portion to continue to reward our shareholders through our ever-competitive dividend yield. Most importantly, we believe with the cash we have on hand today, coupled with the free cash flow we expect to generate, we could have over $1.5 billion available at the end of a 5-year period for previously mentioned accretive opportunities. We believe this transaction sets us up really well for continuing to create value over the long term. Having patience on the right deal at the right time will remain paramount over all our decisions.

Slide 7. I'll now address our plans for 2019 briefly following the asset sale. Previously, we disclosed our annual CapEx to be in the range of $1.25 billion to $1.45 billion, with $106 million planned for Malaysia. For 2019, in Malaysia, we expect to produce between 46,000 to 48,000 barrels equivalents per day, which directly impacts our full year production range of 202,000 to 210,000 equivalents per day. Our 2019 plan reflects Murphy's ongoing commitment of keeping spending aligned with cash flows while returning cash to our shareholders through our competitive dividend in addition to share repurchases outlined here today.

Slide 8. I'm very proud of the deliberate portfolio reposition we've done over the last 5 years. Within the backdrop of cyclical commodity business, it is clear that we have a successful history of taking actions that support our shareholders and better position the company for growth while creating value. Since 2014, we've completed numerous acquisitions and divestitures, delivering total proceeds on the sale of assets of $5 billion after this deal. I believe it's important to note we have booked over $2 billion in gains on the sale of these assets as well. This prudent stewardship has given us the financial flexibility to be opportunistic in terms of acquisitions when appropriate and investing in the business through the commodity cycle.

Slide 9. As I said before, I'm especially proud of our history of returning capital to shareholders and prudently allocating capital. Since 1961, which happens to be the year of my birth, Murphy has returned $4.3 billion to shareholders, including more than $3.5 billion in just the last 10 years, including share repurchases. I'm also pleased by our ability to sustain competitive dividend yield without issuing equity, particularly when compared to our peer group. I believe that these truly -- are truly differentiators for our company. We are confident that we are taking the right steps to build on Murphy's long track record of success in driving strong free cash flow yield, offering a leading dividend and buying back shares as the ultimate formula that drives value for shareholders.

Slide 10. Over the next 5 years, our plan is to primarily focus on our assets in the Western Hemisphere. Like I said before, we expect to grow production by 8% compound annual growth rate. In terms of the Eagle Ford business, we expect to increase the number of rigs to between 3 to 4 per year for an annual CapEx of around $700 million. We anticipate this plan would deliver a 15% annual growth rate in production for this asset. Furthermore, we believe we have a deep drilling inventory ahead of us. And as we exit 2023, we'll still have over 1,000 locations yet to go.

In onshore Canada, given the natural gas price scenario, we're deemphasizing the Upper Montney and are limiting our annual capital to $50 million per year in this particular assumptive case. The decrease will only be experienced in the Kaybob post 2019, then drilling will -- for lease retention only in 2020 and 2021, with spending between $50 million to $100 million per year. Even with this low CapEx, the Kaybob, Duvernay will still deliver approximately 4% compound annual growth rate in production. However, with Canada, we still believe that both of these assets are great over the long term and there may be some opportunity to increase the level of activity should market conditions improve.

In the Gulf of Mexico, we're planning for capital over the next few years to average approximately $200 million per year. Through a number of currently available opportunities within our asset base, this should maintain our current production level. Within our exploration strategy, more broadly, across geographies, we anticipate drilling around 3 to 5 wells per year with an average CapEx spend of $100 million a year.

Slide 11. We're pleased to reach this agreement with PTTEP. We intend to continue our legacy of rewarding shareholders through our share repurchase and competitive dividend yield. The deal enhances our financial flexibility and strengthens our balance sheet. Furthermore, with this strategic transition for Malaysia, we will significantly advance our strategy and further simplify our portfolio toward high-margin oil-weighted assets. As always, we'll be disciplined and opportunistic in deploying shareholders' capital to only accretive and high-return opportunities.

In closing today, while this is a great deal for our shareholders, it's bittersweet for all of us at Murphy as we will ultimately say goodbye to a dedicated group of employees. The team has allowed Murphy to excel in the region for 2 decades through operational excellence. We're also saying goodbye to the support of partners as well, especially PETRONAS.

This is a place where many of our key executives have worked. Tom Mireles, our Head of Technical Services, was Country Manager. Eric Hambly, on the call today, who runs our onshore assets, was a Regional Manager there. Mike McFadyen, who runs our offshore business, was a key executive in Malaysia and replaced me as Malaysia is the place I began my career with Murphy some 17 years ago. I'd also like to thank our business development team, led by Dan Hanchera and his team, for another very successful deal for Murphy.

So we wish all of Malaysian employees well. We feel that our employees staying on with the organization will bode well for them and PTTEP, so truly I believe this is a win-win arrangement. Thank you very much, and we now have our call lines open.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Arun Jayaram of JPMorgan.

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

Roger, I wanted to ask you a little bit about how you're thinking about reinvestment for the $750 million that you plan to earmark for, call it, A&D. On our numbers, the Malaysian assets were going to generate just north of the $300 million in free cash flow. So my first question is, what is the profile of the assets that you may be looking for in the U.S. onshore? Are these free cash flowing assets today or more to build inventory depth at Murphy in your U.S. onshore segment?

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

No, we're looking for assets that -- what hurts the onshore, to be quite honest, in several ways, it's hard to find a free cash flow-providing onshore asset. It would have to be quite sizable. So it points us to more work in the offshore, quite frankly. When we say onshore, there may be some bolt-on opportunities that have some production that will allow us to increase inventory. But really, Arun, for us is -- what we're proud of is being an oil company. We're Murphy Oil Corporation. We're an oil business and we've kept a strategy of being able to do offshore work, build a team that's very successful in doing onshore work. This allows us to look at all kinds of different opportunities. But we are going to be Western Hemisphere focused on all those opportunities, for sure. And that would lead to more Eagle Ford and to Gulf of Mexico from an M&A perspective. So we're looking for free cash flow accretive assets that do not have declining production profiles, that are available. We do not disclose the ones we're looking at, but we're always working that and have been working that very hard for the last couple of years. And we did a major deal just a quarter ago. So I believe that should answer your question, I hope so anyway.

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

Great. Just a couple of other quick ones. What does this mean, Roger? You talked about Western Hemisphere. What is the future of Murphy's Southeast Asian presence? Obviously, you have some operations in Vietnam, et cetera. But how should we think about Murphy in Southeast Asia post this transaction?

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

Well, if we go through the business there, in Australia, we have a very, very nice prospect there that we're looking to drill. We're also part of a very big ranked wildcat area, which one day Statoil or Equinor would possibly drill there. But we are aggressively pursuing other ways to work in operatorship issues there to make that very inexpensive office even smaller with some shut-off timetables available to us. And so that -- we are in Vietnam. That would be our new mini hub of KL. It's a very small office compared to KL, of course. We are drilling an important exploration well there. We do have a 100 million-barrel, we feel, project that will be sanctioned sometime later this year, and it's a different situation. It's smaller but has a lot of upside. But we're going to be looking in that region for things that cannot get into the 30,000 barrel level net to us fairly quickly and with a flatter profile, but we'll be looking to make business development exits in those regions as well. So again, we're focused in this area, but typically, Murphy, while we like to work with people to do things strategically, we very rarely sell out or move strategically because we're able to monetize and do things in a right way, which I'm very proud of. So that's what we're thinking about there, if that answers your question, Arun.

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

Great. And one final one, Roger. I'd be remiss if I didn't ask you about Mexico, given some of the press reports around hydrocarbon shows at Cholula. Can you give us an update on that exploration well and your next potential planned activities at Cholula?

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

Well, [we're going to have margarita] next time you come down to Houston. I know you would probably be first on that. We -- one of our partners made an announcement about that well. And that's all we're going to say about it today because we're here to focus on one of the all-time deals we've ever done to date, and we're going to focus on that at this time, Arun.

Operator

Your next question comes from Ryan Todd of Simmons Energy.

Ryan M. Todd - *Simmons & Company International, Research Division - MD, Head of Exploration & Production Research and Senior Research Analyst*

Maybe a couple of just quick questions on -- clarifications on some of the guidance you gave there. So the 4% production CAGR in Canada, is that the overall onshore remaining business, that's the forecast over the coming years? And in terms of the Montney in general, what does $50 million a year mean for production? Does this kind of maintain the infill or is that...

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

Yes, it's pretty much that. I have the Montney in front of me in BOE per day, and it's around low-40s to mid-40s level throughout the period, and the -- which is all gas basically. And the Kaybob, kind of plateauing in 2020 at this time and then in the low teens and then increasing some in 2023.

Ryan M. Todd - *Simmons & Company International, Research Division - MD, Head of Exploration & Production Research and Senior Research Analyst*

Okay. So the 4% CAGR is for the entire overall Canadian business, right?

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

Yes, sure. Yes, that's correct.

Ryan M. Todd - *Simmons & Company International, Research Division - MD, Head of Exploration & Production Research and Senior Research Analyst*

And then on the -- does this change at all the amount of capital planned to be allocated to the Eagle Ford over the next couple of years? Or do activity levels there remain unchanged relative to prior guidance?

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

I would say it's really what we've been talking about; of course, our other guidance at our other business in it that we've transacted on today with our team in KL. So it's a solid 3 rig a year business, going almost to 4 rigs in 2022 and over 4 in 2023 at these current assumptions.

Ryan M. Todd - *Simmons & Company International, Research Division - MD, Head of Exploration & Production Research and Senior Research Analyst*

Okay. But no incremental -- is there potential for incremental acceleration on the incremental cash coming out the door? Or are you happy with that kind of 3- to 4-rig profile over the next few years?

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

We're happy with it, but things change. If we have exploration success and things of that matter, that could change that. But we don't -- we have to get capital into Eagle Ford, and we're working on best way to do it and not -- do anything we can not to lower it.

Ryan M. Todd - *Simmons & Company International, Research Division - MD, Head of Exploration & Production Research and Senior Research Analyst*

And maybe one last quick one. Is there anything for Brazil? It doesn't show up anywhere here in the mentions. Is that still -- maybe can you give us an update on what the timing of potential contributions or anything over the 5-year window could be out of Brazil? Or is that just…

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

None of our -- none of the production we have today has anything to do with exploration at this time. There is a notional Samurai development in here, and we're still working the details of that. And the CapEx and production levels for that are included. But Brazil is an exploration business, and the seismic and everything is going forward to the plans we had before.

Operator

Your next question comes from Pavel Molchanov of Raymond James.

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

You mentioned the lack of tax leakage from repatriating the cash from this deal. Is there any time limit or use of proceeds limit to what you can do with that cash on the basis of avoiding tax leakage?

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

Pavel, it's David Looney. To answer your question, I would say we're not really expecting any time-limitation issues, et cetera. It really has to do more with the fact of the way we've structured these subsidiaries that own the businesses in Malaysia, and of course, we were planning on that from the very beginning. But we think we're in good shape, and there's really not any time constraint there.

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

Okay, that's helpful. As a post-Malaysia company, can you talk about your income tax on a kind of reported basis? Obviously, with Malaysia, it was always rather messy and to say nothing of higher than kind of most U.S. E&Ps. So what's the new picture going to look like?

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

Yes, great question. And I would say, I think, as most people are aware, the tax rate there is about 38%. Obviously, the majority of our business that we're talking about going forward with increased investment in the U.S, et cetera, will look a lot cleaner from that perspective. The 21% rate in the U.S. obviously is advantageous for us relative to where we've been in the past. So it should be a lot more straightforward.

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

And we have an NOL balance that's quite large in U.S. as well, Pavel.

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

Okay. And just lastly, buyback is getting a boost. Can we also anticipate a dividend increase at some point from current levels?

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

We didn't focus that on today's work we're working on. We historically have reviewed our dividend later in the year, and we'll continue to do that. And not off the table, but today, our focus is just to outline our use of proceeds today. That's a separate call at a separate time, but we're not against that.

Operator

Your next question comes from Vince Lovaglio of Mizuho Securities.

Paul Benedict Sankey - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

It's Paul Sankey here. Roger, one thing I was wondering was what's different this time. As far as I see, there's been a potential to sell those assets for many years. What changed in that regard? And I guess I'm really thinking of the M&A market and what was particularly attractive about this deal to you. Secondly, would you be spending more on exploration? And then finally, any further comments -- I know you've already done this and all that, but any further comments on the M&A market in the U.S. is always interesting? North America, I should say, in your case.

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

Thanks, Paul. It just became a situation where the capital allocation in Malaysia versus our Eagle Ford and our Gulf of Mexico -- we have a lot of opportunities in the Gulf of Mexico. There are many pent-up things to do in the Gulf. I think there's a lot of pent-up things to do in our industry in the Gulf since the slowdown in the shale revolution. There's a lot of workover sidetracks, a lot of things we can do in our business. We have the capital allocation that we were wanting to move this way. We were very sought after that in that region -- a lot of our assets are very sought after, and those have been for quite a while. And then going gassier -- and our capital allocation going Western Hemisphere was making it go gassier, and our gas reserves there after the sell-down a few years ago was not enormous to enjoy what I think is a big LNG future down the road, but it's not robust enough Bcf on our side. And it's one of those things, "If you don't do it now, when are you going to do it?" We have a large ARO there that went to the other bar. And also, the tax change in the United States, our NOL position in the United States and the ability to go from cash taxes to no taxes, if you will, our very limited cash taxes for a long time and all those came to bear. And with a party that was very interested in paying us the appropriate value and a partner that was -- party that was interested in taking all of our personnel, it's just one of those opportunities that I thought I needed to do and just felt strongly about, and we moved forward on it. On the M&A side...

Paul Benedict Sankey - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

[I understand] what a big moment this is in the history of the company, sure.

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

I'm sorry, Paul, what was that?

Paul Benedict Sankey - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

I understand what a big moment this is in the history of the company, and I get what you're saying about re-shifting back to North America.

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

Well, 20 years with this kind of full-cycle returns are very unique in our business. And -- but -- and when you hit the home run ball, you got to move on and go somewhere else. So that's what we're doing. And on the M&A side, I mean, we're quite discreet about M&A. We work on lots of opportunities. We really don't share a lot about it too much. We feel that they are Gulf of Mexico opportunities that fit us, many things we can do to improve, be more efficient, things that we do to tie in infrastructure. There's a lot of things out there, and we're going to continue to be diligent about working that. From an exploration business perspective, we're really wanting to get this capital into our Eagle Ford and our Gulf project business and to look for -- and there are other projects that we might conjoin as well in this industry as well. It's not about increasing exploration here. The efficiency of the rigs now are so incredible. And our -- and while I'm not commenting at all on the Mexico wells, the fastest well ever drilled in Mexico -- the last 3 wells we've ever drilled are the fastest I've seen in my career, and that's a long career of offshore drilling. And our efficiency's so great and the execution of the rigs is so good that we don't need to increase our CapEx. And this is really about short-term cycle things and keeping that -- a lot of bang for the buck in that $100 million. That's been the real change since 2010 through 2014, is the real bang for the buck for exploration, ownerships, right kind of partners, right kind of working interest, incredible rig ability, incredible team to execute. So I'm not looking to increase that at this time, Paul.

Paul Benedict Sankey - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

This might be a really dumb question, sorry. I could go on, Roger, but why are you not commenting on Mexico? Could you not help us a bit more with this? It sounds very exciting.

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

No, I just want to not get into the mode of every little well. We drill lots of wells all over the world, so we're focusing on this today, Paul.

Operator

Your next question comes from Brian Singer of Goldman Sachs.

Brian Arthur Singer - *Goldman Sachs Group Inc., Research Division - MD & Senior Equity Research Analyst*

A couple of questions with regards to decline rates. The first is, can you talk about where that's running now in the Eagle Ford? And also, just a clarification on the activity levels there. I think there was a slide that indicates your CapEx was going to be going up from $700 million to around $1 billion by 2023. I just wanted to make sure that was consistent with, I guess, the 3 to 4 rigs or whether I missed something earlier and whether that represents acceleration in terms of what the prior plans were.

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

I'll speak to CapEx and have my associate, Eric, handle the question on decline rate. Our Eagle Ford business is absolutely going up in 2022 and 2023 as we get over 3 rigs and get them to more than 4 rigs in 2023, 4.5 rigs probably. And that's where that $1 billion comes from. So we'll be moving from $600 million to almost $700 million, $700 million to $600 million for 3 years and then moving up to over $700 million and over $900 million in 2023. And I'll let Eric, our expert on Eagle Ford, answer the question Brian. Go ahead, Eric.

Eric M. Hambly - *Murphy Oil Corporation - EVP of Onshore*

Okay. Thanks, Roger. So in the Eagle Ford, our decline rate is pretty highly dependent on how much activity we have. When we bring on a lot of new wells, the years immediately following that, we have a steeper decline. So we've communicated decline rates for our Eagle Ford that are in the range of 25% to 35% overall. And that makes sense as we increase our program going forward, the decline rate on the higher end of that for the whole Eagle Ford would make sense, so something to be thinking about in the 30% to 35% range.

Brian Arthur Singer - *Goldman Sachs Group Inc., Research Division - MD & Senior Equity Research Analyst*

Great, that's helpful. And then shifting to the Gulf of Mexico, a little bit of a similar question. What do you see as your decline rate there? And what's the level of confidence around that $200 million a year number to keep production flat? What do you see as the upside or downside -- downside risks to that as you further understand the PETROBRAS JV assets?

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

I would say the offshore decline rate is around 20%. It hasn't changed for a long time. We are going up some in the Gulf in the next few years and then kind of equaling back to where we're -- slightly above where we are this year in 2023. There's many, many projects to do there. I'm happy with the average CapEx. There'll be some years it's high, there'll be some years it's lower. The Samurai project in 2020 will be a pull in CapEx there. That's an average CapEx, and offshore depends a lot with partners and various things that you do. But we have a lot of things to do, and we've modeled them here. And it's keeping a 20% decline rate, slightly growing, so I believe it's working. And these are projects well understood, have been on the books for a long time, to do with some of our historic assets such a rig program in Front Runner, a rig program at Medusa, the semi-well drilled at Kodiak, a new well to drill at Dalmatian later this year. And we're just getting in charge through the government shutdown, where we're held back a little bit on running the PETROBRAS assets than we'd like. And we believe we have lots of opportunity there as well that are working their way into replacing some capital allocation we have, meaning that's how -- what you want is ideal capital allocation, of course. And we're very excited about our Gulf business and excited about the rigs' ability and efficiency and everything that's out in front of us. There are places we've got a lot of work to do.

Brian Arthur Singer - *Goldman Sachs Group Inc., Research Division - MD & Senior Equity Research Analyst*

Okay. And one last quick one. Do your expectations for free cash flow within the '19 to '23 period include any cash flow contributions from reinvesting of the $750 million in earmarked proceeds for either acquisitions or investment in the portfolio?

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

No, sir.

Operator

There are no further questions at this time. Please proceed.

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

Okay. Thanks, everyone, for calling in today, and we'll be all talking to you soon, and take care. Thank you.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.
