MURPHY OIL COMPANY LTD. ANNUAL REPORT 1983

CONTENTS

Cover: Climbing a pipeline storage tank at Kerrobert, Saskatchewan.

HIGHLIGHTS

FINANCIAL

(thousands of dollars except per share amounts)

	1983	1982
Revenues*	**$108,554**	83,320
Net Income Before Extraordinary Items	**21,250**	15,224
Per Share**	**1.69**	1.21
Net Income After Extraordinary Items	**27,169**	15,224
Per Share**	**2.16**	1.21
Cash Flow	**52,488**	42,595
Per Share**	**4.17**	3.39
Capital Expenditures	**44,100**	38,498
Working Capital***	**31,983**	11,646
Total Assets***	**254,062**	250,675
Shareholders' Equity***	**129,405**	103,844

OPERATING

	1983	1982
Gross crude oil and gas liquids produced (cubic metres per day)	**1 432**	1 380
Net crude oil and gas liquids produced (cubic metres per day)	**1 043**	976
Gross natural gas sold (thousands of cubic metres per day)	**578**	597
Net natural gas sold (thousands of cubic metres per day)	**468**	468

* Restated for 1982 to reflect sale of marketing assets.
** Restated for 1982 to reflect two for one share split.
*** Year-end.

LETTER TO THE SHAREHOLDERS

For Murphy 1983 was a year of adjustment in preparation to focusing investment on upstream resource development. In an environment that saw some measurable recovery from recessionary influences with industry profits of healthy companies reporting gains, Murphy achieved record profits and generated record cash available for reinvestment in resource development. At year-end, short-term investments totalled $34,000,000, an improvement of more than $5.00 per share, from a sum of the components of corporate debt which totalled roughly $37,000,000 at the beginning of the year.

The most significant 1983 achievement having impact on financial performance and corporate strategy was the sale of the assets of Spur Oil Ltd. with approval of the Board of Directors. An analysis of past performance of the marketing division and a projection of future potential revealed inadequate return on invested capital and excessive funds tied up in inventories. Despite a competent and aggressive marketing team, infrequent levels of acceptable profitability from product sales were not sufficient to offset negative changes occurring in the marketplace and investment opportunities elsewhere.

After surveying potential buyers Murphy entered into serious negotiations with Ultramar Canada Inc. very early in the year. Tentative agreement was reached in late May and federal government approval was issued in September leading to closing of the sale December 1.

Reported 1983 net income and cash provided by operations, therefore, reflect the operating performance from upstream activities, contribution of 11 months of marketing operations and the direct impact of the sale of assets and liquidation of inventories. Marketing statistics, revenues and volumes are reported separately in preparation for comparative evaluation of future upstream results alone. Also important to the interpretation of 1983 results is a two for one share split of common stock effective May, 1983.

For Murphy 1983 was rewarding from a financial point of view with net income up over 75 per cent to $27,200,000 and cash flow of $52,500,000, up almost 25 per cent from the year before. Contributions from the exploration, production and supply and transportation divisions were well up from 1982. For 11 months of 1983 marketing sales did not meet expenses while the sale of Spur assets provided an extraordinary gain in December.

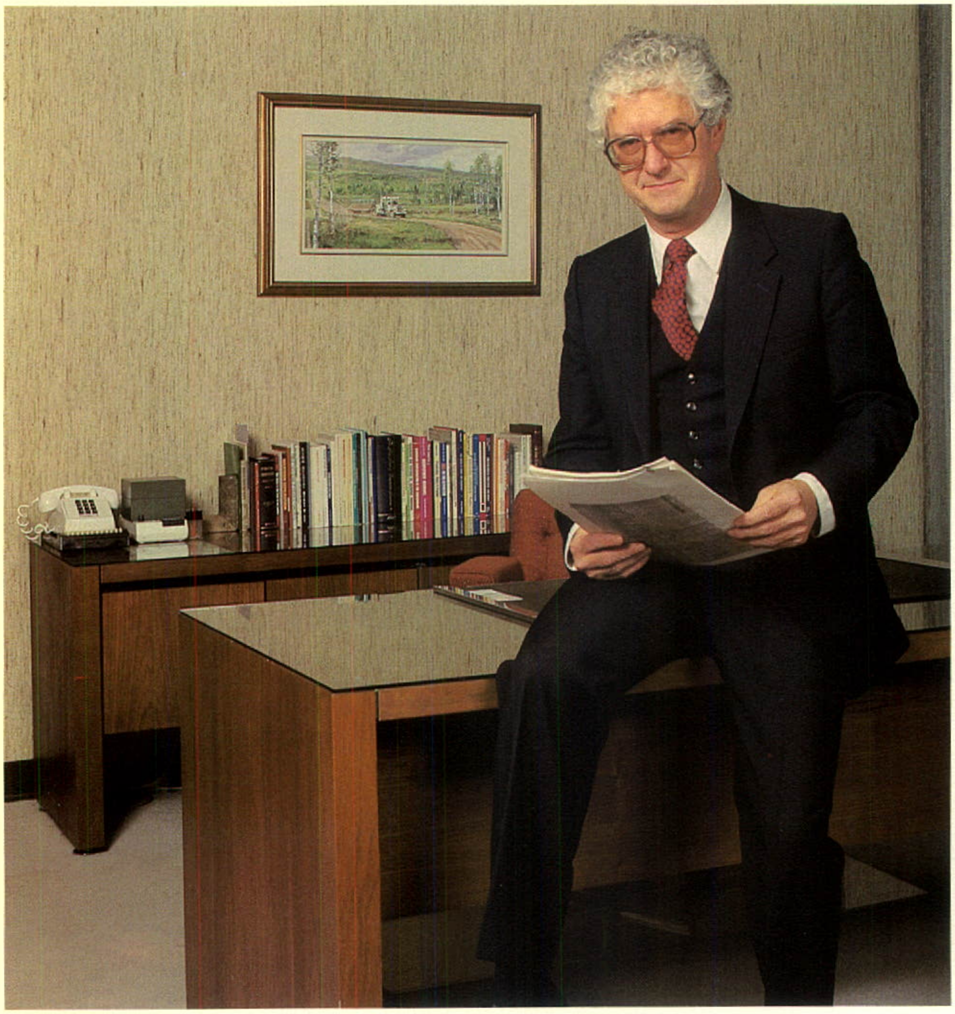
During the year Company profits and cash flow were supplemented by nonrecurring gains from the reduction of inventories of oil products and uncontracted gas. An analysis of financial and operating statements will show the impact of these factors relative to 1982 results. The outcome is a record year for the Company. Supplementing net income were higher oil and gas prices, more liberal definition of NORP oil, higher oil production and less interest expense.

Capital spending reached $44,100,000, up 15 per cent from 1982, 95 per cent directed to the oil and gas program. The exploration component was increased by 25 per cent to $21,340,000 contributing to the drilling of 167 wells compared to 156 in 1982. More significantly net well count reached 82, up 25 per cent from the year before, evidence of increasing participation in Company-generated exploration and development prospects. Geophysical work was up by a factor of four and an aggressive lease acquisition program during the year maintained inventory of non-producing properties despite losses to expiries. Industry records indicate that Murphy was one of the top ten land acquisitors for the year.

Oil production, net of royalties, was up by seven per cent while net gas production was roughly level with the year before despite weak markets. Coupled with changes to regulations, the 1983 drilling program replaced net oil production during the year and fell just short of meeting depletion of natural gas. A sale of uncontracted gas properties to SOQUIP near year-end reduced booked reserves.

The performance results during 1983 were achieved in an economic and political setting struggling for positive signs of recovery. Although corporate profits are on a positive trend, vital signs of the economy have yet to clearly stabilize. Coupled with lingering effects of the National Energy Program and energy agreements, investor confidence can best be described as cautious. Inflation levels and interest rates are more acceptable than those of recent years, however, idle segments of the economy and unemployment are persistently troublesome.

For governments and industry, 1983 was a further continuum of adjustments to compensate for the damaging impact of the National Energy Program and energy agreements. Both are now showing signs of recognizing the benefits of collaboration to structure mutually agreeable fiscal and pricing regimes. Our firsthand experience indicates a positive change of attitude and a willingness by governments to hear out industry proposals and recommendations. Increased levels of consultation are encouraging and must persist to optimize the contribution of energy as a driving factor in the economy.



In addition to the benefits of lower inflation and interest rates, the financial position of the industry was improved by positive changes to NORP pricing and relaxed market oriented oil export rules. Canadian fiscal policy for heavy oil and oil sands development is in a direction encouraging investment in this resource area of immense potential for Canada. Positive moves to encourage investment in Saskatchewan must be a clear indicator that this industry can react responsibly and quickly to bottom line incentives. With positive fiscal change recovery trends must be fundamentally strengthened.

Persistently troublesome are the unpredictable future for world oil pricing and soft markets for natural gas aggravated by a seeming reluctance to accept market realities. Most recent reporting recognizes that to achieve gains toward oil self-sufficiency in Canada will require development of reserves at a higher cost on average than that of traditional experience. For meaningful gains more cash flow from traditional sources must be left in the hands of investing industry. New investment should be encouraged. The private sector, for its part, needs further evidence of recovery and stability and a unified approach to gas marketing and planning.

For industry 1983 posted oil production gains and a gas sales decline. Although geophysical activity recorded a modest upturn, the service and supply sectors saw little improvement to the economy. A system of exploration grants directed activity to Canada Lands and away from the traditional potential of western Canada where conventional reserves of oil again declined.

The predominant view of industry forecasters anticipates a flat year in 1984. Investor caution is likely to hold reinvestment levels to little more than those of 1983 with a possible exception in areas of heavy oil and oil sands development. The well-being of the industry appears to be firmly in the hands of Canadian governments and we are hopeful that future policy will encourage development of our energy wealth.

The Company directs its support to those advocating market pricing of both oil and natural gas. Industry must have improved netbacks to create work in needed and demanding areas of activity. Governments and industry must continue to work hand in hand to establish useful policy and a positive environment. To do so is to advocate reasonable taxation of successful companies and lessening of discrimination against interested investors who bring capital and technical expertise to the problem. It is difficult to argue with the motives of national energy policy, however, these must be tempered to benefit Canadians working towards an acceptable quality of life.

The management of Murphy has concluded that our future opportunities lie fully in the upstream development of resources and related services. As a consequence, 1984 is intended to be a year of consolidating our position in western Canada finding opportunities to place at work our favorable financial position. Areas of concentration will include continued emphasis on exploration of oil prone prospects and enhancement of corporate assets in heavy oil and oil sands lands. Most promising from an exploration point of view are our initiatives in central and northwest Alberta and south Saskatchewan. Our package of heavy oil lands is growing according to planned objectives. Investment to add enhanced and tertiary oil is under way.

Although our concerns for the outlook of natural gas have caused an 80 per cent weighting to oil prone areas, the Company will continue to monitor the vital signs of gas prospect development. It is our view that a turnaround is sufficiently in the future to allow Murphy to react to positive signs of market potential when they occur. In the meantime, the Company will attempt to take advantage of unique opportunities such as the 1983 gas sale to SOQUIP which resulted in benefit to both companies. Our exploration staff is monitoring activity in the frontiers leaving serious thought to invest in Canada Lands deferred to a time of more favorable foreign investment opportunities.

This report is intended to highlight the contribution to performance of our staff. It does not focus on the specific achievement but on the need for support of each and every position. The Company is dedicated to upgrade the management and technical skills necessary to carry out our business in these difficult times. I would be remiss to overlook the excellent support and loyalty of the Spur marketing staff who performed beyond all reasonable levels of professional conscience through the negotiation of the sale of the Spur assets. The outcome we trust is the ultimate strengthening of two companies doing business in Canada and we wish them well.

With concentrated focus of management skills in the upstream business, our goal is to enhance the image of Murphy as an oil finder and resource developer. In support of doing so, we will continue our efforts to contribute to the dialogue that will hopefully lead to meaningful policy and a stable investment climate.

Robert G. Farquharson, P.Eng.
President and Chief Executive Officer

March 20, 1984

EXPLORATION/ PRODUCTION SUMMARY

Murphy drilled or participated in the drilling of 182 wells during the year 1983. The Company carried working interest in 167 of these tests bringing net well participation to 81.7 holes. While gross well participation was up only slightly from the year before, net well participation was up 26 per cent and not far below record 1980 levels when the Company was developing shallow gas deliverability and administering operations for drilling funds. Net and gross drilling results are tabulated.

Overall, gross drilling activity was split with 90 wells in heavy oil prone areas and 77 in conventional oil and gas exploration and development. The exploratory component of the 1983 working interest drilling program consisted of 37 wells including 29 in areas of conventional oil and gas exploration and eight in the heavy oil area.

An unprecedented level of activity occurred in geophysical work in western Canada during 1983. Gross expenditures in seismic projects involving Murphy exceeded $8,000,000. The Company added 8 580 kilometres to our base of geophysical data, principally in Alberta. Of this total, 4 570 kilometres of new seismic line profile was shot specifically for Murphy in both conventional and heavy oil areas. This compares with 1 170 kilometres in 1982 and 850 kilometres in 1981. The remainder was purchased from industry sources.

Murphy doubled its land acquisition expenditures in 1983 in keeping with our new strategy. Additions through Crown sales were triple those of the preceding year, 35 150 net hectares compared to 11 600 in 1982. New land acquisitions were concentrated in high-return prospects in central and northwest Alberta, southeast Saskatchewan, and around our existing heavy oil properties.

LAND HOLDINGS SUMMARY

(As of December 31)

	Hectares			
	Gross		Net	
	1983	1982	**1983**	1982
UNDEVELOPED PROPERTY				
British Columbia	**66,746**	84,477	**29,469**	33,636
Alberta	**433,593**	465,387	**148,501**	157,392
Saskatchewan	**74,682**	86,552	**38,044**	34,878
Manitoba	**6,826**	6,229	**5,360**	5,613
Ontario	**1,343**	1,351	**1,284**	1,291
Labrador	**231,186**	231,186	**4,623**	4,624
Davis Strait	**474,797**	474,797	**23,739**	23,740
TOTAL	**1,289,173**	1,349,979	**251,020**	261,174
PRODUCING PROPERTY				
British Columbia	**8,424**	10,166	**3,352**	5,114
Alberta	**152,769**	148,564	**55,180**	55,371
Saskatchewan	**27,281**	27,649	**14,855**	15,288
Manitoba	**1,800**	1,769	**1,444**	1,517
Ontario	**2,014**	2,014	**1,820**	1,821
TOTAL	**192,288**	190,162	**76,651**	79,111
GRAND TOTAL	**1,481,461**	1,540,141	**327,671**	340,285

WORKING INTEREST DRILLING RECORD

	1983		1982	
	Gross	**Net**	Gross	Net
EXPLORATION				
Conventional Oil Wells Completed	**9**	**3.1**	10	5.7
Heavy Oil Wells Completed	**2**	**1.5**	3	2.0
Gas Wells Completed	**4**	**2.1**	12	3.7
Dry Holes	**22**	**11.1**	19	7.9
	37	**17.8**	44	19.3
DEVELOPMENT				
Conventional Oil Wells Completed	**37**	**6.5**	20	4.2
Heavy Oil Wells Completed	**60**	**42.0**	68	32.4
Gas Wells Completed	**5**	**1.8**	10	6.9
Service Wells	**5**	**1.4**	4	.5
Dry Holes	**23**	**12.2**	10	1.6
	130	**63.9**	112	45.6
TOTAL	**167**	**81.7**	156	64.9

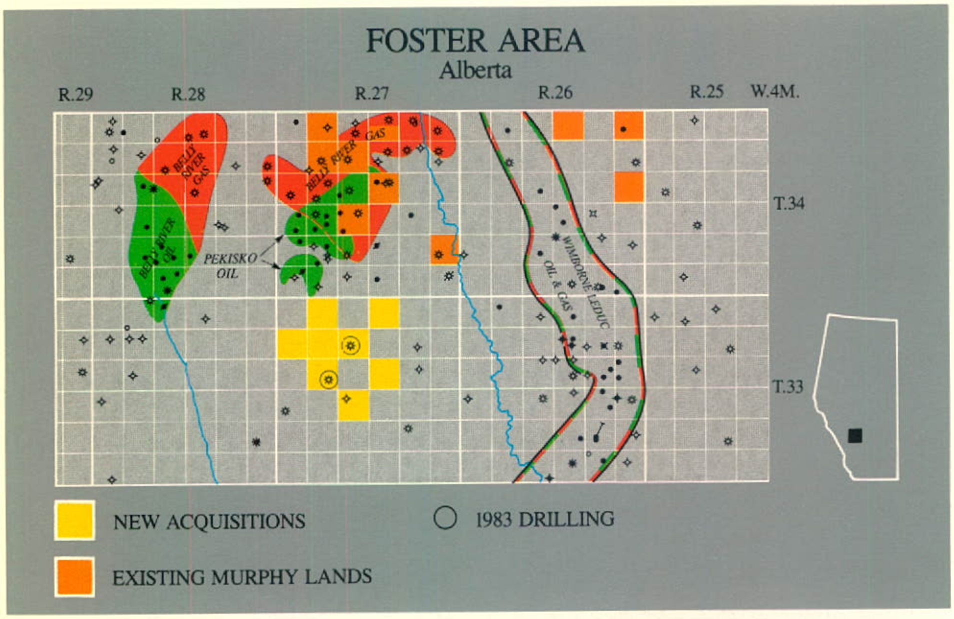
CONVENTIONAL EXPLORATION

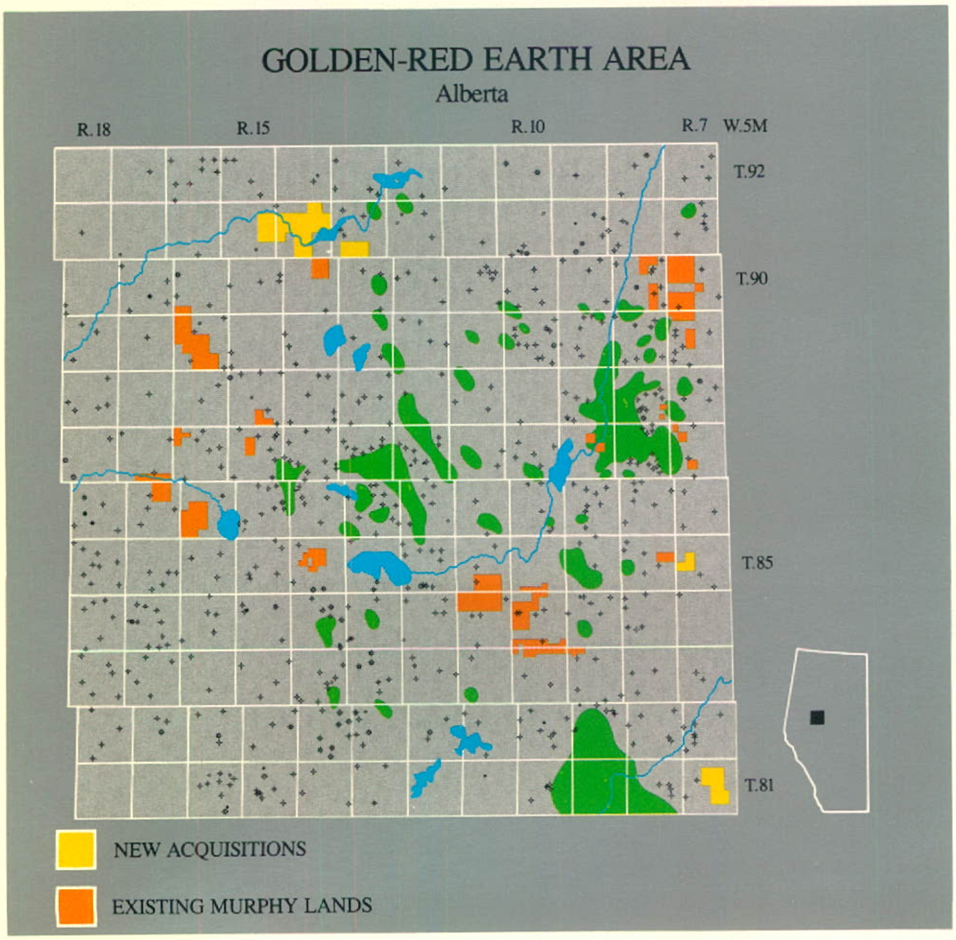
In our 1982 annual report, the Company announced restructuring of exploration effort to take a more aggressive approach towards financially promising wildcat plays for new oil. Through 1983 this approach resulted in increased geophysical activity and land acquisition.

Areas of emphasis in conventional exploration have been narrowed as Murphy intends for the present to concentrate its exploration in western Canada. Targets range from reef occurrences in south, central and north Alberta, the Devonian Carbonate reef plays fringing the Peace River Arch, Cretaceous Channel sands and Jurassic sands in south and central Alberta and the Mississippian Carbonates of southeast Saskatchewan. In line with these objectives prospective lands were added in Alberta and Saskatchewan, most notably in the Haig Lake area of Alberta and the Neptune-Tribune area of Saskatchewan. Also acquired were farmins for deep Devonian reef plays in prime target areas of central Alberta.

Murphy's exploratory drilling program for conventional oil came to 29 gross wells down from 36 in 1982. This decrease in exploratory drilling activity came about as a result of two separate but coincidental factors. The conventional exploration phase of drilling fund activities which had contributed to 1982 activities was virtually complete at the end of that year and the natural hiatus that resulted from the shift in emphasis in our exploration program required the acquisition of new prospective lands before drilling could occur.

Top: Pulling drill pipe on exploratory well.
Right: Geologists examining core samples.





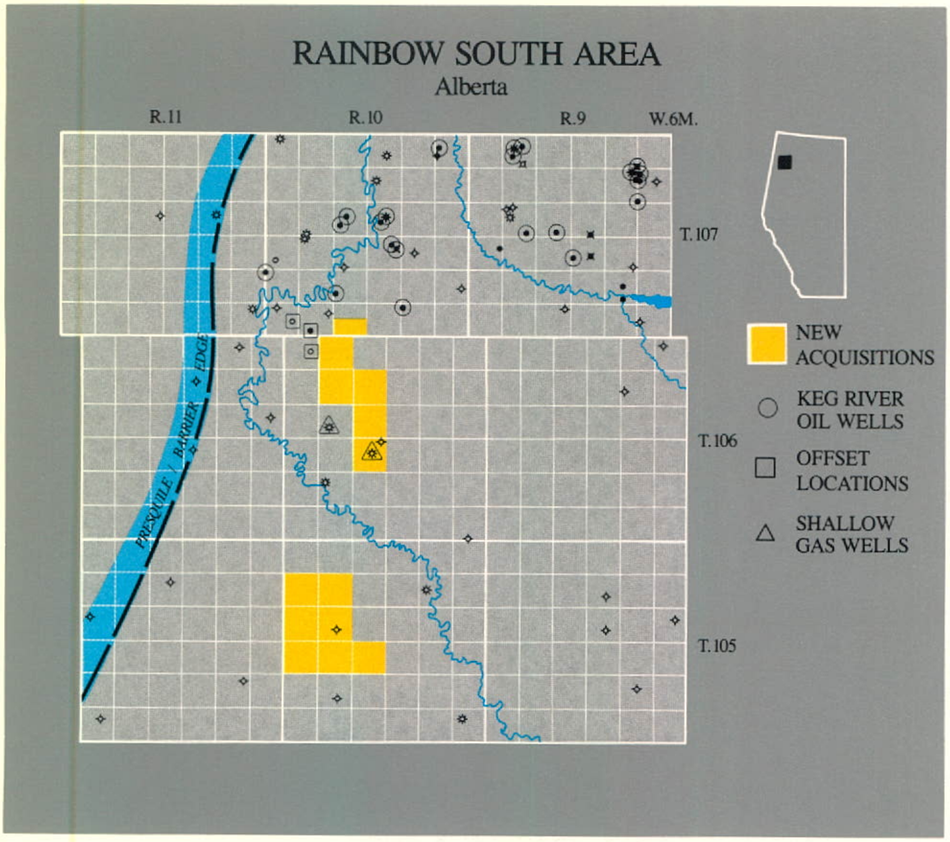
ALBERTA

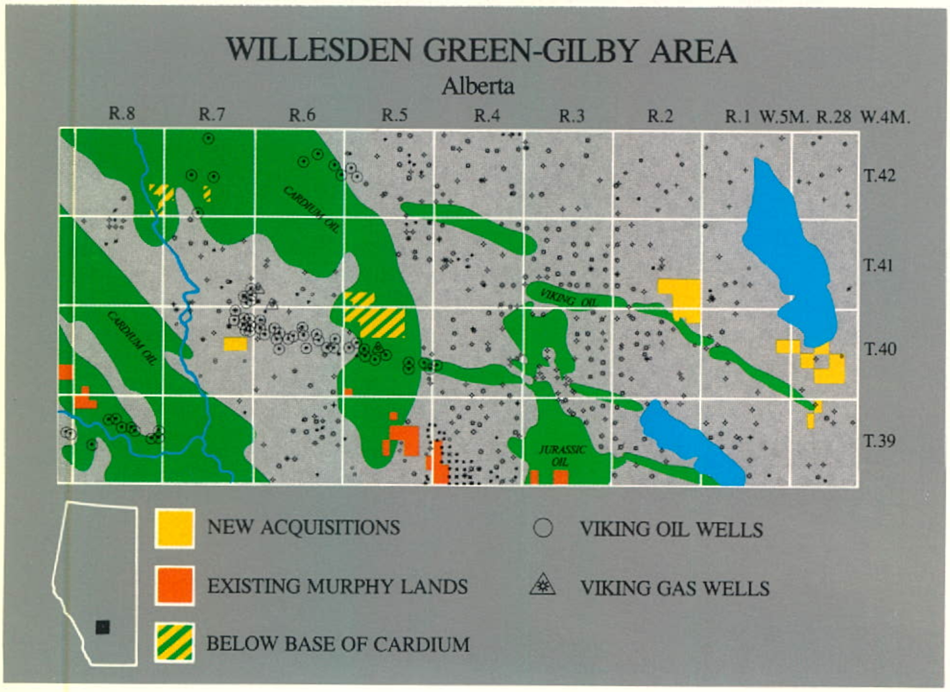
Eight wells were drilled on widely distributed prospects in south Alberta. Two working interest wells were cased as gas wells and one was cased for oil. Murphy also retained an interest on two wells drilled at no cost to the Company, one of which was cased for oil production.

More than 5 500 net hectares of petroleum and natural gas rights were purchased in south Alberta during 1983. One of the potentially more interesting areas where new reserves were found was Foster. Other Murphy land acquisitions were concentrated near Halkirk, Willesden Green, Gilby and Princess. Working interest at these plays varies from 33 to 60 per cent, a reflection of an effort to maintain a large working interest in all oil-prone propects.

In the Golden-Red Earth area of north-central Alberta, multi-zone prospects for new oil exist. Industry discoveries were made at Evie, Otter and Swan Lake during the year. Murphy participated in five wells. Although none of these wells was successful, additional drilling is planned for early 1984. Land holdings were substantially increased along the trend with the addition of 3 800 net hectares. Additional drilling is planned for nearby Haig Lake.

Oil prone Keg River pinnacle reefs are our major target in the Shekilie area in the northernmost part of the province. The Company participated in the drilling of two wells in 1983 and both wells were cased for further evaluation. During the first quarter of the year Murphy completed a considerable amount of proprietary seismic in the Rainbow South area on behalf of a three-company group. As a result of this geophysical work 2 389 net hectares of Crown lands were acquired in the year. Additional detail seismic will be shot early in 1984.





In the Meander River area Murphy headed up a four-company team to explore for new Keg River oil reservoirs on a regional basis. Acquired were 1 683 net hectares of Crown lands in this area, with the intention of drilling one or two test wells early in 1984.

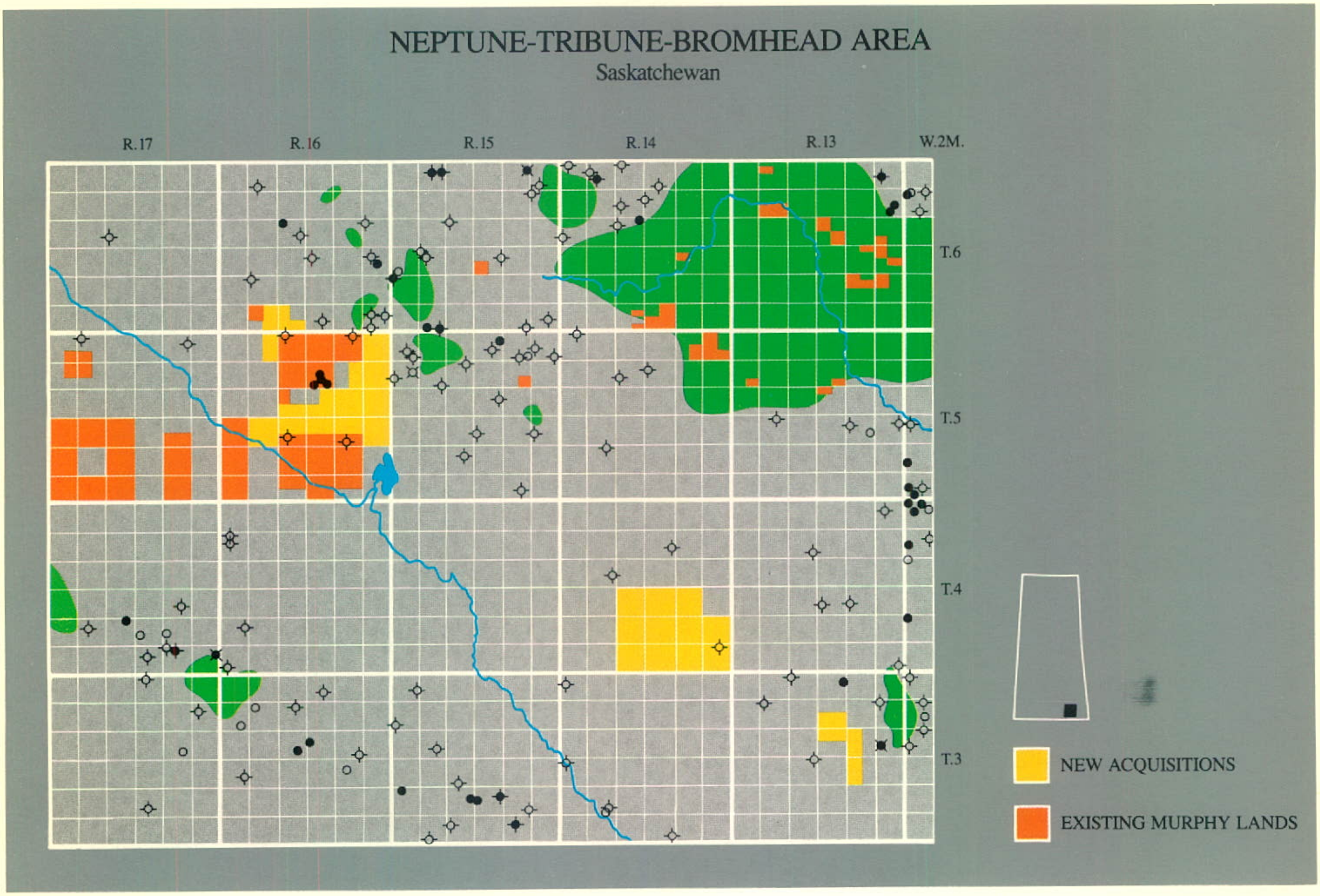
In all 4 179 net hectares of new land were acquired during 1983 in these northern Alberta plays. Other land acquisitions totalling 2 850 net hectares were made in the Peace River area at Balsam, Rycroft, Ching and Grande Prairie.

SASKATCHEWAN

Revised royalty and tax legislation introduced in 1982 has brought about recovery in oil activity. In response to these changes Murphy participated in the drilling of five conventional exploratory wells after two years of no exploratory drilling whatsoever.

In the Neptune area southwest of Weyburn, the Company drilled Mississippian exploratory and development test wells. Four of these wells were cased for oil production. Subsequent to these favourable results, 687 net hectares of additional lands were acquired. Also in the Williston Basin Murphy purchased an exploration permit at Tribune and drilling reservations at Bromhead and Kisbey which will be evaluated in 1984.

In order to provide for anticipated future natural gas sales in the province, Murphy acquired 12 300 net hectares in the Lancer and Hatton Milk River areas of southwest Saskatchewan. Although the initial test well in the Lancer area was abandoned, additional exploration is planned for the coming year.



MANITOBA

Two test wells drilled in the Gainsborough area of southwest Manitoba were cased for oil. An additional test well in which Murphy retains overriding royalty interest was drilled at no cost to the Company and cased as an oil well. The Gainsborough area is now the object of additional development drilling. In the adjacent Dalny-Waskada area, the Company's remaining undeveloped property will be farmed out for further evaluation.

BRITISH COLUMBIA

In light of continued poor economic potential, Murphy did not undertake any significant exploration in British Columbia in 1983. With the likelihood of favorable legislative changes and market prospects the Company will direct some effort to B.C. resource potential in 1984.

BAFFIN-LABRADOR AREA

Marine seismic was shot during 1982 on Canada Lands near Baffin Island in which Murphy has a five per cent interest and interpretation of the seismic was completed in 1983. Based on the results no further activity is planned on these lands, 25 per cent of which must be relinquished by mid-April 1984.

OUTLOOK

The exploration momentum generated over the past year will be maintained in 1984. An aggressive land acquisition strategy at Crown sales will continue and at the same time more effort will be directed to earning lands by farmin. Existing acreage which does not fit the new objectives of the exploration program will be farmed out. The Company intends to maintain seismic activity at 1983 levels and to increase drilling activity in western Canada by 25 per cent with emphasis on high return prospects.

PRODUCTION OPERATIONS

Positive operating results were achieved in 1983. Net oil production was up and natural gas production was maintained at previous year levels. To prepare for the important role heavy oil will play in the energy future of Canada, Murphy's strategy to increase its heavy oil assets included significant seismic programs and land acquisitions. The Company's conventional properties were searched for additional reserves and productivity.

Daily production of crude oil and natural gas liquids, after deducting royalties, rose to 1 043 m^3, an increase of 6.9 per cent. Much of this increase was heavy oil and resulted from positive economic and regulatory changes, successful drilling and improved operating efficiency. Conventional oil production of 548 m^3 per day remained essentially unchanged from the previous year with positive drilling results offsetting the natural decline of older properties.

Record net heavy oil production averaged 451 m^3 per day in 1983. This 11.4 per cent increase reflected a full year of improved economics mainly in the province of Saskatchewan where shut-in wells were returned to production. Volumes from the three tertiary recovery projects averaged 44 m^3 per day. This modest volume represents twice the tertiary heavy oil output of 1982 and it will continue to increase with project expansions planned for and in progress in 1984.

Lower domestic demand and high export pricing have reduced the consumption of Canadian natural gas. The Company's natural gas production remained relatively unchanged at 468 000 m^3 per day in the face of an overall industry decline. This was achieved through the tying in of new wells, further development of existing pools and the addition of process and compression facilities to maintain deliverability.

Top: Producing wells, Eyehill Thermal Recovery Project.
Right: Drilling in progress.

RESERVES

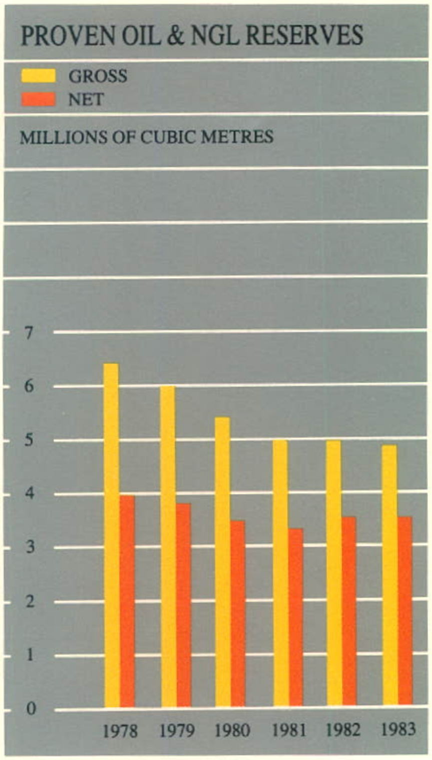
Through a combination of drilling activity, modified definition of new oil and upward revision to previous Company estimates, oil and natural gas liquids reserves net of royalties were roughly maintained for a second year. At year-end proven net oil and natural gas liquids totalled 3 585 000 m^3 compared to 3 559 000 m^3 the year-end before. Proven additions were primarily in the heavy oil area although promising opportunities were defined in central Alberta, south Saskatchewan and southwest Manitoba.

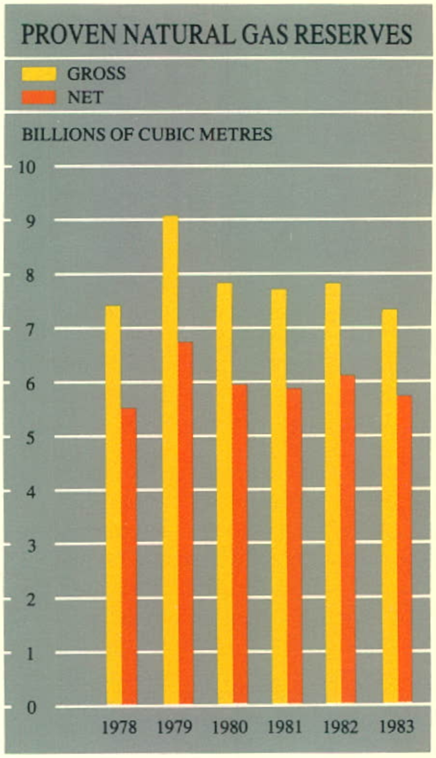
Sale of uncontracted natural gas properties to SOQUIP coupled with production during the year resulted in a decline of net booked natural gas reserves to 5.7 billion m^3 at year-end 1983 compared to 6.1 billion m^3 the year-end before. Despite a strategy to concentrate development in marketable oil prone areas, drilling added 123 000 000 m^3 net against production for the year of 171 000 000 m^3.

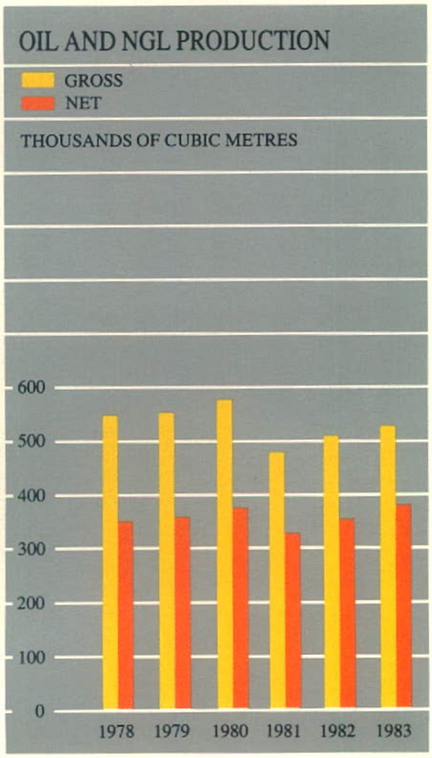
CONVENTIONAL OIL

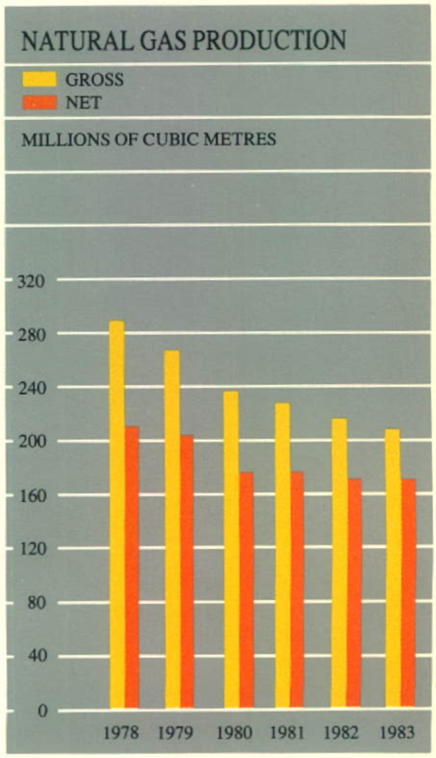
Continuing effort to restore the industry after the damaging effects of the national energy policy took the form of drilling and workover incentives in Alberta. By using these incentives operating efficiency and oil production were increased. A federal relaxation of new oil definition encouraged further conventional development.

Six wells (net 1.95 wells) were cased in the Three Hills area of central Alberta. This development extended an existing Ostracod oil pool. The addition of a gas gathering system and newly constructed battery facilities optimize oil production. Four wells were drilled and cased in the Sylvan Lake field of central Alberta. The wells penetrated oil potential in the Jurassic, Glauconitic and Viking sands. The Company participated in single oil development wells in the Grand Forks (net .125), Medicine River (net .5) and Wrentham (net .2) areas of Alberta.









In Saskatchewan the government extended industry incentives in the form of royalty abatement for successful drilling. Although Murphy has benefited from this program at Neptune and in the heavy oil areas, our evaluation of economic potential still relatively favors investment in the province of Alberta. Favorable regulations led to completion of two development offsets to the 1982 Pierson, Manitoba discovery with additional drilling planned for 1984.

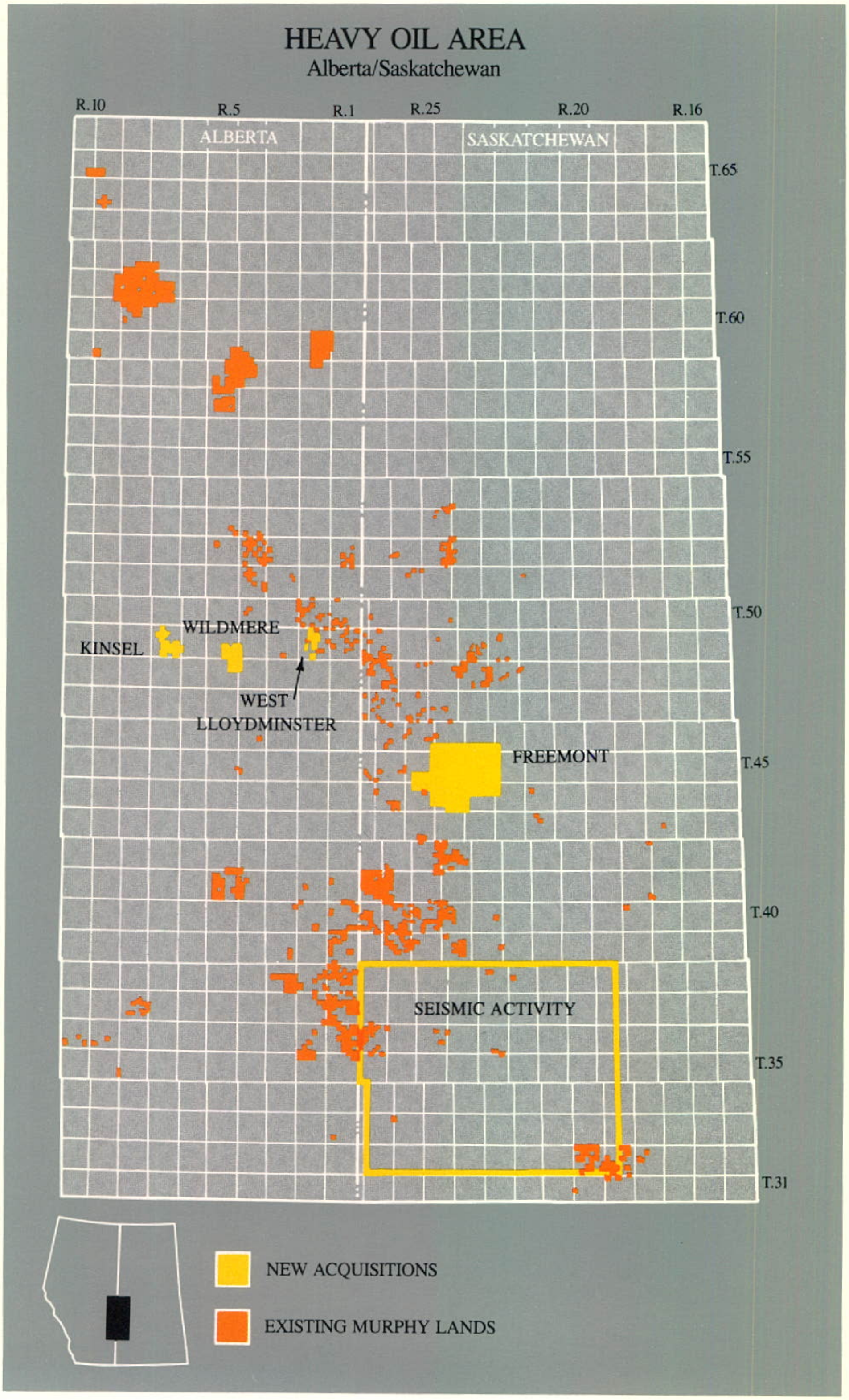
NATURAL GAS

The natural gas component of the industry is plagued by market problems. The Company is directing renewed effort to locate and take advantage of unique market opportunities. In keeping with that strategy, the sale of uncontracted properties and nurturing of new domestic markets have developed into prospects.

Murphy was a signing party to the much publicized TransCanada PipeLines Limited Topgas II agreement in November 1983. As for Topgas I, the oil industry conceded adjustments to take-or-pay obligations in return for cash payment against future deliveries.

New wells were flowlined in the Princess and Rainbow areas of Alberta and in Dodsland, Saskatchewan maintaining gas productivity. New compressors were installed at Winnifred in southern Alberta and Becher in Ontario to supplement deliverability. Plans provide for additional new deliveries at Elm and Airport in British Columbia during 1984.

Gas conservation equipment was installed in connection with oil facilities at Three Hills, Sylvan Lake and Crystal adding to production. Field gathering of solution gas will generate new revenue by enhancing oil allowables.



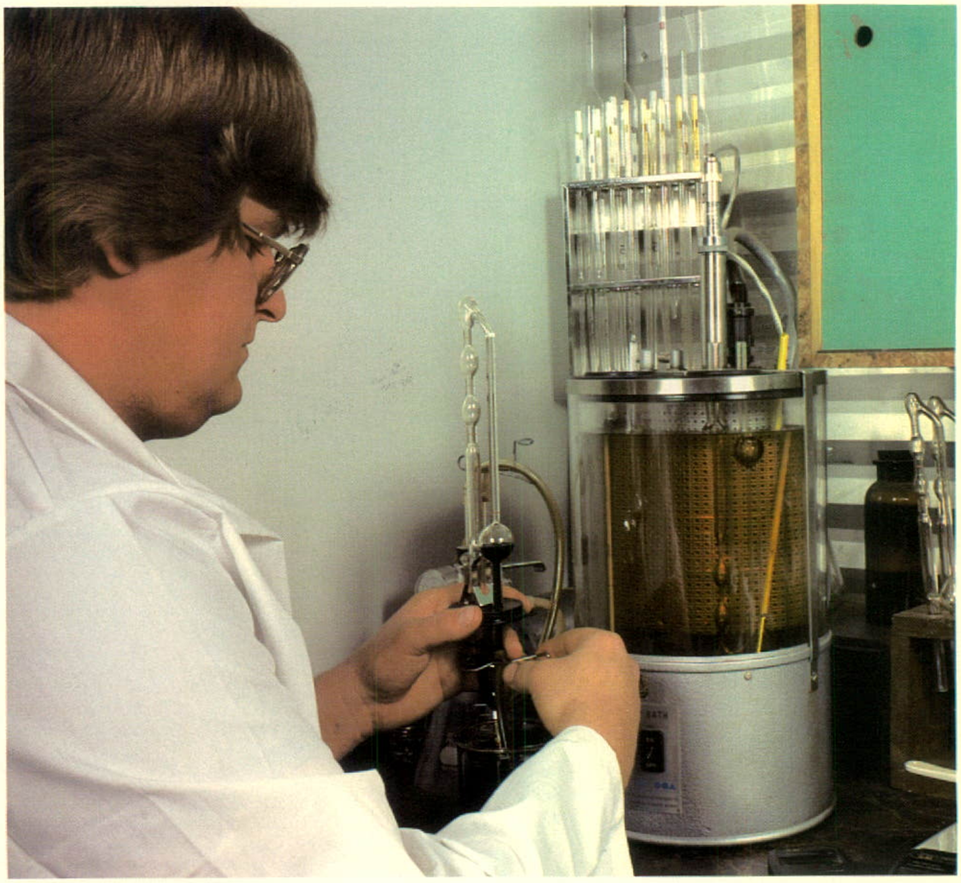
HEAVY OIL OPERATIONS

Recent energy projections by governments and industry have once again focused attention on the need and opportunities for heavy oil and oil sands and the role they must play in the energy future of the Company. In keeping with that outlook and our historical base of technology, experience and opportunities, Murphy is progressively directing more attention to adding assets in the heavy oil regions of Alberta and south Cold Lake. Drilling activity of the Company is increasing. Murphy is making strides adding new lands and evaluating production performance along with opportunities to convert large volumes of oil in place under our existing lands to reserves by enhanced recovery techniques.

Murphy working interest drilling activity reached a new high at Lloydminster in 1983 with 87 gross wells drilled, 59 on a net basis. Of the 59, 43 were completed for oil production, one was cased for gas, one for water disposal and the remaining 14 were dry and abandoned.

A higher than normal dry hole ratio represents evidence of an exploration search for new pool opportunities on farmin and scattered Company lands. The heavy oil exploration technique of the Company has been supplemented with increasing use of seismic and 900 kilometres were recorded and interpreted last year. Approximately 70 per cent of heavy oil investment made by Murphy in 1983 was in Alberta where economic incentive remains most favorable.

The Company drilled 26 wells at Morgan, northwest of Lloydminster, bringing total development on Murphy land to 60 completions. To service this production, construction of a major central cleaning facility was in progress. Remaining drilling was in scattered Company leases in Alberta and Saskatchewan generally offsetting producing wells.



Testing heavy oil viscosity, Eyehill Thermal Recovery laboratory.

Farmins at west Lloydminster and Kinsel, along with an outright purchase of rights at Wildmere, all in Alberta, added roughly 7 000 hectares of exploration and development potential. Drilling to this date is encouraging at each of these prospects providing the opportunity to develop primary oil production from new pools. Near Freemont in Saskatchewan, Murphy with partners is testing and evaluating farmin lands and sale acreage in a program designed to add significant lands to inventory in that province. The strategy of the Company involves a further increase in heavy oil activity in 1984.

TERTIARY RECOVERY

All evidence shows that the long-term outlook and opportunity to develop substantial reserves in the heavy oil and oil sands areas must fall to tertiary recovery techniques. With that in mind, Murphy has directed a considerable investment of time, capital and technology to experimental projects. Currently in operation are three pilots which have produced some encouraging results in the course of evaluating environmental, production and recovery problems. Work is in progress that is intended to lead to expansion of each project during 1984.

In December of 1983 at Lindbergh, in south Cold Lake, Alberta, initial investment was made toward the two pattern expansion of the long standing steam flood. Early drilling has indicated that oil in place is well beyond preliminary expectations, implying enhanced opportunity for additional potential reserves. The project will be evaluated with a view to the possibility of further expansion later in the year in keeping with the general industry initiative to produce more tertiary heavy oil from manageable-investment-sized projects. Also at Lindbergh, Company engineers successfully designed processing equipment that will enhance operations in the general Lloydminster area.

The Eyehill, Saskatchewan combination combustion-steam stimulation project is performing as projected. Four producing wells were treated with steam in an effort to improve productivity and reduce water cut. This enhancement of technique met with varying success and no final conclusions have yet been drawn. Murphy expects to expand the pilot later in 1984 to increase production and recovery.

The Bodo, Alberta combustion project was expanded by operator Norcen during 1983. Further investment is budgeted for the new year.

Maintenance at treating plant, Eyehill Thermal Recovery Project.

With the objective of increasing reserves, Murphy is continuing to assess tertiary recovery potential of its heavy oil lands. Technical studies are in progress that are intended to lead to further pilot work to earn interest in lands of other companies.

OUTLOOK

The efforts of the Company have been firmly directed to place onstream new oil production. This will be accomplished by accelerated development of heavy oil properties, new tertiary investment and extension to new exploratory and exploitation opportunities defined in 1983. The financial position of the Company is such that an appropriate investment could result in acceleration of the program beyond traditional cash flow reinvestment.

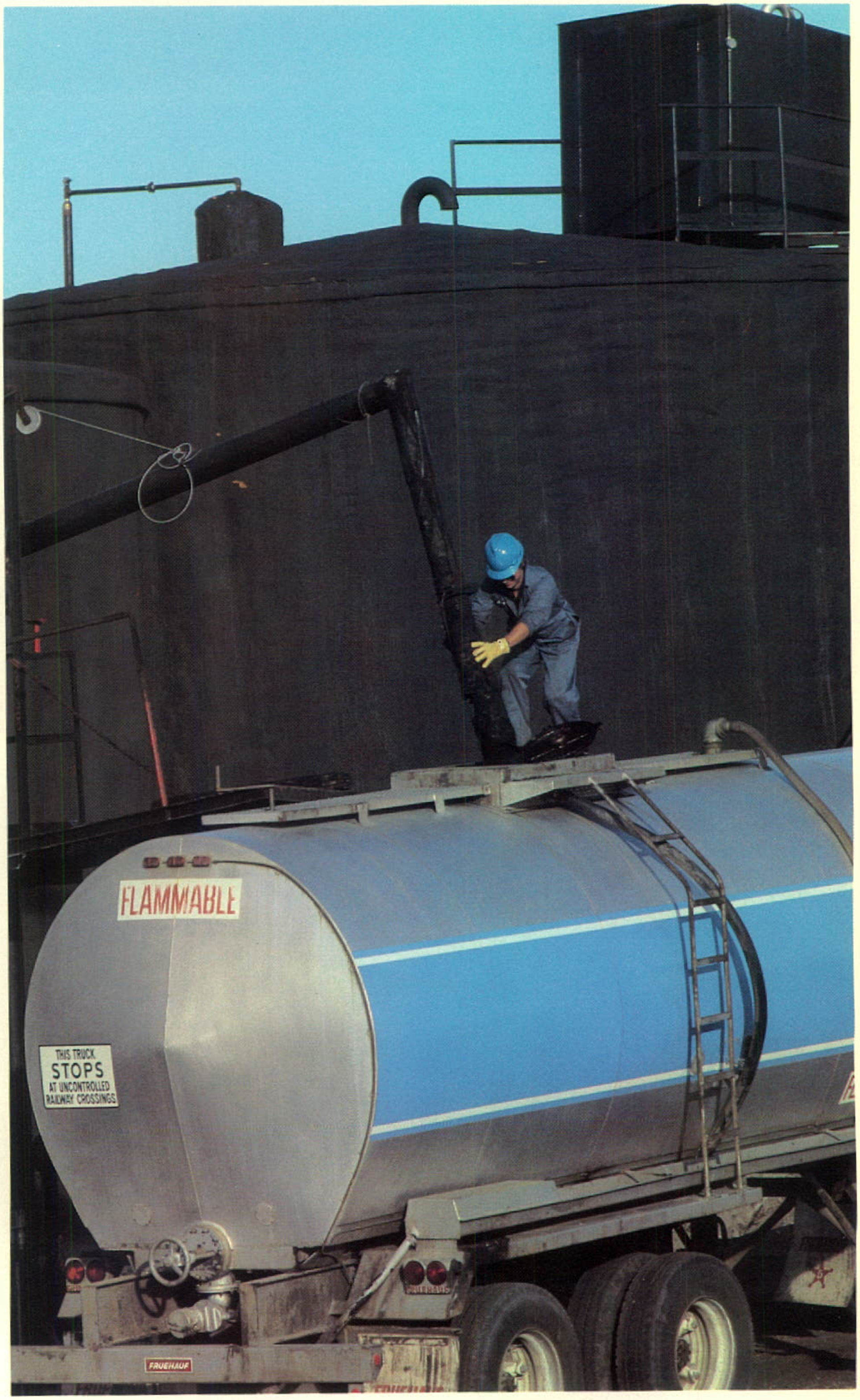
At the same time, approximately 20 per cent of capital will be used to maintain some momentum toward eventual marketing of new gas volumes. Exploration will be confined to opportunities the Company knows are developing, or are likely to do so, in Canada. The Company expects to find U.S. markets no sooner than three to four years from now.

SUPPLY AND TRANSPORTATION

This division is responsible for gathering, storing, transporting and trading of both crude oil and natural gas liquids. Activities include trucking and cleaning of crude oil and the operation and maintenance of pipelines in Saskatchewan and Alberta. Division revenues for 1983 were at record levels, as were pipeline throughput and trucking activities. Increased heavy oil drilling activity throughout western Canada contributed substantially to these increases.

The Manito pipeline system, which transports blended crude oil from the Lloydminster area to the Interprovincial Pipeline at Kerrobert, moved an average of 3 923 m^3 per day compared to an average of 3 131 m^3 per day in 1982. The nearby Cactus Lake pipeline system operated by Murphy carried an average of 1 065 m^3 per day of heavy oil blend during its second year of operation, a 56 per cent increase over the 1982 average of 681 m^3 per day. The Milk River, Alberta pipeline delivered an average of 471 m^3 per day during 1983, compared to 387 m^3 per day during the previous year, directly to U.S. markets.

Opportunities exist for the construction or expansion of pipelines to service oil wells currently shut in. Murphy is in the process of evaluating three new pipeline projects. A new pipeline at Milk River would provide a stable market in Montana for heavy oil produced in the surrounding area which is currently being trucked to the nearest transmission point. Since the proposed pipeline would deliver crude into the U.S., a long-term heavy oil export license must be granted by federal authorities.



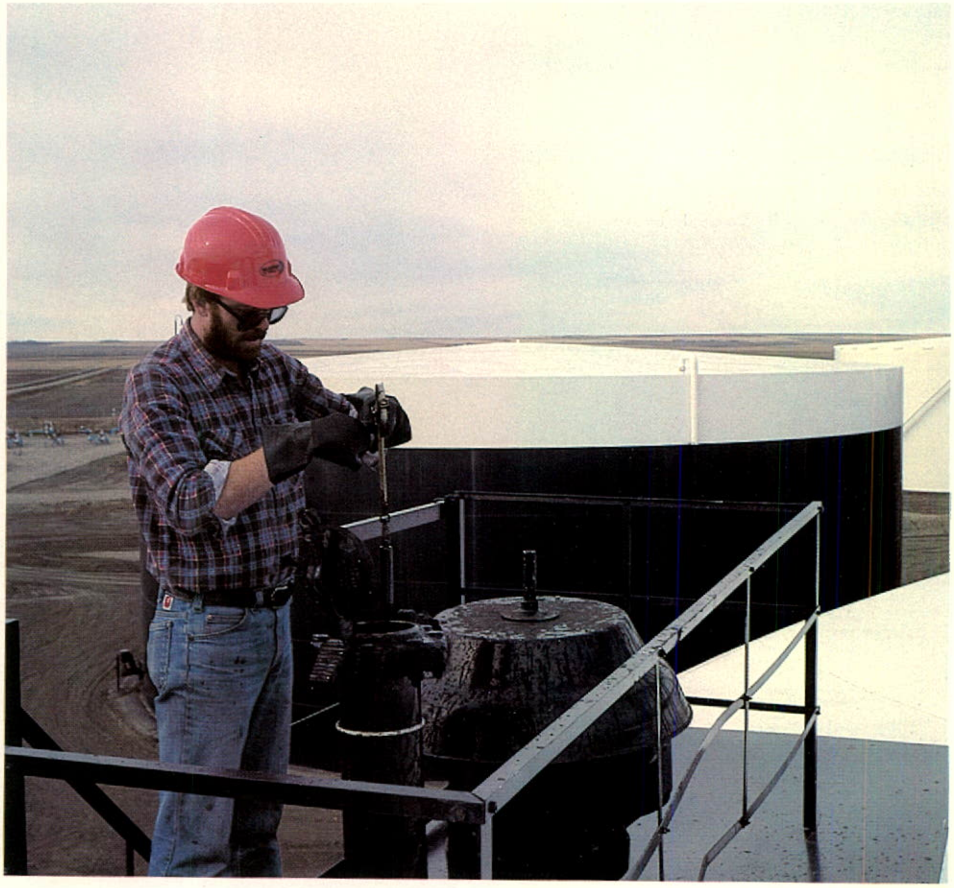
Top: Maximum size "B-train" for delivering heavy crude to pipeline facilities.
Right: Loading heavy oil.

A newly aggressive marketing program in trucking operations was instituted in 1982 and carried through 1983, producing results which surpassed budgeted revenue projections. Competitive services to producers throughout western Canada brought new customers necessitating the addition of trailer units to an already expanded fleet. Truck receiving facilities at transmission points were also modified in 1983 to receive the increased volumes of crude oil. We expect this upward trend to continue in 1984.

Road oil sales were up in 1983. After two years of poor returns due to low demand the Lloydminster facilities were upgraded to produce an improved product. This enabled Murphy to reach new markets in 1983 and to achieve sales targets. Growth is expected through 1984.

To service an upswing in industry drilling activity in the region of the Manito pipeline system, the Company has developed a long range program for the construction of laterals connecting production locations to the pipeline. Additional crude oil cleaning facilities will be constructed to handle anticipated increases in the volumes of heavy crude oil available from the Peace River, Fort McMurray and Cold Lake areas.

With a year of achievement behind us in supply and transportation, the Company will carry the momentum of this division forward into 1984.



Gauging pipeline blend storage tank at Kerrobert, Saskatchewan.

HUMAN RESOURCES

A prime asset contributing to the success and growth of the Company is our people, the 237 employees of Murphy Oil Company Ltd.

Of this staff, 140 are located at the Calgary head office, with the rest disbursed throughout our operations in the provinces of Alberta, Saskatchewan and Ontario. Sensitive to the changing social, political and technical environment and the impact on the individual, Murphy considers the development of human resources of utmost importance.

Through an Employee Development Program, opportunities are provided for employees to improve both technical and management skills. A comprehensive inhouse training program oriented to on-the-job behavior teaches the fundamental steps required for effective management and supervision. Practice sessions give participants the confidence required to transfer skills learned to their job environment. As well, advanced training is provided for senior management. Seminars and conventions sponsored by professional associations and educational institutions enhance on-the-job experience.

An Educational Assistance Program underwrites tuition and textbook expenses for approved courses offered at technical schools and universities and provides incentives for employees to further their education.

A Scholarship Program assists students in advancing their education and scholarships are awarded annually to eligible children of employees. A Summer Student Program is active and offers opportunities to students to obtain valuable on-the-job experience as well as financial compensation.

Management training in session.

Through our Corporate Donations Committee and the efforts of our employees, Murphy contributes to social, cultural, educational, welfare and community projects across Canada. An Employee Gift Matching Program encourages individual support by matching dollar for dollar funds donated by our staff members. Murphy is a contributor to the annual United Way campaign through corporate and employee participation.

At Murphy we recognize each employee as a member of our team and look forward to future successes and growth together.

MARKETING

During 1983 the industry observed a continuing shrinkage in demand for petroleum products. Margins during the year were erratic and averaged less than the prior year. For 1983 Spur operations reported slightly less than break-even financial results on an after tax basis. The division managed to maintain its share of a shrinking overall market while controlling operating costs through reduction of petroleum product inventories early in the year and operating efficiencies throughout the year.

A history of marginal financial results led management of the Company to evaluate investment and capital commitment to the Spur marketing business. Following a thorough and lengthy analysis, which took into account the integrated nature of the business, management concluded that the return on investment in the marketing assets, including working capital, was less than acceptable and less than the returns from upstream operations. The result was a recommendation to the Board of Directors to attempt to sell the marketing assets of the Company and to reinvest the funds in exploration and production in western Canada. With approval of the Board of Directors the management team sought potential buyers for those assets.

In May of 1983 the Company entered into an agreement with Ultramar Canada Inc. to sell its remaining marketing assets located in Quebec and Ontario. Foreign Investment Review Agency approval and federal cabinet consent was obtained in the fall of the year and the final closing of the transaction occurred on December 1, 1983. At that point the marketing division employees became employees of Ultramar Canada Inc. and all marketing operations of Spur Oil Ltd. were transferred to the purchaser.

The Company considers the sale of the marketing assets a consolidation of our primary business and certainly this large transaction changes Murphy. Key members of the head office staff have begun an intensive search for opportunities to employ the funds generated from the sale in upstream operations. Funds generated from the marketing division throughout the year totalled approximately $50,000,000 and included, in addition to the final sale of the assets, the reduction of product inventories and crude oil line-fill associated with processing.

Murphy is confident that the redefinition and consolidation of our business in exploration, production and transportation in western Canada will result in enhanced earnings over the long run to the benefit of the shareholders.

FINANCIAL REVIEW

RESULTS OF OPERATIONS

REVENUES

For the 1983 year total revenues were $108,554,000, representing a 30 per cent increase over the prior year. Revenues have been restated for both years to eliminate those generated from the sale of finished petroleum products as the assets of the marketing division were sold late in 1983.

The significant increase in revenues from continuing upstream operations is the result of higher prices for crude oil and natural gas, higher volumes of crude oil produced and a significant reduction in crude oil inventories held in pipelines during the early part of 1983.

NET INCOME

Consolidated net income for 1983 was a record high of $27,169,000. Included in the total as an extraordinary item, after allowing for income tax, was $5,919,000 representing the profit from the sale of the marketing division assets. Net income was further enhanced this year by the profit from the reduction of crude oil inventories, which occurred during the first half of 1983, and by the profit from the sale of uncontracted natural gas reserves which occurred late in the year. These business actions resulted in a nonrecurring gain of $6,577,000 after allowing for the applicable income tax. On a comparable basis, 1982 included nonrecurring gains of $2,047,000, net of income tax, but did not include any extraordinary items.

Earnings from exploration and production activities were significantly higher in 1983 compared to the prior year. Crude oil production was up from 1982, however, it did not reach record high levels achieved in 1980. Average sales prices were higher due to increased volumes of new oil production and as a result of governmental redefinition of production qualifying for higher prices. Also there was a crude oil price increase on January 1, 1983. The volume of natural gas produced during 1983 was essentially the same as the prior year after allowing for royalty interest. The average price received for natural gas was less than last year due to lower Alberta production volumes to export where netbacks are higher offset by increased volumes in British Columbia and Saskatchewan where netbacks are comparatively less. Exploration costs were down from 1983 compared to the prior year; 1982 results included dry hole costs of the expensive Baffin Island test well. There were no offshore exploratory expenses incurred in 1983.

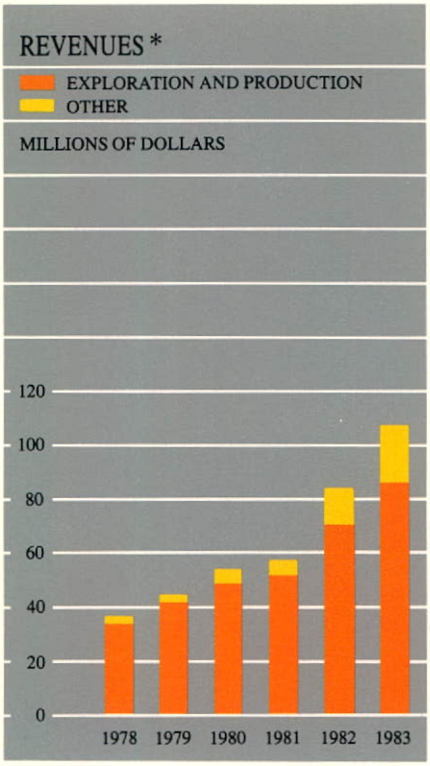
Developing new computer systems.

Earnings attributable to supply and transportation operations were significantly higher than those of 1982. Crude oil inventories were increased towards the end of 1982 and were sold during the first quarter of the new year at higher prices. Also contributing to earnings was the sale of line-fill inventory, carried at comparatively low cost, which was held for the processing of crude oil by the marketing division. The sale of the marketing division assets negated the necessity to hold line-fill inventory. Pipeline operations of the Company also contributed improved earnings during the year. The Company appeared before the National Energy Board late in 1982 for a review of the Manito pipeline tariff structure and, as a result, the tariff was increased effective January of 1983.

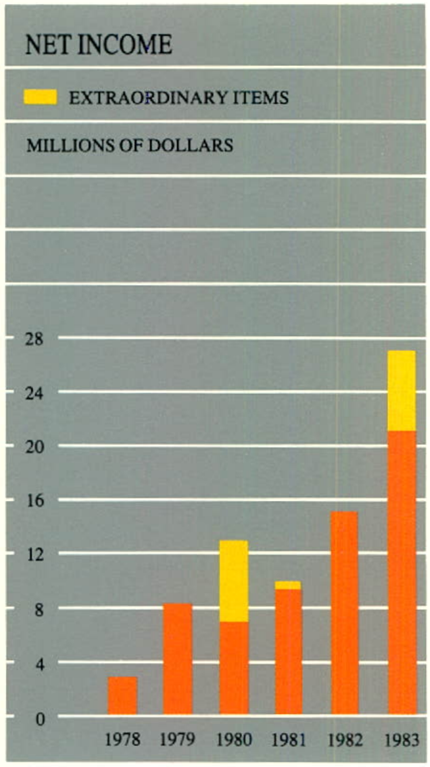
General and administrative expenses were higher compared to the prior year but were more than offset by a reduction in interest expense resulting from the elimination of long-term debt. Income taxes for 1983 were up substantially from higher earnings. The effective rate of income tax was comparatively higher as the result of a reduction in earned depletion in accordance with the scheduled phase out of depletion as mandated by national energy policy.

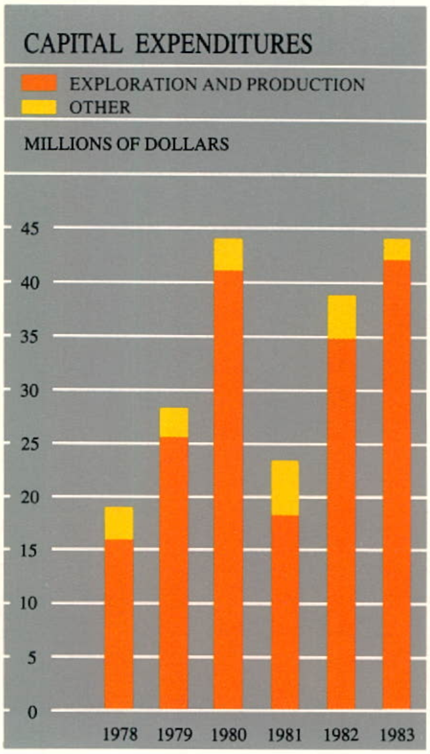
CAPITAL EXPENDITURES

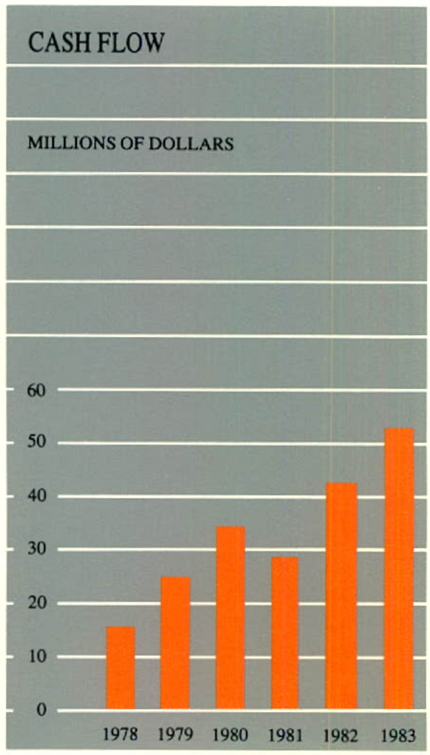
Capital expenditures during 1983 reached $44,100,000, representing an increase of approximately 15 per cent over 1982. Exploration expenditures totalled $21,340,000, roughly 48 per cent of total expenditures. Of that amount approximately $10,700,000 was invested in lease acquisitions, $6,500,000 for exploratory drilling and $4,100,000 for geological and geophysical costs. Production investment was $19,436,000, 44 per cent of the total program. Of that amount $11,700,000 was invested in development drilling while field development expenditures totalled $7,700,000. All other capital expenditures totalled $3,324,000.



Restated to reflect sale of marketing assets.







SOURCES AND USES OF FUNDS

Cash flow from operations represented the most significant source of funds during 1983, in total $52,488,000, an increase of 23 per cent over 1982. Also contributing significantly to the source of funds this year were the proceeds from the sale of the marketing assets which totalled almost $33,000,000. The disposition of these funds included capital expenditures of $44,100,000, retirement of long-term debt of $15,040,000 and the payment of common share dividends of 15 cents per share totalling $1,887,000. Working capital was increased significantly during the year by $20,337,000 compared to a decrease of $7,056,000 during 1982.

FINANCIAL CONDITION

The overall financial condition of the Company was materially strengthened during 1983 largely as a result of the sale of the marketing division assets. Cash and short-term deposits were $33,965,000 at the end of 1983 with no outstanding long-term debt. Comparatively, at the end of 1982 long-term debt totalled $26,664,000. Total assets at the end of 1983 increased to $254,062,000. Shareholder equity increased by almost 25 per cent to $129,405,000 which represented an increase of over $2.00 per share. Shares of the Company were split two new shares for one old share in the second quarter of the year bringing the outstanding total to 12,585,149.

The Company is now in a very strong financial position to build significantly on its asset base with the use of working capital and borrowing capacity.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheets of Murphy Oil Company Ltd. as at December 31, 1983 and 1982 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 and 1982 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis

Calgary, Canada
February 10, 1984

PEAT, MARWICK MITCHELL & CO.
Chartered Accountants

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 1983 and 1982
(thousands of dollars)

	1983	1982
REVENUES		
Sales and operating revenues	**$101,384**	77,960
Interest and other income	**7,170**	5,360
Total revenues	**108,554**	83,320
COSTS AND DEDUCTIONS		
Crude oil and related operating expenses	**21,991**	19,656
Exploration costs including amortization of undeveloped leaseholds	**10,765**	11,622
Selling, general and administrative	**9,317**	7,170
Interest on long-term debt	**1,109**	4,403
Interest – other	**555**	2,073
Depreciation and amortization	**3,917**	4,257
Depletion	**6,212**	5,746
Total costs and deductions	**53,866**	54,927
Income from continuing operations before taxes and extraordinary item	**54,688**	28,393
TAXES		
Petroleum and gas revenue tax and incremental oil revenue tax	**8,906**	8,387
Income taxes		
Current	**12,595**	1,688
Deferred	**10,886**	5,494
Total income taxes	**23,481**	7,182
Total taxes	**32,387**	15,569
Income from continuing operations before extraordinary item	**22,301**	12,824
Income (loss) from discontinued operations	**(1,051)**	2,400
Income before extraordinary item	**21,250**	15,224
Extraordinary item	**5,919**	—
NET INCOME	**$ 27,169**	15,224
Income per share		
Income from continuing operations before extraordinary item	**$ 1.77**	1.02
Income (loss) from discontinued operations	**(.08)**	.19
Extraordinary item	**.47**	—
Net income	**$ 2.16**	1.21

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

December 31, 1983 and 1982
(thousands of dollars)

	1983	1982
ASSETS		
Current assets		
Cash and short-term deposits	$ 33,965	—
Accounts receivable	49,717	59,100
Due from parent company	4,107	5,518
Inventories	14,813	33,178
Deferred income taxes	146	3,706
Total current assets	102,748	101,502
Property, plant and equipment – net	148,665	145,562
Other assets – at cost	2,649	3,611
	$254,062	250,675
LIABILITIES		
Current liabilities		
Outstanding cheques less cash on deposit	$ —	4,023
Bank loans	4,325	10,000
Accounts payable and accrued liabilities	54,336	58,726
Income and other taxes payable	12,104	5,583
Current portion of long-term debt	—	11,524
Total current liabilities	70,765	89,856
Long-term debt	—	15,140
Deferred credits		
Deferred income taxes	42,164	32,166
Other	11,728	9,669
Total deferred credits	53,892	41,835
SHAREHOLDERS' EQUITY		
Preferred shares		
Authorized unlimited shares without par value issuable in series; issued Nil		
Common shares		
Authorized unlimited shares without par value; issued and outstanding 12,585,149 shares; 1982 - 12,570,626 shares	3,779	3,500
Retained earnings	125,626	100,344
Total shareholders' equity	129,405	103,844
	$254,062	250,675

Approved on behalf of the Board of Directors

Director

Director

See accompanying notes.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 1983 and 1982
(thousands of dollars)

	1983	1982
Retained earnings, beginning of year	**$100,344**	86,377
Net income	**27,169**	15,224
Dividends	**(1,887)**	(1,257)
Retained earnings, end of year	**$125,626**	100,344

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1983 and 1982
(thousands of dollars)

	1983	1982
SOURCES OF FUNDS		
From operations	**$ 52,488**	42,595
Proceeds from sale of marketing assets	**30,799**	—
Less: working capital	**(6,799)**	—
Proceeds from sale of property, plant and equipment	**2,694**	161
Increase in other deferred credits	**2,059**	4,788
Increase in long-term debt	**—**	20,000
Issue of common shares	**279**	30
Decrease in other assets	**—**	116
Total sources of funds	**81,520**	67,690
USES OF FUNDS		
Capital additions		
Oil and gas properties	**35,997**	27,441
Exploration	**6,331**	7,514
Supply and transportation	**306**	542
Marketing	**1,466**	3,001
Retirement of long-term debt	**15,040**	34,991
Increase in other assets	**156**	—
Dividends	**1,887**	1,257
Total uses of funds	**61,183**	74,746
INCREASE (DECREASE) IN WORKING CAPITAL	**20,337**	(7,056)
Working capital, beginning of year	**11,646**	18,702
Working capital, end of year	**$ 31,983**	11,646

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983 and 1982

1. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation
The consolidated financial statements include the accounts of Murphy Oil Company Ltd. and its subsidiary companies. The Company operates as an integrated oil and gas company.

b) Property, plant and equipment
The Company follows the successful efforts method of accounting for costs of oil and gas properties. Exploratory drilling costs are initially capitalized, however, if determined to be unsuccessful they are charged to expense. All other exploratory costs, including geological and geophysical expenses, are charged to expense as incurred. All costs of drilling and equipping development wells, including dry holes, are capitalized.

The costs of undeveloped leaseholds are capitalized when acquired and are amortized over the life of the lease. If such properties are surrendered, the costs are charged against the allowance for amortization. When leaseholds are proven to be productive, the costs are transferred to the developed oil and gas leasehold account and together with drilling and equipment costs, are written off by the unit-of-production method based upon estimated proven recoverable oil and gas reserves as calculated by Company engineers.

Depreciation of the following assets is computed on a straight-line method based upon their estimated useful lives:

Marketing properties	5% to 33%
Pipelines	5%
Other	5% to 50%

c) Inventories
The inventories are stated at lower of cost and net realizable value. Finished products and crude oil are valued at cost on a last-in, first-out basis and other inventories are stated at average cost.

d) Joint ventures
Substantially all of the Company's exploration and production activities and certain pipeline activities related to oil and gas are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

e) Take-or-pay agreements
Proceeds received from gas take-or-pay agreements are deferred and taken into income as production occurs.

f) Oil and gas incentive recoveries
The amounts received related to the oil and gas incentive regulations of the province of Saskatchewan are accounted for as a reduction of provincial royalties.

The incentive recoveries from federal and provincial governments, relative to exploration activities, are accounted for as a reduction of capital expenditures.

g) Income per common share
During the year the Company shares were split on a two for one basis. Earnings per share, which is calculated on the weighted average method, is reflected on the new basis for comparative purposes. If the outstanding share options had been exercised at the beginning of the year, income per share would not have been changed by a material amount.

h) Retained earnings
Retained earnings include contributed surplus of $16,686,000.

i) Comparative figures
Certain figures for 1982 have been reclassified to be comparative with the 1983 financial statement presentation.

2. INVENTORIES

	1983	1982
	(thousands of dollars)	
Finished products	$ —	13,294
Crude oil	14,019	18,878
Other	794	1,006
	$ 14,813	33,178

Inventories valued at cost under the last-in, first-out method totalled $14,813,000 at December 31, 1983 and $33,178,000 at December 31, 1982. These amounts were $612,000 and $7,318,000 respectively, less than such inventories would have been valued using the first-in, first-out method.

3. PROPERTY, PLANT AND EQUIPMENT

		December 31, 1983			
		Allowance for			
	Cost	Depreciation	Depletion	Amortization	Net Book Value
			(thousands of dollars)		
Developed oil and gas properties	**$179,675**	**21,025**	**45,070**	**—**	**113,580**
Undeveloped oil and gas properties	**36,780**	**—**	**—**	**14,336**	**22,444**
Pipelines	**11,752**	**3,665**	**—**	**—**	**8,087**
Other properties	**6,534**	**1,980**	**—**	**—**	**4,554**
	$234,741	**26,670**	**45,070**	**14,336**	**148,665**

		December 31, 1982			
		Allowance for			
	Cost	Depreciation	Depletion	Amortization	Net Book Value
			(thousands of dollars)		
Developed oil and gas properties	$156,940	18,154	39,035	—	99,751
Undeveloped oil and gas properties	30,459	—	—	12,735	17,724
Marketing properties	28,017	10,913	—	—	17,104
Pipelines	11,463	3,358	—	—	8,105
Other properties	4,450	1,572	—	—	2,878
	$231,329	33,997	39,035	12,735	145,562

4. LONG-TERM DEBT

	1983	1982
	(thousands of dollars)	
Bank loan, secured by an assignment of the Company's interest in certain oil and gas reserves and bearing interest at prime plus ¼ per cent.	$ —	6,533
Notes payable, bearing various rates of interest. During 1983 the rates ranged from 9.95 per cent to 12.00 per cent.	—	20,000
Obligations under capital leases bearing annual interest at rates varying from 6.25 per cent to 9.50 per cent.	—	131
	—	26,664
Less current portion	—	11,524
	$ —	15,140

5. INCOME TAXES

The total income taxes charged to earnings of $23,481,000 in 1983 and $7,182,000 in 1982 resulted in an effective rate of 43 per cent and 25 per cent respectively. These totals are different from the "expected" tax expense computed by applying the combined expected Canadian federal and provincial tax rates to income from continuing operations before taxes and extraordinary items. The reasons for these differences are as follows:

	1983	1982
	(thousands of dollars)	
Computed "expected" tax expense	$26,682	14,197
Additions to income taxes resulting from		
Royalties, lease rentals and mineral taxes payable to the Crown	12,807	11,274
	39,489	25,471
Reductions in income taxes resulting from		
Resource allowance on Canadian production income	9,721	8,055
Earned depletion on Canadian production income	1,087	2,089
Royalty credit and rebates receivable from the provinces	4,693	5,444
Incremental oil revenue	—	1,610
Investment tax credits	507	732
Other	—	359
	$23,481	7,182

6. SALE OF MARKETING ASSETS

On December 1, 1983, the Company sold all marketing assets of a subsidiary for $32,880,000 resulting in an extraordinary gain of $5,919,000 (net of $2,081,000 in income taxes).

The following is a summary of operations which have been discontinued:

	For the period ended Nov. 30, 1983	Dec. 31, 1982
	(thousands of dollars)	
Revenue	$79,745	107,162
Costs and deductions	80,800	103,512
Income (loss) before income taxes	(1,055)	3,650
Income taxes (recovery)	(4)	1,250
Net income (loss)	$ (1,051)	2,400

7. SHARE OPTION PLAN

Under the terms of the share option plan, 400,000 common shares of the Company were reserved for issuance to key employees of the Company. In lieu of purchasing the amount of shares granted in the option, the optionee may elect to receive the "net value of the option" in shares, in return for surrendering the option. The "net value of the option" means the difference in the market price of the share and the option price stipulated in the option.

At December 31, 1983 options have been exercised in aggregate of 36,441 shares, 190,739 remain available under the plan for the granting of options, and the following options, exercisable to the period ending August 4, 1993 were outstanding. The exercise price and number of shares have been adjusted to reflect the two for one share split.

	1983	1982
Common shares at exercise price of $ 8.00	**24,560**	35,880
Common shares at exercise price of $ 9.00	**45,440**	52,800
Common shares at exercise price of $12.50	**4,800**	9,000
Common shares at exercise price of $13.75	**18,520**	27,720
Common shares at exercise price of $14.50	**26,000**	32,400
Common shares at exercise price of $15.50	**39,000**	—
Common shares at exercise price of $15.75	**3,000**	3,000
Common shares at exercise price of $18.00	**10,000**	10,000
Common shares at exercise price of $22.50	**1,500**	—
	172,820	170,800

During the 1983 year, options to purchase 42,500 shares were granted, 13,040 forfeited and options to purchase 27,440 shares were exercised. The net number of shares issued relating to the exercised options was 14,523 shares (gross 27,440 shares) valued to the Company at $278,636. For 1982, options to purchase 61,800 shares were granted, 2,600 forfeited and options to purchase 4,800 shares were exercised. The net number of shares issued relating to the exercised options was 1,988 shares (gross 4,800 shares) valued to the Company at $29,815.

8. COMMITMENTS AND CONTINGENCIES

The Company has entered into a long-term contract to lease an office building. The annual rentals to November 1, 1987 are $1,218,000. In addition, the lease provides that the Company is responsible for the payment of property taxes and operating expenses.

During 1982 the Company recognized a gain into income on the sale of its interest in three leases in the Athabasca area to a consortium developing a tar sands mining project. In the event that this project is approved by the Alberta government and is developed by the consortium, the Company may elect to reacquire its interest by refund of the proceeds of the 1982 sale and payment of its share of accumulated capital expenditures. Should the Company elect not to participate in the developed project it would receive additional funds based on estimated minable reserves. If the project is abandoned, the funds received on the sale are non-refundable.

9. SEGMENT DATA

The Company operations are entirely within Canada with both the exploration and production operations and the supply and transportation operations located primarily in the western provinces. Segmented information relating to the income statement has been restated for 1982 to reflect the sale of marketing operations in 1983.

The following tables of revenues and income are presented with intersegment transfers eliminated to reflect revenues and income as reported in the consolidated statements of income.

Note 9, cont.

REVENUES
(thousands of dollars)

	1983	% of Total	1982	% of Total
Crude oil, natural gas and natural gas liquids	**$ 84,496**	78	71,006	85
Supply and transportation	**16,888**	16	6,954	8
Other revenue	**7,170**	6	5,360	7
Total revenue	**$108,554**	100	83,320	100

INCOME from continuing operations before extraordinary items
(thousands of dollars)

	1983	1982	Increase (Decrease)	%
Exploration and production	**$37,341**	24,221	13,120	54
Supply and transportation	**13,050**	4,158	8,892	214
Gross income	**50,391**	28,379	22,012	78
Unallocated expenses				
General and administrative	**3,592**	2,293	1,299	57
Interest - net	**1,017**	6,080	(5,063)	(83)
Income tax	**23,481**	7,182	16,299	227
Income from continuing operations before extraordinary item	**$22,301**	12,824	9,477	74

DEPLETION, DEPRECIATION AND AMORTIZATION DEDUCTED IN ARRIVING AT GROSS INCOME
(thousands of dollars)

	1983	1982
Exploration and production	**$ 12,247**	11,295
Supply and transportation	**409**	656
Other	**703**	856
	$ 13,359	12,807

ASSETS
(thousands of dollars)

	1983	1982
Exploration and production	**$156,549**	135,432
Marketing	—	49,095
Supply and transportation	**63,028**	66,148
Other	**34,485**	—
	$254,062	250,675

CAPITAL EXPENDITURES
(thousands of dollars)

	1983	1982
Exploration and production	**$ 42,328**	34,955
Marketing	**1,466**	3,001
Supply and transportation	**306**	542
	$ 44,100	38,498

TEN YEAR STATISTICAL SUMMARY

(thousands of dollars except per share amounts)

	1983	1982
FINANCIAL		
Revenues		
Oil and gas sales	**$84,496**	71,006
Supply and transportation	**16,888**	6,954
Other revenue	**7,170**	5,360
Total revenues*	**108,554**	83,320
Income before extraordinary items†	**21,250**	15,224
Income per share before extraordinary items**	**1.69**	1.21
Extraordinary items	**5,919**	—
Net income†	**27,169**	15,224
Net income per share**	**2.16**	1.21
Cash flow	**52,488**	42,595
Cash flow per share**	**4.17**	3.39
Capital expenditures		
Exploration and production	**42,328**	34,955
Marketing	**1,466**	3,001
Supply and transportation	**306**	542
Total capital expenditures	**44,100**	38,498
Working Capital††	**31,983**	11,646
Total assets††	**254,062**	250,675
Long-term debt††	**—**	26,664
OPERATING		
Gross crude oil and NGL produced (thousands of cubic metres)	**523**	504
Net crude oil and NGL produced (thousands of cubic metres)	**381**	356
Gross natural gas produced (millions of cubic metres)	**211**	218
Net natural gas produced (millions of cubic metres)	**171**	171
Net oil and gas wells owned††	**1,069**	1,019
Net undeveloped property††	**255**	261
Gross proven oil and gas liquid reserves†† (millions of cubic metres)	**4.9**	5.0
Net proven oil and gas liquid reserves†† (millions of cubic metres)	**3.6**	3.6
Gross proven natural gas reserves†† (billions of cubic metres)	**7.3**	7.8
Net proven natural gas reserves†† (billions of cubic metres)	**5.7**	6.1
SHAREHOLDERS AND EMPLOYEES		
Number of common shares outstanding**	**12,585,149**	12,570,626
Number of common shareholders††	**1,023**	1,179
Number of employees††	**237**	296
Salaries, wages and benefits	**$12,333**	9,973

* Restated for 1982 and prior years to reflect sale of marketing assets
† Restated for 1978 and prior years to reflect successful efforts method of accounting
** Restated for 1982 and prior years to reflect two for one share split
†† Year-end

1981	1980	1979	1978	1977	1976	1975	1974
52,502	49,141	40,424	35,766	30,622	23,924	19,218	15,091
2,506	3,218	2,394	1,950	1,515	993	1,784	2,595
3,437	692	76	142	482	477	1,867	331
58,445	53,051	42,894	37,858	32,619	25,394	22,869	18,017
9,341	7,241	8,183	3,139	5,589	1,492	5,038	4,108
0.74	0.58	0.65	0.25	0.45	0.12	0.40	0.33
600	5,840	—	—	—	—	—	—
9,941	13,081	8,183	3,139	5,589	1,492	5,038	4,108
0.79	1.04	0.65	0.25	0.45	0.12	0.40	0.33
28,783	34,108	24,597	15,755	16,040	10,159	11,091	17,077
2.29	2.72	1.96	1.26	1.28	1.31	0.88	1.36
18,295	40,950	25,475	15,427	12,619	8,953	10,008	11,358
1,356	1,577	1,490	3,375	2,548	4,358	5,741	1,171
3,759	1,501	1,329	276	405	8	278	21
23,410	44,028	28,294	19,078	15,572	13,319	16,027	12,550
18,702	11,398	3,660	8,614	15,327	14,761	17,568	11,502
219,494	203,260	157,689	140,598	149,680	131,349	132,559	128,106
35,156	44,263	25,539	30,646	30,000	30,000	30,000	21,265
479	577	552	545	562	548	585	640
322	375	358	354	362	401	431	461
230	239	271	291	286	248	224	192
176	176	203	210	206	185	177	150
965	930	868	800	751	704	624	569
290	385	1,053	1,183	1,192	1,213	1,246	2,137
5.0	5.4	6.0	6.4	6.5	6.5	6.9	7.4
3.3	3.5	3.8	4.0	4.1	4.3	5.1	5.3
7.7	7.8	9.1	7.4	7.0	6.6	6.3	5.9
5.8	5.9	6.7	5.5	5.2	4.9	4.7	4.6
12,568,638	12,551,144	12,548,708	12,548,708	12,548,708	12,548,708	12,548,708	12,548,708
1,407	1,439	1,429	1,566	1,565	1,497	1,549	1,628
276	264	276	296	326	297	287	262
8,191	7,201	6,546	6,462	5,764	4,937	4,254	3,484

CORPORATE DIRECTORY

HEAD OFFICE

1700, 800 - 6th Avenue S.W.
Calgary, Alberta
T2P 3Y3
Telephone (403) 294-8000

District Office
P.O. Box 12
Lloydminster, Alberta
S9V 0X9

DIRECTORS

Robert G. Farquharson
President & Chief Executive Officer of
Murphy Oil Company Ltd.
Calgary, Alberta
Board Member Since April, 1981

George S. Dembroski*
Vice-Chairman of
Dominion Securities Ames Limited
Toronto, Ontario
Board Member Since May, 1977

Thomas S. Dobson*
Chairman of
Easton United Securities Ltd.
Calgary, Alberta
Board Member Since April, 1982

F. Richard Matthews, Q.C.*
Secretary of Murphy Oil Company Ltd.
& Partner in MacKimmie Matthews
Barristers, Solicitors and Notaries
Calgary, Alberta
Board Member Since October, 1961

B. Harold Monzingo*
President & Chief Executive Officer of
Deltic Farm & Timber Co., Inc.
El Dorado, Arkansas, U.S.A.
Board Member Since April, 1982

Robert J. Sweeney
President & Chief Executive Officer of
Murphy Oil Corporation
El Dorado, Arkansas, U.S.A.
Board Member Since January, 1973

Lorne C. Webster*
Chairman of the Board &
Chief Executive Officer of
Prenor Group Ltd.
Montreal, Quebec
Board Member Since July, 1976

*Member, Audit Committee

OFFICERS

Robert G. Farquharson
President & Chief Executive Officer

Robert T. McLean
Vice-President, Production

Leonard E. Pasychny
Vice-President, Supply & Transportation

Ernest S. Spurgeon
Vice-President, Exploration

F. Richard Matthews, Q.C.
Secretary

John A. Gould
Vice-President & Treasurer

Donald R. Craig
Vice-President & Controller

REGISTRAR AND TRANSFER AGENT

National Trust Company, Limited
Calgary, Alberta

AUDITORS

Peat, Marwick, Mitchell & Co.
Calgary, Alberta

STOCK LISTED

Toronto Stock Exchange
Montreal Stock Exchange
Symbol MO

ANNUAL MEETING

The Annual Meeting of the Shareholders of the Company will be held in MacLeod Hall "C", Calgary Convention Centre, Calgary, Alberta at 4:00 p.m. (M.S.T.) on Thursday, the 3rd day of May, 1984.

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MURPHY
OIL COMPANY LTD.