

MURPHY OIL CORP /DE
Form DEF 14A
March 28, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Murphy Oil Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

NOTICE OF ANNUAL MEETING

To the Stockholders of

Murphy Oil Corporation:

The Annual Meeting of Stockholders of MURPHY OIL CORPORATION will be held at the South Arkansas Arts Center, 110 East 5th Street, El Dorado, Arkansas, on Wednesday, May 11, 2005, at 10:00 a.m., Central Daylight Time, for the following purposes:

1. To elect directors to serve for the ensuing year.
2. To vote upon a proposed amendment to the Company's Certificate of Incorporation attached as Exhibit A to the accompanying Proxy Statement. If adopted, this amendment will increase the number of authorized shares of Common Stock from 200,000,000 to 450,000,000.
3. To approve or disapprove the action of the Audit Committee of the Board of Directors in appointing KPMG LLP as the Company's independent registered public accounting firm for 2005.
4. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on March 15, 2005, the record date fixed by the Board of Directors of the Company, will be entitled to notice of and to vote at the meeting or any adjournment thereof. A list of all stockholders entitled to vote is on file at the offices of the Company, 200 Peach Street, El Dorado, Arkansas 71730.

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

WALTER K. COMPTON

Secretary

El Dorado, Arkansas

March 28, 2005

PROXY STATEMENT

March 28, 2005

SOLICITATION

The solicitation of the enclosed proxy is made on behalf of the Board of Directors of Murphy Oil Corporation (the Company) for use at the Annual Meeting of Stockholders to be held on May 11, 2005. It is expected that this Proxy Statement and related materials will first be mailed to stockholders on or about March 28, 2005.

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

VOTING PROCEDURES

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

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

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

Unless specification to the contrary is made, the shares represented by the enclosed proxy will be voted FOR all the nominees for director; FOR the proposed amendment to the Company's Certificate of Incorporation and FOR approval of the appointment of KPMG LLP as the Company's independent registered public accounting firm.

VOTING SECURITIES

On March 15, 2005 the record date for the meeting, the Company had outstanding 92,213,558 shares of Common Stock, all of one class and each share having one vote in respect of all matters to be voted on at the meeting. This amount does not include 2,399,527 shares of treasury stock. Information as to Common Stock Ownership of certain beneficial owners and management is set forth in the tables on pages 7 and 8 (Security Ownership of Certain Beneficial Owners and Security Ownership of Management).

ELECTION OF DIRECTORS

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

To the extent authorized by the proxies, the shares represented by the proxies will be voted in favor of the election as directors of the ten nominees whose names are set forth below. If for any reason any of these nominees is not a candidate when the election occurs, the shares represented by such proxies will be voted for the election of the other nominees named and may be voted for any substituted nominees. However, management of the Company does not expect this to occur. All of management's nominees, except Neal E. Schmale, were elected at the last Annual Meeting of Stockholders. Mr. Schmale was elected by the Board on August 4, 2004. All directors, other than Mr. Deming, have been deemed independent by the Board based on the categorical standards of independence included in the Company's Corporate Governance Guidelines and attached as Exhibit B. Mr. Nolan, the Non-Employee Chairman of the Board, serves as presiding director at regularly scheduled (February, August and December) meetings of non-management directors without the Company's management. Interested parties may communicate with the presiding non-management director in the manner described in the Corporate Governance Guidelines. The names of the nominees, and certain information as to them, are as follows:

Director Nominees

Name	Principal occupation	Other
and age	or employment	directorships
<p>Frank W. Blue</p> <p>Santa Barbara, California</p> <p>Age: 63</p> <p>Director Since: 2003</p>	<p>Attorney; Attorney, Fulbright & Jaworski from July, 2001 to October, 2003; Vice President, General Counsel and Secretary of Caltex Corp., a petroleum refining and marketing company, from January, 1983 to June, 2001</p>	<p>None</p>
Board Committees:		
Audit		
<p>Nominating & Governance</p> <p>George S. Dembroski</p> <p>Toronto, Ontario, Canada</p> <p>Age: 70</p> <p>Director Since: 1995</p>	<p>Vice Chairman, Retired, RBC Dominion Securities, Limited, an investment dealer</p>	<p>Cameco Corporation</p> <p>Saskatoon,</p> <p>Saskatchewan, Canada</p> <p>Extendicare Inc.</p> <p>Markham,</p>

Board Committees:

Executive

Audit

Chair, Executive Compensation

Name and age	Principal occupation or employment	Other directorships
Claiborne P. Deming El Dorado, Arkansas Age: 50	President and Chief Executive Officer of the Company	Entergy Corporation New Orleans, Louisiana

Director Since: 1993**Board Committees:**

Executive Robert A. Hermes Houston, Texas Age: 65	Chairman of the Board, Retired, Purvin & Gertz, Inc., an international energy consulting firm; Chairman, Purvin & Gertz 2000 October, 2004	None
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Director Since: 1999**Board Committees:**

Chair, Nominating & Governance

Public Policy & Environmental

R. Madison Murphy El Dorado, Arkansas Age: 47	Managing Member, Murphy Family Management, LLC	Deltic Timber Corporation El Dorado, Arkansas BancorpSouth, Inc. Tupelo, Mississippi
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Director Since: 1993

(Chairman, 1994-2002)

Board Committees:

Executive

Chair, Audit William C. Nolan, Jr.	Partner, Nolan & Alderson, Attorneys; President,	None
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El Dorado, Arkansas

Noalmark Broadcasting,
engaged in radio
broadcasting

Age: 65

Director Since: 1977

Board Committees:

Chairman of the Board

and Executive Committee,
ex-officio member
of all other committees

Ivar B. Ramberg

Osteraas, Norway

Age: 67

Executive Officer, Ramberg
Consulting AS, an energy
consulting firm since 2000;
President and CEO, Norsk
Hydro Canada, an oil and gas
exploration and production
company, from 1996 to 2000

None

Director Since: 2003

Board Committees:

Nominating & Governance

Public Policy & Environmental

Name	Principal occupation	Other
<p>and age Neal E. Schmale</p>	<p>or employment Executive Vice President and CFO, Sempra Energy, an energy services holding company</p>	<p>directorships Sempra Energy</p>
<p>San Diego, California</p>		<p>San Diego, California</p>
<p>Age: 58</p>		<p>WD-40 Company</p>
		<p>(Chairman)</p>
<p>Director Since: 2004</p>		<p>San Diego, California</p>
<p>Board Committees:</p>		
<p>Executive Compensation</p>		
<p>Audit</p>		
<p>David J. H. Smith</p>	<p>Chief Executive Officer, Retired, Whatman plc, a life sciences company, since September, 2001; CEO of Whatman from 1996 to September, 2001</p>	<p>None</p>
<p>Maidstone, Kent, England</p>		
<p>Age: 63</p>		
<p>Director Since: 2001</p>		
<p>Board Committees:</p>		
<p>Executive Compensation</p>		
<p>Public Policy & Environmental</p>		
<p>Caroline G. Theus</p>	<p>President, Inglewood Land and Development Co., a farming and land holding corporation; President, Keller Enterprises, LLC which manages investments and real estate holdings</p>	<p>None</p>
<p>Alexandria, Louisiana</p>		
<p>Age: 61</p>		
<p>Director Since: 1985</p>		
<p>Board Committees:</p>		
<p>Executive</p>		
<p>Chair, Public Policy & Environmental</p>		

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

Committees

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

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

The Audit Committee has the sole authority to appoint or replace the Company's independent registered public accounting firm who report directly to the committee. The committee also assists the Board's oversight of the integrity of the Company's financial statements, the independent auditors' qualifications and independence, the performance of the Company's internal audit function and independent auditors and the compliance by the Company with legal and regulatory requirements. This committee meets with representatives of the independent auditors and with members of the internal Auditing Division for these purposes. All of the members of the Audit Committee are independent under the rules of the New York Stock Exchange, the requirements of the Securities and Exchange Commission and the Company's independence standards. George S. Dembroski is the Committee's designated financial expert.

The Executive Compensation Committee oversees the compensation of the Company's executives and directors and administers the Company's Annual Incentive Compensation Plan, the 1992 Stock Incentive Plan and the Stock Plan for Non-Employee Directors. All of the members of the Executive Compensation Committee are independent under the rules of the New York Stock Exchange and the Company's independence standards.

The Nominating & Governance Committee identifies and recommends Board members, recommends appointments to Board committees, oversees evaluation of Board performance, develops, reviews and assesses the Corporate Governance Guidelines of the Company and reviews programs related to compliance with the Company's Code of Business Conduct and Ethics. All of the members of the Nominating & Governance Committee are independent under the rules of the New York Stock Exchange and the Company's independence standards. Information regarding the process for evaluating and selecting potential director candidates, including those recommended by stockholders, is set out in the Company's Corporate Governance Guidelines. Stockholders desiring to recommend candidates for membership on the Board of Directors for consideration by the Nominating & Governance Committee should address their recommendations to: Nominating & Governance Committee of the Board of Directors, c/o Secretary, Murphy Oil Corporation, P.O. Box 7000, El Dorado, Arkansas 71731-7000. The Corporate Governance Guidelines also provide a mechanism by which security holders may send communications to Board members and contain the Company's policy with respect to board member attendance at annual meetings of shareholders. All Board members, except Mr. Schmale who was not then a member, attended the 2004 annual meeting.

The Public Policy & Environmental Committee assists the Board in monitoring compliance with applicable environmental, health and safety laws and regulations and provides guidance as to public issues affecting the Company.

Charters for the Audit, Executive Compensation, Nominating & Governance and Public Policy & Environmental Committees, along with the Corporate Governance Guidelines and the Code of Ethical Conduct for Executive Management, are available on the Company's website, www.murphyoilcorp.com/cr/governance, and free of charge from the Corporate Secretary.

Meetings and Attendance

During 2004 there were six regular meetings and two special meetings of the Board of Directors, eleven regular meetings and one special meeting of the Executive Committee, nine meetings of the Audit Committee, two meetings of the Executive Compensation Committee, three meetings of the Nominating & Governance Committee, and two meetings of the Public Policy & Environmental Committee. All nominees attended a minimum of 75% of the total number of meetings of the Board of Directors and committees on which they served.

Compensation of Directors

The Company's standard arrangement for the compensation of non-employee directors was revised in 2003 to divide remuneration into cash and equity components. Toward this end, a Stock Plan for Non-Employee Directors was submitted to, and approved by, stockholders at the 2003 annual meeting. The aim of the revision was twofold: (i) to further align the interests of directors and the shareholders they represent and (ii) to bring total director compensation to a level near the 50th percentile of the competitive market (as determined by a major national compensation consulting firm) which will enhance the Company's ability to retain and recruit qualified individuals.

In 2004, the cash component consisted of an annual retainer of \$37,500 plus \$1,250 for each Board or committee meeting attended. Committee chairmen and the audit committee financial expert received an additional \$5,000 and the Chairman of the Board received an additional \$75,000. The Company also

reimburses directors for travel, lodging and related expenses they incur in attending Board and committee meetings.

The equity component for 2004 was provided by a combination of stock options and time lapse restricted stock. Each director, other than Mr. Schmale, received stock options for 2,100 shares having a grant date present value of \$31,332⁽¹⁾. The options vest ¹/₃ after one year, ²/₃ after two years and in full after three years and expire ten years from the date of the grant. The exercise price of \$60.59 is equal to the fair market value on the date of the grant, February 3, 2004. The restricted stock, 740 shares valued at \$44,622 on February 3, 2004, vests after three years. During the vesting period the shares carry voting and dividend rights but no dispositive power.

Mr. Schmale, elected in August, 2004, received the same compensation on a pro-rated basis. His cash retainer was \$15,625 and his equity compensation included stock options for 830 shares having a grant date present value of \$15,139⁽²⁾ and 290 shares of restricted stock valued at \$21,721.

For 2005, the cash component will increase to an annual retainer of \$50,000, plus \$1,500 for each Board or Committee meeting attended. Committee Chairmen and the Audit Committee financial expert will receive an additional \$5,000, the Audit Committee Chairman will receive an additional \$10,000 and the Chairman of the Board will receive an additional \$115,000. The equity component is provided by an award of 1,275 shares of restricted stock valued at \$96,000.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the United States, the Company's directors and its executive officers are required to report their ownership of the Company's Common Stock and any changes in that ownership to the Securities and Exchange Commission and the New York Stock Exchange. Specific due dates for these reports have been established and the Company is required to report in this proxy statement any failure to file by these dates. In 2004, all officers and directors satisfied their filing requirements.

⁽¹⁾Values were based on the Black-Scholes option pricing model adapted for use in valuing stock options. The actual value, if any, an executive may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised. There is no assurance that the value realized by the executive will be at or near the value estimated by the Black-Scholes model. The estimated values under that model are based on assumptions as to certain variables and in 2004 included the following:

Risk-free rate of return	3.24%
Stock volatility	27.81%
Dividend yield	1.86%
Expected life of option	5 years

Based on the Black-Scholes option pricing model, using the above assumptions, the options granted in 2004 have been valued at \$14.92 per share as of the grant date.

⁽²⁾Mr. Schmale's stock options, using substantially similar assumptions and the Black-Scholes model, were valued at \$18.24 per share on their August 4, 2004 grant date.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

As of December 31, 2004, the following are known to the Company to be the beneficial owners of more than five percent of the Company's Common Stock:

<u>Name and address of beneficial owner</u>	<u>Amount and nature of beneficial ownership⁽¹⁾</u>	<u>Percentage</u>
BancorpSouth, Inc. One Mississippi Plaza 201 South Spring Street Tupelo, MS 38804	4,747,104 ⁽²⁾	5.2 %
Citigroup, Inc. 399 Park Avenue New York, NY 10043	4,794,605 ⁽³⁾	5.2%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	5,062,273 ⁽⁴⁾	5.5%
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	6,347,400 ⁽⁵⁾	6.9 %

- (1) Includes Common Stock for which the indicated owner has sole or shared voting or investment power and is based on the indicated owner's 13G filing for the period ended December 31, 2004.
- (2) Shares reported are held in various trust accounts of which a subsidiary of the filing person is a trustee. Total includes 99,798 sole voting power shares, 4,647,306 shared voting power shares, 70,213 sole investment power shares and 4,647,306 shared investment power shares.
- (3) Reporting person disclaims beneficial ownership. All shares are shared voting power shares and shared investment power shares.
- (4) These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. Total includes 998,963 sole voting power shares and 5,062,273 sole investment power shares.
- (5) An investment adviser registered under Section 203 of the Investment Advisers Act of 1940. All shares are sole investment power shares.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information, as of February 15, 2005, concerning the number of shares of Common Stock of the Company beneficially owned by all directors and nominees, each of the Named Executives (as hereinafter defined), and directors and executive officers as a group:

Name	Personal with Full Voting and Investment Power ⁽¹⁾⁽²⁾⁽³⁾	Personal as Beneficiary of Trusts	Voting and Investment Power Only	Options Exercisable Within 60 Days	Total	Percent of Outstanding (if greater than one percent)
F. W. Blue	2,015			2,700	4,715	
G. S. Dembroski	3,015			2,700	5,715	
C. P. Deming	545,414	764,768	824,828 ⁽⁴⁾	540,000	2,675,010	2.91%
R. A. Hermes	6,015			2,700	8,715	
R. M. Murphy	475,269	723,038	4,219,226 ⁽⁵⁾	2,700	5,420,233	5.89%
W. C. Nolan, Jr.	302,279	203,292		2,700	508,271	
I. B. Ramberg	2,015			2,700	4,715	
N. E. Schmale	1,565				1,565	
D. J. H. Smith	7,015			2,700	9,715	
C. G. Theus	207,759	322,684	1,091,776 ⁽⁶⁾	2,700	1,624,919	1.77%
S. A. Cossé	44,279			150,000	194,279	
W. M. Hulse	22,102			162,500	184,602	
B. H. Stobaugh	23,023			118,500	141,523	
J. W. Eckart	9,434			81,950	91,384	
Directors and officers as a group ⁽⁷⁾	1,667,052	2,013,782	6,135,830	1,192,800	11,009,464	11.97%

- (1) Includes Restricted Stock in the following amounts: Blue, Dembroski, Hermes, Murphy, Nolan, Ramberg, Smith and Theus 2,015 shares each and Schmale 1,565 shares (Stock Plan for Non-Employee Directors); Deming 33,000 shares; Cossé 9,500 shares; Hulse 6,000 shares; Stobaugh 6,000 shares and Eckart 3,500 shares (1992 Stock Incentive Plan). Restricted Stock carries voting power and the right to receive dividends, but no disposition power during the restricted period.
- (2) Includes Company Thrift (401(k)) Plan shares in the following amounts: Deming 51,602 shares; Murphy 5,125 shares; Cossé 6,655 shares; Stobaugh 2,091 shares and Eckart 2,843 shares.
- (3) Includes shares held by spouse and other household members as follows: Deming 215,614 shares and Murphy 146,057 shares.
- (4) 824,828 shares are held in trusts for Mr. Deming's children in a Family Limited Partnership of which Mr. Deming is a Trustee. Beneficial ownership is expressly disclaimed.
- (5) 1,244,330 shares are held by trusts for the benefit of others for which Mr. Murphy is trustee or co-trustee and 623,796 shares are held by a private foundation of which Mr. Murphy is President for which beneficial ownership is expressly disclaimed. 2,351,100 shares are held by a limited partnership that is controlled by a limited liability company of which Mr. Murphy is a member. Mr. Murphy has beneficial interest in 196,038 of these shares. Mr. Murphy's wife and children have a beneficial interest in 2,248 shares and 4,497.4 shares, respectively, for which beneficial ownership is expressly disclaimed.
- (6) Mrs. Theus is co-trustee of siblings' trusts which hold 1,074,504 shares, she is trustee for 3,342 shares held in trust for her son and 13,930 shares are held by trusts for the benefit of others for which Mrs. Theus is trustee and beneficial ownership is expressly disclaimed.
- (7) Includes nine directors, six officers and one director/officer.

EXECUTIVE COMPENSATION

The following table sets forth information with respect to the individual who served as the Company's chief executive officer during 2004 and the four other most highly compensated executive officers of the Company at the end of 2004 (collectively, the "Named Executives"):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards		
		Salary (\$)(1)	Bonus (\$)(2)	Other Annual Compensation (\$)	Restricted stock awards (\$)(3)	Securities underlying options	All other compensation (\$)(4)
Claiborne P. Deming President and Chief Executive Officer	2004	955,000	1,645,000		603,000	80,000	57,930
	2003	895,833	900,000		423,400	100,000	681,572
	2002	845,834				120,000	59,475
Steven A. Cossé Executive Vice President and General Counsel	2004	437,500	375,000		211,050	30,000	26,526
	2003	407,500	250,000		211,700	40,000	339,601
	2002	378,334				50,000	28,343
W. Michael Hulse Executive Vice President	2004	326,250	200,000		120,600	17,500	19,694
	2003						