MURPHY OIL CORP /DE
Form DEF 14A
March 24, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

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

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §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):

x 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 the 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:

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 10, 2006, at 10:00 a.m., Central Daylight Time, for the following purposes:

1. To elect directors to serve for the ensuing year.

2. To approve or disapprove the action of the Audit Committee of the Board of Directors in appointing KPMG LLP as the Company s independent auditors for 2006.

3. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on March 13, 2006, 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 24, 2006

PROXY STATEMENT

March 24, 2006

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 10, 2006. It is expected that this Proxy Statement and related materials will first be mailed to stockholders on or about March 24, 2006.

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 and FOR approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm.

VOTING SECURITIES

On March 13, 2006 the record date for the meeting, the Company had outstanding 186,618,476 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 209,554 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 were elected at the last Annual Meeting of Stockholders. 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 A. 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, as well as shareholders, may send communications to the board and/or specified individual directors c/o the Secretary, Murphy Oil Corporation, P.O. Box 7000, El Dorado, AR 71731-7000. The Secretary shall promptly relay all such communications to the appropriate director(s). The names of the nominees, and certain information as to them, are as follows:

Director Nominees

Name and age	Principal occupation or employment	Certain other directorships
Frank W. Blue Santa Barbara, California Age: 64 **Director Since:** 2003 **Board Committees:** Audit Nominating & Governance	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	None
George S. Dembroski Toronto, Ontario, Canada Age: 71 **Director Since:** 1995	Vice Chairman, Retired, RBC Dominion Securities, Limited, an investment dealer	**Cameco Corporation** Saskatoon, Saskatchewan, Canada

Board Committees: Executive Audit Chair, Executive Compensation		
Claiborne P. Deming El Dorado, Arkansas Age: 51 **Director Since:** 1993 **Board Committees:** Executive	President and Chief Executive Officer of the Company	**Entergy Corporation** New Orleans, Louisiana

Name and age	Principal occupation or employment	Other directorships
Robert A. Hermes Houston, Texas Age: 66 **Director Since:** 1999 **Board Committees:** Chair, Nominating & Governance Public Policy & Environmental	Chairman of the Board, Retired, Purvin & Gertz, Inc., an international energy consulting firm; Chairman, Purvin & Gertz 2000 October, 2004	None
R. Madison Murphy El Dorado, Arkansas Age: 48 **Director Since:** 1993 (Chairman, 1994-2002) **Board Committees:** Executive Chair, Audit	Managing Member, Murphy Family Management, LLC, which manages investments, farm, timber and real estate	**Deltic Timber Corporation** El Dorado, Arkansas **BancorpSouth, Inc.** Tupelo, Mississippi
William C. Nolan, Jr. El Dorado, Arkansas Age: 66 **Director Since:** 1977 **Board Committees:** Chairman of the Board	Partner, Nolan & Alderson, Attorneys; President, Noalmark Broadcasting, engaged in radio broadcasting	None

and Executive Committee, ex-officio member of all other committees		
Ivar B. Ramberg Osteraas, Norway Age: 68 **Director Since:** 2003 **Board Committees:** Nominating & Governance Public Policy & Environmental	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
Neal E. Schmale San Diego, California Age: 59 **Director Since:** 2004 **Board Committees:** Executive Compensation Audit	President and Chief Operating Officer Sempra Energy, an energy services holding company, since February 1, 2006; previously Executive Vice President and CFO of Sempra Energy	**Sempra Energy** San Diego, California **WD-40 Company** Chairman San Diego, California

Name and age	Principal occupation or employment	Other directorships
David J. H. Smith Maidstone, Kent, England Age: 64 **Director Since:** 2001 **Board Committees:** Executive Compensation Public Policy & Environmental	Chief Executive Officer, Retired, Whatman plc, a life sciences company, since September, 2001; CEO of Whatman from 1996 to September, 2001	None
Caroline G. Theus Alexandria, Louisiana Age: 62 **Director Since:** 1985 **Board Committees:** Executive Chair, Public Policy & Environmental	President, Inglewood Land and Development Co., a farming and land holding corporation; President, Keller Enterprises, LLC which manages investments and real estate holdings	None

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 auditors 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, the compliance by the Company with legal and regulatory requirements and review of programs related to compliance with the Company s Code of Business and Ethics. 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.

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 potential Board members, recommends appointments to Board committees, oversees evaluation of Board performance and reviews and assesses the Corporate Governance Guidelines of the Company. 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. Dembroski, attended the 2005 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. The Audit Committee charter is also included as Exhibit B.

Meetings and Attendance

During 2005 there were six regular meetings and one special meeting of the Board of Directors, 11 regular meetings of the Executive Committee, ten meetings of the Audit Committee, three meetings of the Executive Compensation Committee, two 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. To 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 2005, the cash component consisted of an annual retainer of $50,000 plus $1,500 for each Board or committee meeting attended. Committee Chairmen and the Audit Committee Financial Expert received an additional $5,000, the Audit Committee Chairman received an additional $10,000 and the Chairman of the Board received an additional $115,000. The Company also reimburses directors for travel, lodging and related

expenses they incur in attending Board and committee meetings.

The equity component for 2005 was provided by time lapse restricted stock. Each director received 2,550 shares of restricted stock (as adjusted for 2-for-1 stock split effective June 3, 2005), valued at $115,680.75 on February 1, 2005, vesting after three years. During the vesting period the shares carry voting and dividend rights but no dispositive power.

For 2006, the per meeting fee increased to $2,000 but the cash component is otherwise unchanged. The equity component is provided by an award of 2,154 shares of restricted stock valued at $122,778 on January 31, 2006, vesting after three years. During the vesting period the shares carry voting and dividend rights but no dispositive power.

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 2005, all officers and directors satisfied their filing requirements.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

As of December 31, 2005, the following are known to the Company to be the beneficial owners of more than five percent of the Company s Common Stock:

Name and address of beneficial owner	Amount and nature of beneficial ownership[1]	Percentage
BancorpSouth, Inc. One Mississippi Plaza 201 South Spring Street Tupelo, MS 38804	9,486,515[2]	5.1%
Capital Research and Management Company 82 Devonshire St. Boston, MA 02109	15,797,100[3]	8.5%
FMR Corp. 82 Devonshire St. Boston, MA 02109	14,537,534[4]	7.8%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	15,017,296[5]	8.0%

(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, 2005.

(2) Shares reported are held in various trust accounts administered by a wholly-owned subsidiary of the reporting person. Beneficial ownership of shares is disclaimed by the reporting person. Total includes 191,903 sole voting power shares, 9,294,612 shared voting power shares, 140,625 sole investment power shares (which does not include 51,278 shares held by the reporting person in a trust account administered by a wholly-owned subsidiary of the reporting person for which the reporting person has voting power but not investment power) and 9,294,612 shared investment power shares.

(3) An investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Total includes 5,353,100 sole voting power shares and 15,797,100 sole investment power shares. Beneficial ownership of shares disclaimed by reporting person.

(4) Reporting person is an investment advisor registered under Section 203 of the Investment Advisers Act of 1940. Reported totals include 763,134 shares for which reporting person has sole voting power and 14,537,534 shares reporting person has sole investment power.

(5) 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 2,719,190 sole voting power shares and 15,017,296 sole investment power shares

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information, as of February 15, 2006, 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	6,184			6,800	12,984	
G. S. Dembroski	8,184			10,800	18,984	
C. P. Deming	1,136,788	1,529,536		1,260,000	3,926,324	2.10%
R. A. Hermes	14,184			10,800	24,984	
R. M. Murphy	947,845	1,446,076	8,424,872(4)	10,800	10,829,593	5.80%
W. C. Nolan, Jr.	602,312	406,584		10,800	1,019,696	
I. B. Ramberg	6,184			10,800	16,984	
N. E. Schmale	5,284			554	5,838	
D. J. H. Smith	16,184			10,800	26,984	
C. G. Theus	415,632	645,368	1,109,048(5)	10,800	2,180,848	1.17%
S. A. Cossé	101,525			370,000	471,525	
W. M. Hulse	56,707			352,500	409,207	
B. H. Stobaugh	39,550			277,000	316,550	
J. W. Eckart	28,901			181,000	209,901	
Directors and officers as a group (6)	3,424,576	4,027,564	9,533,920	2,779,954	19,766,014	10.59%

(1) Includes Restricted Stock in the following amounts: Blue, Dembroski, Hermes, Murphy, Nolan, Ramberg, Smith and Theus 6,184 shares each and Schmale 5,284 shares (Stock Plan for Non-Employee Directors); Deming 108,000 shares; Cossé 31,500 shares; Hulse 24,500 shares; Stobaugh 18,000 shares and Eckart 11,000 shares (1992 Stock Incentive Plan). Restricted Stock carries voting power and the right to receive dividends, but no dispositive power during the restricted period.

(2) Includes Company Thrift (401(k)) Plan shares in the following amounts: Deming 106,729 shares; Murphy 10,314 shares; Cossé 13,777 shares; Stobaugh 4,527 shares and Eckart 6,000 shares.

(3) Includes shares held by spouse and other household members as follows: Deming 431,228 shares and Murphy 292,103 shares.

(4) Includes 2,475,080 shares held by trusts for the benefit of others for which Mr. Murphy is trustee or co-trustee, 1,247,592 shares held by a private foundation of which Mr. Murphy is President for which beneficial ownership is expressly disclaimed and 4,702,200 shares 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 392,075 of these shares. Mr. Murphy s wife and children have a beneficial interest in 4,497 shares and 8,994 shares, respectively, for which beneficial ownership is expressly disclaimed.

(5) Mrs. Theus is co-trustee of siblings trusts which hold 1,074,504 shares, she is trustee for 6,684 shares held in trust for her son and 27,860 shares are held by trusts for the benefit of others for which Mrs. Theus is trustee and beneficial ownership is expressly disclaimed.

(6) 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 and the four other most highly compensated executive officers of the Company during the year 2005 (collectively, the Named Executives):

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards		
Name and Principal Position	Year	Salary ($)[1]	Bonus ($)[2]	Other Annual Compensation ($)	Restricted stock awards ($)[3]	Securities underlying options[4]	All other compensation ($)[5]
Claiborne P. Deming	2005	996,667	1,650,000		2,086,790	156,000	81,217
President and Chief	2004	955,000	1,645,000		603,000	160,000	57,930
Executive Officer	2003	895,833	900,000		423,400	200,000	681,572
Steven A. Cossé	2005	458,333	600,000		544,380	40,000	33,150
Executive Vice President and	2004	437,500	375,000		211,050	60,000	26,526
General Counsel	2003	407,500	250,000		211,700	80,000	339,601
W. Michael Hulse	2005	345,000	336,000		362,920	25,000	24,327
Executive Vice President	2004	326,250	200,000		120,600	35,000	19,694
Worldwide Downstream Operations	2003	307,500	137,500		127,020	50,000	207,591
Bill H. Stobaugh	2005	347,500	313,000		362,920	20,000	22,662
Senior Vice President	2004	310,000	250,000		120,600	30,000	15,008
	2003	287,500	157,500		105,850	50,000	168,741
John W. Eckart	2005	270,833	225,000		226,825	15,000	18,374
Controller	2004	246,667	185,000		60,300	20,000	14,846
	2003	227,500	132,500		184,515	35,000	105,163

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

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

(3) Awards in 2005 represent restricted shares awarded on February 1, 2005. Dividends are paid on restricted stock at the same rate paid to all shareholders. Awards are subject to performance based conditions and are forfeited if grantee terminates for any reason other than retirement, death or full disability. The 2005 restricted stock awards vest three years from the date of grant and are valued at the closing stock price on the date of grant. On December 31, 2005, Mr. Deming held a total of 66,000 nonvested restricted shares having a then current value of $3,563,340; Mr. Cossé held a total of 19,000 nonvested restricted shares having a then current value of $1,025,810; Messrs. Hulse and Stobaugh held a total of 12,000 nonvested restricted shares having a then current value of $647,880; and Mr. Eckart held a total of 7,000 nonvested restricted shares having a then current value of $377,930.

(4) Option grants for all years presented have been adjusted for 2-for-1 stock split effective June 3, 2005.

(5) The total amounts shown in this column for 2005 consist of the following:

Mr. Deming: $49,837 Company contributions to defined contribution plans; $29,700 Dividends on nonvested restricted stock; and $1,680 Benefit attributable to Company-provided term life insurance policy.

Mr. Cossé: $22,920 Company contributions to defined contribution plans; $8,550 Dividends on nonvested restricted stock; and $1,680 Benefit attributable to Company-provided term life insurance policy.

Mr. Hulse: $17,247 Company contributions to defined contribution plans; $5,400 Dividends on nonvested restricted stock; $1,680 Benefit attributable to Company-provided term life insurance policy.

Mr. Stobaugh: $15,582 Company contributions to defined contribution plans; $5,400 Dividends on nonvested restricted stock; and $1,680 Benefit attributable to Company-provided term life insurance policy.

Mr. Eckart: $13,544 Company contributions to defined contribution plans; $3,150 Dividends on nonvested restricted stock; and $1,680 Benefit attributable to Company-provided term life insurance policy.

OPTION EXERCISES AND FISCAL YEAR-END VALUES

Shown below is information with respect to stock options exercised in fiscal year 2005 and the fiscal year-end value of unexercised options for the Named Executives:

Aggregated Option Exercises in Last Fiscal Year and FY-End Option Values

Name	Shares acquired on exercise (#)	Value realized ($)	Number of securities underlying unexercised options at FY-end (#)		Value of unexercised in-the-money options at FY-end ($)*	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Claiborne P. Deming		$	1,080,000	416,000	41,304,438	8,440,150
Steven A. Cossé			300,000	140,000	10,988,082	3,085,000
W. Michael Hulse	15,000	494,438	310,000	85,000	12,021,626	1,868,887
Bill H. Stobaugh			237,000	75,000	8,890,156	1,706,600
John W. Eckart			163,900	52,500	6,384,600	1,179,688

* Represents market value of underlying securities at year-end less the exercise price.

OPTION GRANTS

Shown below is further information on grants of stock options pursuant to the 1992 Stock Incentive Plan during the fiscal year ended December 31, 2005 to the Named Executives:

Option Grants in Last Fiscal Year

Name	Individual grants				
	Number of securities underlying options granted (#)(1)(2)	% of total options granted to employees in fiscal year	Exercise or base price ($/Sh)	Expiration date	Grant date present value ($)(3)

Claiborne P. Deming	156,000	16.68%	$ 45.2275	02/01/12	$ 1,839,240
Steven A. Cossé	40,000	4.28%	45.2275	02/01/12	471,600
W. Michael Hulse	25,000	2.67%	45.2275	02/01/12	294,750
Bill H. Stobaugh	20,000	2.14%	45.2275	02/01/12	235,800
John W. Eckart	15,000	1.60%	45.2275	02/01/12	176,850

(1) The number of securities awarded and exercise price have been adjusted for 2-for-1 stock split effective June 3, 2005. No stock appreciation rights were granted in 2005.

(2) Options granted in 2005 vest 50% at the end of two years and 100% at the end of three years from the date of grant and are exercisable for a period of seven years from the date of grant.

(3) 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 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 2005 included the following:

Risk-free rate of return	3.74%
Stock volatility	26.00%
Dividend yield	1.25%
Expected life of option	5 years

Based on the Black-Scholes option pricing model, using the above assumptions, the options granted in 2005 have been valued at $11.79 per share as of the grant date.

COMPENSATION COMMITTEE REPORT FOR 2005

Executive Compensation Philosophy and Principles

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

As guidance in establishing the proper levels of compensation for its executives, the Company relies on compensation surveys conducted by one or more major consulting firms. The data provided includes an analysis of trends in and the total compensation practices for: general industry, the overall oil and gas industry and a select group of peer companies within the oil and gas industry. Many of the companies in the oil and gas specific surveys are also included in the AMEX Oil Index which is depicted in the performance graph shown on page 16. The Company s goal is to maintain a total compensation package at or near the 50th percentile of the competitive market.

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

Base Salary Practices

In addition to the available survey data, base salaries for the Named Executives are ultimately based on a combination of experience, performance and responsibilities. For each of the Named Executives, their salaries and the amount of increases for 2005 were at or near the mid-point of the salary surveys. Annual salary review for the Named Executives focuses on factors including individual performance, Company performance, general economic conditions and marketplace compensation trends.

Annual Incentive Compensation Program

The Company s annual incentive plan provides for cash bonuses, based on a percentage of base salary, if the Company achieves a targeted return on capital employed. The target level for 2005 was developed based on a projection of the Company s weighted average cost of capital. Because the Company met the performance target for 2005**,** the Named Executives received annual incentive awards for the 2005 plan year in accordance with the Plan s formula.

Long-Term Incentive Compensation

Long-term incentive compensation is provided by the 1992 Stock Incentive Plan, which provides for stock options, stock appreciation rights and performance based restricted stock. In 2005, stock options and performance based restricted stock were awarded. A stock option gives the executive the right to purchase a specified number of shares of the Company s common stock at a price equal to the market price on the date of the grant. The options, all of which are nonqualified, vest in two years as to half and in three years as to the remaining half. Once vested, the options are exercisable for seven years from the date of the grant. The restricted stock grants are totally performance based in that the restrictions will only be lifted and the shares earned in the event that the Company meets or exceeds its performance target. In this event, the recipient also receives a cash payment from the Company to cover the recipient s income tax liability. The performance target for restricted share grants is the Company s total shareholder return as compared to a selected peer group of oil and gas companies over a three-year performance period. During this three-year performance

period executives are extended voting and dividend rights on their restricted stock. The Company s stock option and performance based restricted grants in 2005 were based on survey data provided by a major compensation consulting firm, generally between the 25th and 50th percentile levels of energy industry practices. Total grants in 2005 equaled .68% of the Company s issued and outstanding shares.

Internal Revenue Code Section 162(m)

The Company structures its executive compensation packages so as to maximize deductibility of compensation in accordance with Section 162(m) of the Internal Revenue Code. However, where necessary to comport with the foregoing philosophy and principles, and when considered in the best interest of the Company, compensation for which deductibility is limited by Section 162(m) may be approved.

Discussion of 2005 Compensation for the President and Chief Executive Officer

Factors and criteria on which the CEO s compensation is based are consistent with the policies and philosophies applicable to the other Named Executives outlined at the beginning of this report. Claiborne P. Deming, the Company s President and CEO, received a salary increase in 2005 of 4.36%. Both the amount of the increase and the resulting base salary are near the median of the competitive market as determined by a major compensation consulting firm. As noted earlier, in 2005 the Company met its performance target as established for the annual incentive compensation plan. As a participant in the plan in 2005, Mr. Deming earned an annual incentive award of $1,650,000. In 2005, Mr. Deming was awarded long-term compensation (as adjusted for 2-for-1 stock split effective June 3, 2005) in the form of 156,000 nonqualified stock options and 46,000 shares of performance based restricted stock with terms and conditions as discussed above. Mr. Deming s long-term compensation is below the 50th percentile of the competitive market as determined by a major compensation consulting firm.

This report is submitted by the members of the Executive Compensation Committee: George S. Dembroski (Chairman), Neal E. Schmale, David J. H. Smith and William C. Nolan, Jr.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about the securities authorized for issuance under the Company s equity compensation plans as of December 31, 2005:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights[1]	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)[2][3]
Equity compensation plans approved by security holders	8,414,637	$ 21.92	7,928,540
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	8,414,637	$ 21.92	7,928,540

(1) The share numbers in the above table are as of December 31, 2005 and have been adjusted to reflect the 2-for-1 stock split effective on June 3, 2005.
(2) Number of shares available for issuance determined by calculating one percent of the issued and outstanding shares for the 1992 Management Incentive Plan, plus 615,690 available shares for the Stock Plan for Non-Employee Directors and 149,485 available shares for the Employee Stock Purchase Plan.
(3) Assumes that the 1992 Management Incentive Plan terminates on May 31, 2008.

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

The Company s Canadian subsidiary offers its employees a Canada Revenue Agency approved savings plan. The plan matches on a one-for-one basis employee contributions up to 4% of base salary for employees with less than two years service and up to 6% for those with two years or more service. A number of investment alternatives are available with each employee determining the direction of his/her contributions as well as the Company match. One of the investment alternatives is Company stock. In 2005, the employee-directed Company match into Company stock under this plan totaled 1,206 shares.

In 2003 the Company s UK based subsidiary offered its employees two types of plans that encourage savings and provide for the acquisition of Company stock: a Save As You Earn Plan (SAYE) and a Share Incentive Plan (SIP). The SAYE and the SIP are Inland Revenue approved.

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

savings limit is £3,000 annually on an aggregate basis. The following details the SAYE plans:

	Start Date	Maturity	Options Outstanding	Options Exercised
SAYE 2002	11/02	10/05		15,667
SAYE 2003	05/04	04/07	9,346	
SAYE 2005	01/06	12/09	12,435	

Under the SIP, employees may contribute up to the lower of 5% of their base salary or £1,500 for the purchase of Company stock. The Company matches the employee purchases on a 1-for-1 basis. The Company match totaled 4,054 shares in 2005.

RETIREMENT PLANS

The following table shows the estimated annual pension benefit payable, at age 65, under Murphy Oil Corporation s Retirement Plan at December 31, 2005 for the salary and length of service indicated. The amounts shown are subject to reduction for social security benefits.

Pension Plan Table

	Years of Service				
Remuneration	**15**	**20**	**25**	**30**	**35**
$ 200,000	$ 48,000	$ 64,000	$ 80,000	$ 96,000	$ 112,000
400,000	96,000	128,000	160,000	192,000	224,000
600,000	144,000	192,000	240,000	288,000	336,000
800,000	192,000	256,000	320,000	384,000	448,000
1,000,000	240,000	320,000	400,000	480,000	560,000
1,500,000	360,000	480,000	600,000	720,000	840,000
2,000,000	480,000	640,000	800,000	960,000	1,120,000
2,500,000	600,000	800,000	1,000,000	1,200,000	1,400,000
3,000,000	720,000	960,000	1,200,000	1,440,000	1,680,000

The compensation covered by the plan is the average cash compensation (salary and bonus) over the highest paid 36-month period during the employee s last ten years of employment. This covered compensation differs from that reflected in the Summary Compensation Table on page 9 in that, for purposes of the plan, bonus is included as a component of cash compensation in the month/year paid, whereas the Summary Compensation Table presents bonus as a component of the prior year s compensation.

For the Named Executive Officers, The covered compensation and estimated credited years of service for the executives are as follows: Deming $1,797,500 (27 years); Cossé $642,778 (26 years); Hulse $438,750 (16 years); Stobaugh $450,833 (11 years); and Eckart $354,167 (15 years).

Benefits are computed on a single life annuity basis and are subject to a deduction for social security amounts. The above table does not reflect any reductions in retirement benefits that would result from the selection of one of the plan s various available survivorship options nor the actuarial reductions required by the plan for retirement earlier than age 62. It is not feasible to calculate the specific amount attributable to the plan for each employee. The Company had no required contributions to the retirement plan in 2005; however a voluntary contribution totaling $14,500,000 was made during the year.

Employees of Murphy Exploration & Production Company, formerly named Ocean Drilling & Exploration Company (ODECO), who were participants in the ODECO plan on the date of its merger into the Company plan (August 1, 1992) automatically became immediate participants under the Company s plan. As a result of this plan merger, the retirement benefits for Mr. Cossé, a former participant in the ODECO plan, will be the greater of: (i) the retirement benefit determined under the Company plan as to all credited years of service; or (ii) the retirement benefit determined under the ODECO plan for credited years of service up to July 31, 1991 plus the retirement benefit determined under the Company plan for credited years of service from August 1, 1991.

APPROVAL OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors desires that the stockholders indicate their approval or disapproval of the Audit Committee s action in appointing KPMG LLP the Company s independent registered public accounting firm for the year 2006. KPMG LLP has been serving the Company and its subsidiaries in this role for many years.

KPMG LLP has advised the Company that its members have no direct or indirect financial interest in the Company or any of its subsidiaries. Members of KMPG LLC are expected to be present at the Annual Meeting for the purpose of responding to inquiries by stockholders, and such representatives will have an opportunity to make a statement if they desire to do so.

The Audit Committee pre-approves any engagement of KPMG LLP. In 2005, the percentage of services designated for audit fees, audit-related fees and tax fees that were approved by the Audit Committee were 87%, 6%, and 7%, respectively.

In the event a majority of the stockholders voting should indicate disapproval of the appointment of KPMG LLP, the adverse vote will be considered as a directive to the Audit Committee to select other auditors for the following year. Because of the difficulty and expense of making any substitution of auditors during a year, it is contemplated that the appointment for 2006 will be permitted to stand unless the Audit Committee finds other good reason for making a change.

The Board of Directors recommends that shareholders vote FOR approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year 2006. Proxies solicited on behalf of the Board will be voted FOR this proposal.

SHAREHOLDER RETURN PERFORMANCE PRESENTATION

The following line graph presents a comparison of the cumulative five-year shareholder returns (including the reinvestment of dividends) for the Company, the Standard & Poor s 500 Stock Index (S&P 500 Index) and the AMEX Oil Index.

	2000	*2001*	*2002*	*2003*	*2004*	*2005*
Murphy Oil Corporation	$ 100	$ 142	$ 147	$ 228	$ 285	$ 386
S&P 500 Index	100	88	69	88	98	103
AMEX Oil Index	100	99	88	114	150	210

Data are provided by Bloomberg L.P.

AUDIT COMMITTEE REPORT

In connection with the Company s December 31, 2005 consolidated financial statements, the Audit Committee reviewed and discussed the audited financial statements with management and the specific disclosures contained in the Company s Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations ; discussed with KPMG LLP the matters required by Statement on Auditing Standards No. 61 and Independence Standards Board Statement No. 1, and considered the compatibility of non-audit services with KPMG LLP s independence. The Committee met ten times in 2005. Fees for services provided by the Company s principal independent registered public accounting firm, KPMG LLP, for the years ended December 31, 2005 and 2004 were as follows:

	2005	2004
Audit fees	$ 2,455,542	$ 2,144,403
Audit-related fees[1]	169,969	344,831
Audit and audit-related fees	2,625,511	2,489,234
Tax fees[2]	200,724	619,153
All other fees		
Total fees	$ 2,826,235	$ 3,108,387

(1) Audit-related fees consisted principally of fees for audits of financial statements of employee benefit plans, review of accounting for proposed transactions, Sarbanes-Oxley implementation advice, audits of properties sold in Western Canada, and other reports primarily required by U.S. government agencies.

(2) Tax fees consisted of services for sales and use tax consultation, income tax consultation and tax compliance services.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company s audited consolidated financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2005.

This report is submitted by the members of the Audit Committee: R. Madison Murphy (Chairman), Frank W. Blue, George S. Dembroski, Neal E. Schmale and William C. Nolan, Jr.

STOCKHOLDER PROPOSALS

Stockholder proposals for the Annual Meeting of Stockholders in the year 2007 must be received by the Company at its executive offices on or before November 24, 2006 in order to be considered for inclusion in the proxy materials.

A Stockholder may wish to have a proposal presented at the Annual Meeting of Shareholders in 2007, but without the Company being required to include that proposal in the Company s proxy statement and form of proxy relating to that meeting. This type of proposal is subject to the advance notice provisions of the Company s by-laws. In the case of the 2007 Annual Meeting of Stockholders, notice must be received by the Company at its executive offices no earlier than January 10, 2007 and no later than February 9, 2007.

OTHER INFORMATION

The management of the Company knows of no business other than that described above that will be presented for consideration at the meeting. If any other business properly comes before the meeting, it is the intention of the persons named in the proxies to vote such proxies thereon in accordance with their judgment.

The expense of this solicitation, including cost of preparing and mailing this Proxy Statement, will be paid by the Company. Such expenses may also include the charges and expenses of banks, brokerage houses and other custodians, nominees or fiduciaries for forwarding proxies and proxy material to beneficial owners of shares.

In certain instances one copy of the Company s annual report or proxy statement is being delivered to two or more stockholders who share an address. Upon request, the Company will promptly deliver a separate copy of the annual report or proxy statement to a stockholder at a shared address to which a single copy of the documents was delivered. Conversely, stockholders sharing an address who are receiving multiple copies of annual reports or proxy statements may request delivery of a single copy.

Requests in this regard should be addressed to:

Walter K. Compton

Secretary

Murphy Oil Corporation

P.O. Box 7000

El Dorado, Arkansas 71731-7000

(870) 862-6411

The above Notice and Proxy Statement are sent by order of the Board of Directors.

Walter K. Compton

Secretary

El Dorado, Arkansas

March 24, 2006

PLEASE COMPLETE AND RETURN YOUR PROXY PROMPTLY IN THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED IF IT IS MAILED IN THE UNITED STATES OF AMERICA. ALTERNATIVELY, YOU MAY VOTE BY TELEPHONE OR INTERNET AS DESCRIBED ON THE PROXY CARD.

EXHIBIT A

INDEPENDENCE PRINCIPLES AND STANDARDS

To be considered an independent director of Murphy Oil Corporation, the board must determine that a director does not have any direct or indirect material relationship with the Company. Additionally:

a. A director who is an employee, or whose immediate family member is an executive officer, of the Company, is not independent until three years after the end of such employment relationship;

b. A director who receives, or whose immediate family member receives, more than $100,000 per year in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) is not independent until three years after he or she ceases to receive more than $100,000 per year in such compensation;

c. A director is not independent if: 1) the director or an immediate family member is a current partner of a firm that is the Company s internal or external auditor; 2) the director is a current employee of such a firm; 3) the director has an immediate family member who is a current employee of such a firm and who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice; or 4) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such firm and personally worked on the listed company s audit within that time;

d. A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the listed company s present executives serve on that company s compensation committee is not independent until three years after the end of such service or the employment relationship;

e. A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the listed company for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues, is not independent until three years after falling below such threshold;

f. A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a charitable, educational or other nonprofit organization to which Murphy Oil Corporation or its subsidiaries make contributions (excluding contributions to match those of employees or directors) in an amount which, in any single fiscal year, exceeds the greater of $1 million or 2% of the organization s consolidated gross revenues is not independent until three years after falling below such threshold.

EXHIBIT B

MURPHY OIL CORPORATION

AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee is created by the Board to assist the Board s oversight of (1) the integrity of the financial statements of the Company, (2) the independent auditor s qualifications and independence, (3) the performance of the Company s internal audit function and independent auditors, and (4) the compliance by the Company with legal and regulatory requirements.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission (the Commission) to be included in the Company s annual proxy statement.

Committee Membership

The Audit Committee shall consist of no fewer than three members, all of whom shall be independent directors. The members of the Audit Committee shall also meet the independence and experience requirements of the New York Stock Exchange, Section 10A(m)(3) of the Securities Exchange Act of 1934 (the Exchange Act) and the rules and regulations of the Commission. At least one member of the Audit Committee shall be an audit committee financial expert as defined by the Commission. Audit committee members shall not simultaneously serve on the audit committees of more than two other public companies.

The Nominating and Governance Committee shall recommend nominees for appointment to the Audit Committee annually and as vacancies or newly created positions occur. Audit Committee members shall be appointed by the Board and may be removed by the Board at any time. The Nominating and Governance Committee shall recommend to the Board, and the Board shall designate, the Chairman of the Audit Committee.

Meetings

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Chairman of the Audit Committee, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with this charter. The Audit Committee shall meet periodically with management, the internal auditors and the independent auditor, respectively, in separate executive sessions. The Audit Committee may request any officer or employee of the Company or the Company s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Committee Authority and Responsibilities

The Audit Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification) which shall be a registered public accounting firm. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may delegate

authority to one or more Audit Committee members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such member or members to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, in order to carry out its duties, to retain, compensate or require the compensation of independent legal, accounting or other advisors, and to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.

The Audit Committee shall make regular reports to the Board. This report shall include a review of any issues that arise with respect to the quality or integrity of the Company s financial statements, the Company s compliance with legal and regulatory requirements, the qualifications, independence and performance of the Company s independent auditors, the performance of the internal audit function and any other matter that the Audit Committee deems appropriate or is requested to be included by the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review the Audit Committee s own performance, and confirm that the responsibilities outlined in this charter have been carried out.

The Audit Committee, to the extent it deems necessary or appropriate, shall:

Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made under Management s Discussion and Analysis of Financial Conditions and Results of Operations , and recommend to the Board whether the audited financial statements should be included in the Company s Form 10-K.

2. Review and discuss with management and the independent auditor the Company s quarterly financial statements prior to the filing of its Form 10-Q, including disclosures made under Management s Discussion and Analysis of Financial Conditions and Results of Operations and the results of the independent auditor s review of the quarterly financial statements.

3. Review and discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company s financial statements, including any significant changes in the Company s selection or application of accounting principles, any major issues as to the adequacy of the Company s internal controls and any special steps adopted in light of material control deficiencies.

4. Review and discuss reports from the independent auditors on:

(a) All critical accounting policies and practices to be used.

(b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

(c) Other material written communications between the independent auditor and management such as any management letter or schedule of unadjusted differences.

5. Review and discuss with management the Company s earnings press releases, including the use of pro forma or adjusted non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.

6. Review and discuss with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company s financial statements.

7. Review and discuss with management the Company s major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company s risk assessment and risk management policies.

8. Review and discuss with the independent auditors any audit problems or difficulties and management s response thereto, including those matters required to be discussed with the Audit Committee by the auditors pursuant to Statement on Auditing Standards No. 61, such as:

- any restrictions on the scope of the independent auditors activities or access to requested information;
- any accounting adjustments that were noted or proposed by the auditors but were passed (as immaterial or otherwise);
- any communications between the audit team and the audit firm s national office regarding auditing or accounting issues presented by the engagement;
- any management or internal control letter issued, or proposed to be issued, by the auditors; and
- any significant disagreements between the Company s management and the independent auditors.

9. Review and, to the extent appropriate, discuss with management and the independent auditors related-party transactions.

10. Review disclosures made to the Audit Committee by the Company s principal executive officer and principal financial officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company s internal controls.

Oversight of the Company s Relationship with the Independent Auditor

11. Review and evaluate the lead partner of the independent auditor team.

12. Obtain and review a report from the independent auditor at least annually (a) describing the independent auditor s internal quality-control procedures, (b) describing any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues, (c) all relationships between the independent auditor and the Company, and (d) confirming that Section 10A of the Exchange Act has not been implicated. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor s quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor s independence, and taking into account the opinions of management and internal auditors. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board at least annually.

13. Ensure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

14. Consider whether, in order to assure continuing auditor independence, the independent auditors should be rotated.

15. Set policies for the Company s hiring of employees or former employees of the independent auditor.

16. Meet with the independent auditor prior to the audit to discuss and approve the planning and staffing of the audit.

Oversight of the Company s Internal Audit Function

17. Oversee the appointment and replacement of the senior internal auditing executive.

18. Review reports to management prepared by the internal auditing department and management s responses.

19. Evaluate, at least annually, the performance, responsibilities, budget and staffing of the Company s internal audit function and review the internal audit plan, such evaluation to include a review of the responsibilities, budget and staffing of the Company s internal audit function with the independent auditors.

Compliance Oversight Responsibilities

20. Obtain from the independent auditor assurance that it has complied with Section 10A(b) of the Exchange Act (which, among other things, requires the independent auditor, if it detects or becomes aware of any illegal act, to assure that the Audit Committee is adequately informed) to the extent applicable.

21. Obtain reports from management, the Company s senior internal auditing executive and the independent auditor as to whether the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company s Code of Business Conduct and Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company s policies and procedures regarding compliance with applicable laws and regulations and with the Company s Code of Business Conduct and Ethics.

22. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

23. Review any significant complaints regarding accounting, internal accounting controls or auditing matters received pursuant to such procedures.

24. Discuss with management and the independent auditor any issues with regulators or governmental agencies and any published reports which raise material issues regarding the Company s financial statements or accounting policies.

25. Discuss with the Company s General Counsel legal matters that may have a material impact on the financial statements or the Company s compliance policies.

26. Discuss from time to time with management, the internal auditors and the independent auditors the adequacy and effectiveness of the Company s accounting and financial controls, including the Company s policies and procedures to assess, monitor and manage the Company s exposure to risk (business and financial) and the steps Management has taken with respect thereto.

27. Periodically meet separately with management, the internal auditors and the independent auditors to discuss matters which it determines to be within its responsibility.

28. Review management s periodic assessments of the effectiveness of the Company s internal controls and procedures for financial reporting and the independent auditors attestations as to management s assessments, as well as management s periodic certifications as to internal controls and procedures for financial reporting and related matters, each as required by law or stock exchange rules, including disclosures to the Committee as to deficiencies or weaknesses in internal controls and procedures for financial reporting or fraud by persons involved therewith.

29. Review the Company s disclosure controls and procedures from time to time as well as the certifications of Company officers required by law with respect thereto.

30. Review the impact of insider transactions on the financial statements of the Company.

Limitation of Audit Committee s Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.