

October 16, 2014

BY ELECTRONIC MAIL & INTERNATIONAL COURIER

Nick Gallus, Esq.
Counsel, Trade Law Bureau
Canadian Department of Foreign Affairs
and International Trade
125 Sussex Drive
Ottawa Ontario K1A 0G2
Canada

Murphy Oil Corporation (*Disputing Investor*)

v.

Government of Canada (*Disputing Party*)

Notice of Intent to Submit A Claim to Arbitration Under NAFTA Chapter Eleven

Dear Nick:

In accordance with Articles 1118 and 1119 of the North American Free Trade Agreement (the “NAFTA”), disputing investor Murphy Oil Corporation respectfully provides the Government of Canada with this written notice of its intention to submit a second claim to arbitration under Chapter Eleven of the NAFTA. This letter is being sent with copy to the Office of the Deputy Attorney General of Canada, the designated recipient of notices and documents to the Government of Canada under Article 1137(2) of the NAFTA.

The Issues and Factual Basis for the Claim

As you know, in November 2007, Murphy Oil Corporation filed a NAFTA arbitration against Canada under the ICSID (Additional Facility) Rules, ICSID Case No. ARB(AF)/07/4 (the “First NAFTA Arbitration”), claiming that the Guidelines for Research and Development Expenditures (the “Guidelines”) promulgated by the Canada-Newfoundland Offshore Petroleum Board in November 2004 breached NAFTA Articles 1105 and 1106. The issues and factual basis for the present claim are to a large extent the same as those set out in the Notice of Intent filed by Murphy Oil Corporation in August 2007 at paragraphs 11-30 (attached as **Annex A**). The factual background is also set out

in paragraphs 34-93 of the Decision on Liability and on Principles of Quantum (the “Decision on Liability”) issued in the First NAFTA Arbitration (attached as **Annex B**).

On May 22, 2012, the Tribunal in the First NAFTA Arbitration issued its Decision on Liability and Principles of Quantum. The Tribunal found unanimously that the Guidelines constitute a prohibited performance requirement under Article 1106. Decision on Liability, ¶¶ 210-246. A majority of the Tribunal found that the Guidelines were not covered by Canada’s Annex I reservation, as provided for in Article 1108, and that Canada had therefore violated Article 1106 of the NAFTA. *Id.* ¶¶ 247-413. The Tribunal set out the relevant principles for quantifying Claimants’ damages, but reserved judgment on the correct measure, requesting that Claimants file further evidence in support of their claim. *Id.* ¶¶ 437-489.

Between July 2012 and January 2013, the Parties filed their written pleadings on Claimants’ damages claim, and a one-day hearing was held in April 2013 at the World Bank in Washington, DC. Claimants sought damages for (1) expenditures that would not have been made in the ordinary course of business in the absence of the Guidelines through the end of Quarter 1 of 2012 (with regard to Hibernia) and the end of 2011 (with regard to Terra Nova), and (2) their portion of Hibernia and Terra Nova’s outstanding obligations under the Guidelines as of 30 April 2012 (at Hibernia) and 31 December 2011 (at Terra Nova).

The Hibernia and Terra Nova Projects, and their individual owners, have continued making expenditures that are not required in the ordinary course of business in order to fulfill their spending obligations under the Guidelines, and remain liable for any shortfall in those spending obligations. As such, Murphy Oil Corporation has continued to incur damages since the end of Quarter 1 of 2012 at Hibernia and the beginning of 2012 at Terra Nova.

The Provisions of NAFTA Alleged to Have Been Breached

As set out above and in detail in the Decision on Liability, the First NAFTA Tribunal found that the Guidelines are in breach of Article 1106(1)(c) of the NAFTA, and are not covered by Canada’s Annex I reservation, as provided for in Article 1108. The Guidelines have not been amended since they entered into force in 2004, and remain in breach of Article 1106, and outside the scope of Canada’s Annex I reservation, today.

Names and Addresses of Disputing Investor and Its Enterprises

The name and address of the disputing investor is:

Murphy Oil Corporation
200 Peach Street
El Dorado, Arkansas 71731
United States of America

Murphy Oil Corporation also submits this notice on behalf of the following two companies under Articles 1117 and 1119(a) of the NAFTA, both of which are controlled by Murphy Oil Corporation:

Murphy Oil Company Ltd.
1700, 555-4th Avenue S.W.
P.O. Box 2721, Station M
Calgary, Alberta T2P 3Y3
Canada

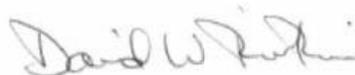
Murphy Atlantic Offshore Oil Company Ltd.
1700, 555-4th Avenue S.W.
P.O. Box 2721, Station M
Calgary, Alberta T2P 3Y3
Canada

Murphy Atlantic Offshore Oil Company Ltd. owns a 6.5% interest in the Hibernia project. Murphy Oil Company Ltd. owns a 10.475% interest in the Terra Nova project.

Relief Sought

Murphy Oil Corporation remains hopeful that an amicable settlement to this dispute can be reached. However, in the event that such a resolution is not forthcoming, it seeks damages for (1) expenditures that would not have been made in the ordinary course of business in the absence of the Guidelines since the beginning of Quarter 2 of 2012 (with regard to Hibernia) and the beginning of 2012 (with regard to Terra Nova) through the date of any future award, and (2) its portion of Hibernia and Terra Nova's outstanding obligations under the Guidelines as of the date of a future award. It estimates those damages to be in excess of CAN\$5 million.

Sincerely yours,



David W. Rivkin
Counsel for Murphy Oil Corporation

Nick Gallus, Esq.

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October 16, 2014

cc: Office of the Deputy Attorney General of Canada
Walter Compton, Esq., Murphy Oil Corporation
Roger Landes, Esq., Murphy Oil Corporation