



**McMORAN EXPLORATION CO.**

Louisiana

Texas

GULF of MEXICO

**Buried Treasures on the Shelf**



# *4<sup>th</sup> Quarter 2011 Conference Call*

*James R. Moffett*  
Co-Chairman of the Board,  
President & CEO

*Richard C. Adkerson*  
Co-Chairman of the Board

*January 17, 2012*

**MMR**  
**LISTED**  
**NYSE**

[www.mcmoran.com](http://www.mcmoran.com)



# Cautionary Statement

Buried Treasures on-the Shelf

*This is an oral presentation which is accompanied by slides. Readers are urged to review our SEC filings.*

*This presentation contains forward-looking statements that involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. We caution readers that forward-looking statements are not guarantees of future performance or exploration and development success, and our actual exploration experience and future financial results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding various oil and gas discoveries, oil and gas exploration, development and production activities and costs, capital expenditures, reclamation, indemnification and environmental obligations and costs, the potential for or expectation of successful flow tests, anticipated and potential quarterly and annual production and flow rates, reserve estimates, projected operating cash flows and liquidity and other statements that are not historical facts. No assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they may have on our results of operations or financial condition. Important factors that may cause actual results to differ materially from those anticipated by forward-looking statements include, but are not limited to, those associated with general economic and business conditions, failure to realize expected value creation from acquired properties, variations in the market demand for, and prices of, oil and natural gas, drilling results, unanticipated fluctuations in flow rates of producing wells due to mechanical or operational issues (including those experienced at wells operated by third parties where we are a participant), changes in oil and natural gas reserve expectations, the potential adoption of new governmental regulations, unanticipated hazards for which we have limited or no insurance coverage, failure of third party partners to fulfill their capital and other commitments, the ability to satisfy future cash obligations and environmental costs, adverse conditions, such as high temperatures and pressure that could lead to mechanical failures or increased costs, the ability to retain current or future lease acreage rights, the ability to satisfy future cash obligations and environmental costs, access to capital to fund drilling activities, as well as other general exploration and development risks and hazards, and other factors described in more detail in Part I, Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC, as updated by our subsequent filings with the SEC.*

*Investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after our forward-looking statements are made, including for example the market prices of oil and natural gas, which we cannot control, and production volumes and costs, some aspects of which we may or may not be able to control. Further, we may make changes to our business plans that could or will affect our results. We caution investors that we do not intend to update our forward-looking statements more frequently than quarterly, notwithstanding any changes in our assumptions, changes in our business plans, our actual experience, or other changes, and we undertake no obligation to update any forward-looking statements.*

*The SEC requires oil and gas companies, in their filings with the SEC, to disclose proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. Beginning with year-end reserves for 2009, the SEC permits oil and gas companies, in their filings with the SEC, to disclose probable and possible reserves, as such terms are defined by the SEC. We use certain phrases and terms in this presentation, such as "gross unrisks potential" and "reserve potential," which the SEC's guidelines prohibit us from including in filings with the SEC. "Gross unrisks potential" and "reserve potential" do not take into account the certainty of resource recovery, which is contingent on exploration success, technical improvements in drilling access, commerciality and other factors, and are therefore not indicative of expected future resource recovery and should not be relied upon. We urge you to consider closely the disclosure of proved reserves included in McMoRan's Annual Report on Form 10-K for the year ended December 31, 2010.*

*This presentation contains a financial measure, earnings before interest, taxes, depreciation, amortization and exploration expenses (EBITDAX), commonly used in the oil and natural gas industry but not defined under GAAP. As required by SEC Regulation G, reconciliations of this measure to amounts reported in McMoRan's consolidated financial statements are included in the supplemental schedules of this presentation.*



# *2011 Highlights*

Buried Treasures on the Shelf

- **Completion Activities of the Davy Jones Discovery in Advanced Stage**
- **Advanced Industry Leading Sub-Salt Drilling on GOM Shelf/Gulf Coast Area**
  - Blackbeard East – Encountered 1st Frio Sand Section Offshore Central LA
  - Lafitte – 3rd Ultra-Deep Well to Encounter Miocene Sands; 2nd to Encounter Frio
  - Davy Jones No. 2 – Successful Wilcox Delineation Well, Cretaceous Additive to Resource Potential
  - Spud Blackbeard West No. 2; Drilling Ahead
  - Commenced Operations at Lineham Creek
- **Data Continue to Support Potential for Major New Geologic Trend Spanning 200 Miles on GOM Shelf**
- **Favorable Production Performance – 2011 Actual of 187 MMcfe/d, 17% Higher than January 2011 Estimate**
- **Ended 2011 with \$569 MM in Cash**



# 4Q11 Summary

Buried Treasures on-the Shelf

## McMoRan 4Q11 Sales Stats

	<u>Volumes</u>	<u>Realization</u>
Natural Gas	10.4 Bcf	\$3.57/Mcf
Oil	0.6 MM Bbls	\$111.46/Bbl
Natural Gas Liquids	1.8 Bcfe	\$9.48/Mcfe

4Q Production Rate  
of 170 MMcfe/d

- **Net Income: \$28.4 Million (\$0.16/diluted share), Includes:**
  - \$39.1 Million in Insurance Proceeds
  - \$9.1 Million in Impairment Charges
  - \$11.4 Million in Charges for ARO Adjustments
- **EBITDAX<sup>(1)</sup>: \$67.6 Million**
- **Operating Cash Flow: \$48.5 Million, Including:**
  - \$39.1 in Insurance Proceeds
  - \$2.5 Million in Working Capital Sources
  - \$56.6 Million in Abandonment Expenditures
- **Capital Expenditures of \$105.6 Million**

(1) Please see slide 24 for reconciliation of this Non-GAAP Measure to net income.



# Reserve Data as of 12/31/11

Buried Treasures on the Shelf

*Excludes Pending Results from Ultra-Deep Activities*

	<u>Bcfe</u>
Ryder Scott Proved Reserves at 12/31/10	279.8
2011 Production	(68.2)
Net Revisions <sup>(1)</sup>	<u>44.2</u>
Preliminary Proved Reserves at 12/31/11	<u><u>255.8</u></u>
PV of Proved Reserves @ 10% <sup>(2) (3)</sup>	\$829 Million
Impact of Each \$1.00/Mmbtu Change:	~\$120 Million

(1) Positive revisions principally from Flatrock (26.6 Bcfe), Main Pass Block 299 (5.6 Bcfe) and Laphroaig (3.3 Bcfe)

(2) Based on independent reservoir engineers' preliminary estimates of the present value of future net cash flows before income taxes from the production and sale of McMoRan's estimated proved reserves determined using a ten percent discount rate, average first-of-the-month prices for the previous 12 months of \$96.19/bbl of oil, \$56.82/bbl (or \$9.47/Mcfe) of NGLs and \$4.12/MMbtu of natural gas, and other assumptions required by the Securities and Exchange Commission. Year-end 2011 reserves exclude pending results from ultra-deep activities.

(3) PV of Proved Reserves @ 10% is a non-GAAP financial measure. A reconciliation of PV of Proved Reserves @10% to the standardized measure of discounted future net cash flows as defined by GAAP will be included in McMoRan's 2011 Annual Report on Form 10-K.

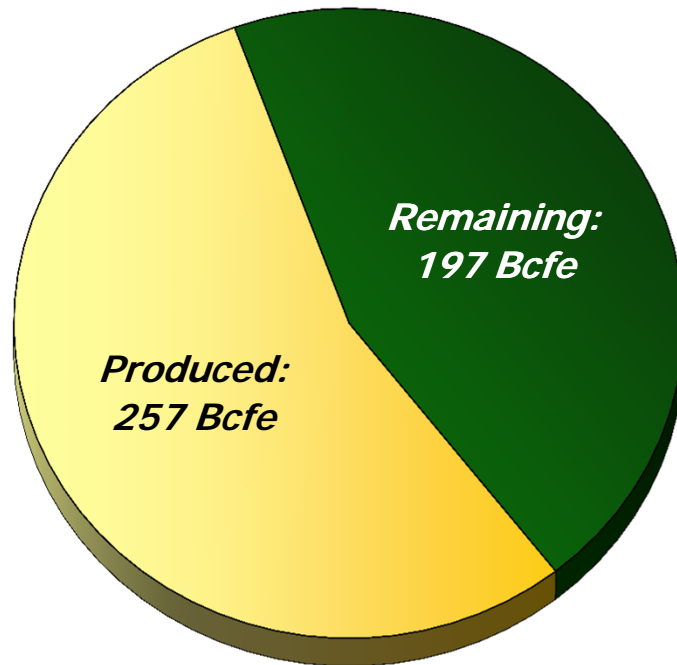


# Flatrock Update

Buried Treasures on-the Shelf

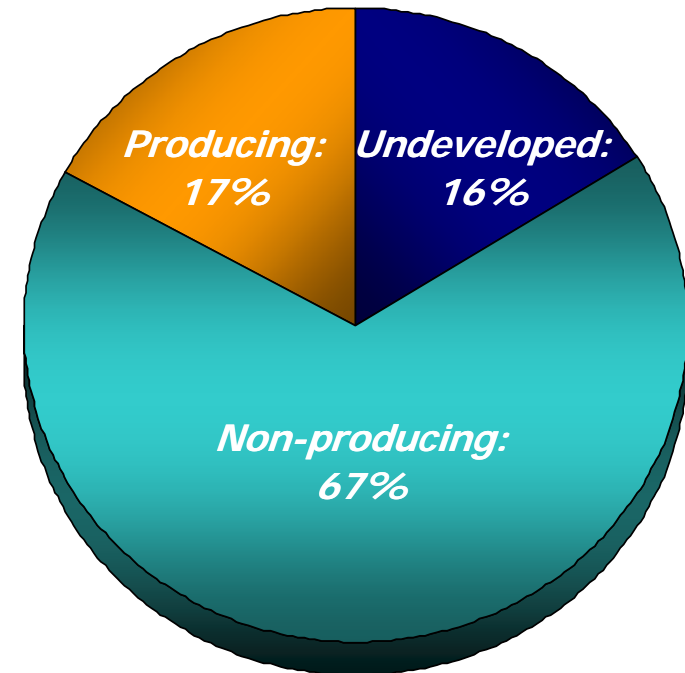
*Favorable Production Performance & Inclusion of NGLs Resulted in Positive Reserve Additions in 2011 of 64 Bcfe Gross (27 Bcfe Net to MMR)*

*Flatrock Ryder Scott  
Ultimate Recovery of  
Proved Reserves at 12/31/11*



**454 Bcfe Gross**

*Flatrock Ryder Scott  
Proved Reserves at 12/31/11*



**197 Bcfe Gross  
81 Bcfe Net to McMoRan**

NOTE: McMoRan owns a 55% Working Interest and a 41.3% Net Revenue Interest



# Proved Reserves as of 12/31/11

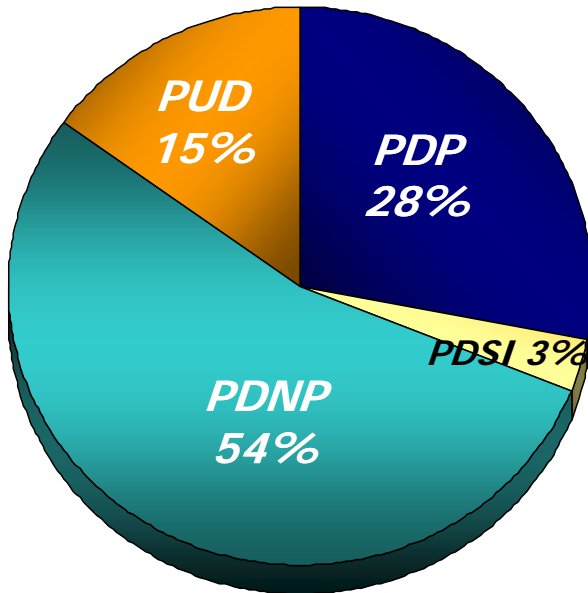
Buried Treasures on the Shelf

*Excludes Pending Results from Ultra-Deep Activities*

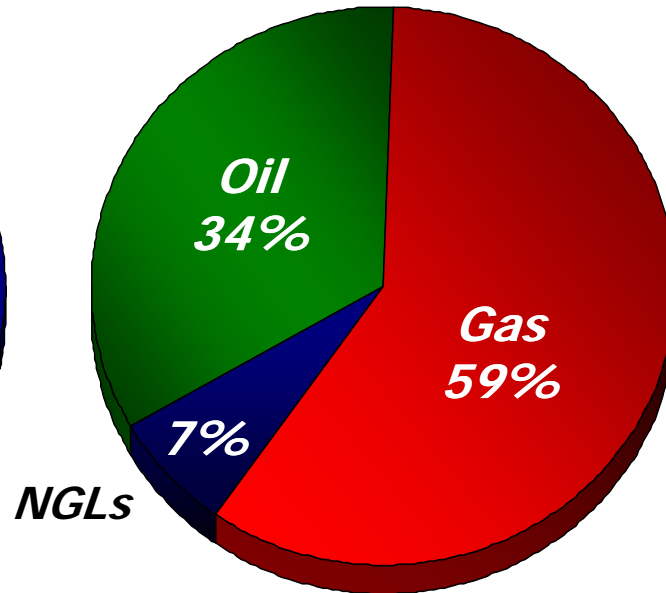
*By Category*

*By Commodity  
6:1 Ratio*

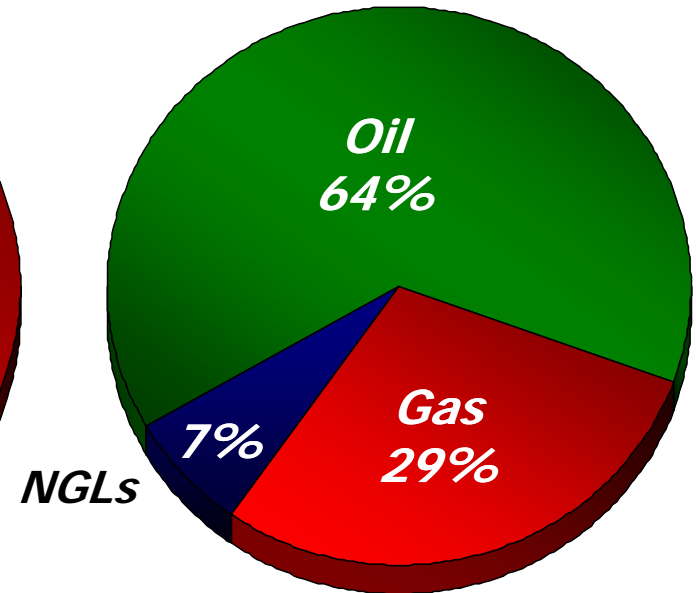
*By Commodity  
Relative Revenue % \**



**256 Bcfe**



**256 Bcfe**



\* Based on relative prices of \$4.12/MMbtu for natural gas, \$96.19/bbl for oil, and \$56.82/bbl (or \$9.47/Mcfe) for NGLs used for year-end 2011 reserves



# Resource Potential Identified to Date From Drilling Results

Buried Treasures on the Shelf

Prospect	Sand Age	Gross Resource Potential	MMR Share
		(Tcfe)	(Tcfe)
Blackbeard West	Miocene	2.4 <sup>(1)</sup>	1.3
	Oligocene	2.0 <sup>(2)</sup>	1.1
Blackbeard East	Miocene	0.8	0.4
	Frio	0.5	0.3
Davy Jones #1 & #2	Wilcox	4.4	2.1
	Tuscaloosa	1.6	0.8
	Lower Cretaceous	0.7	0.3
Lafitte	Miocene/Frio	1.3	0.8
Barbosa	Miocene	<u>2.0<sup>(3)</sup></u>	<u>1.2</u>
<b>TOTAL</b>		<u><b>15.7</b></u>	<u><b>8.3</b></u>

(1) A portion of this section on this prospect has not yet been drilled. 900 Bcfe of resource potential based on cross correlation of velocity anomaly seen at Blackbeard East.

(2) ~1 Tcfe of resource potential based on cross correlation to Blackbeard East that has not yet been drilled at Blackbeard West.

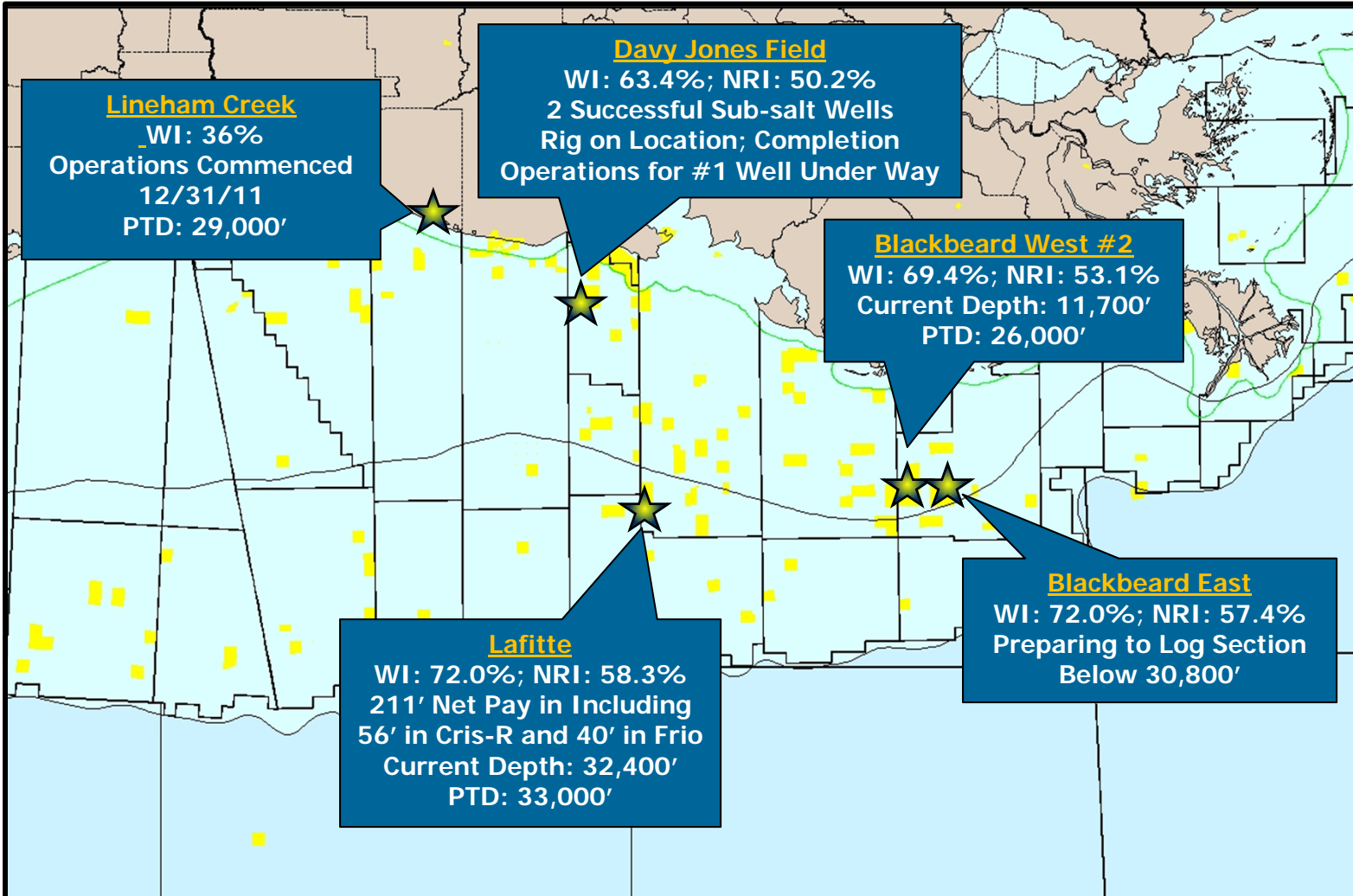
(3) Prospect has not yet been drilled. Resource potential based on cross correlation of velocity anomaly seen at Blackbeard East.

NOTE: We use certain phrases and terms in this presentation, such as "gross and net unrisked potential" and "resource potential" which the SEC's guidelines prohibit us from including in filings with the SEC. See Cautionary Statement.



# Ultra-Deep Well Status Report

Buried Treasures on the Shelf

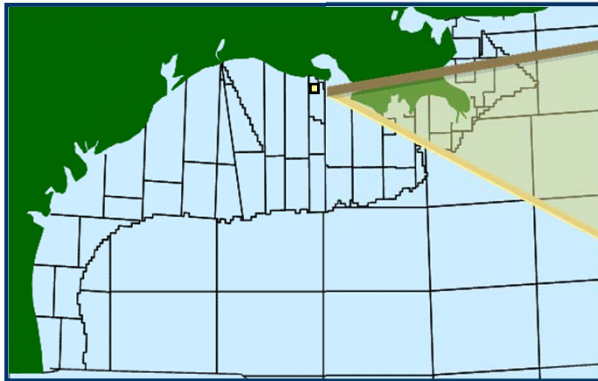




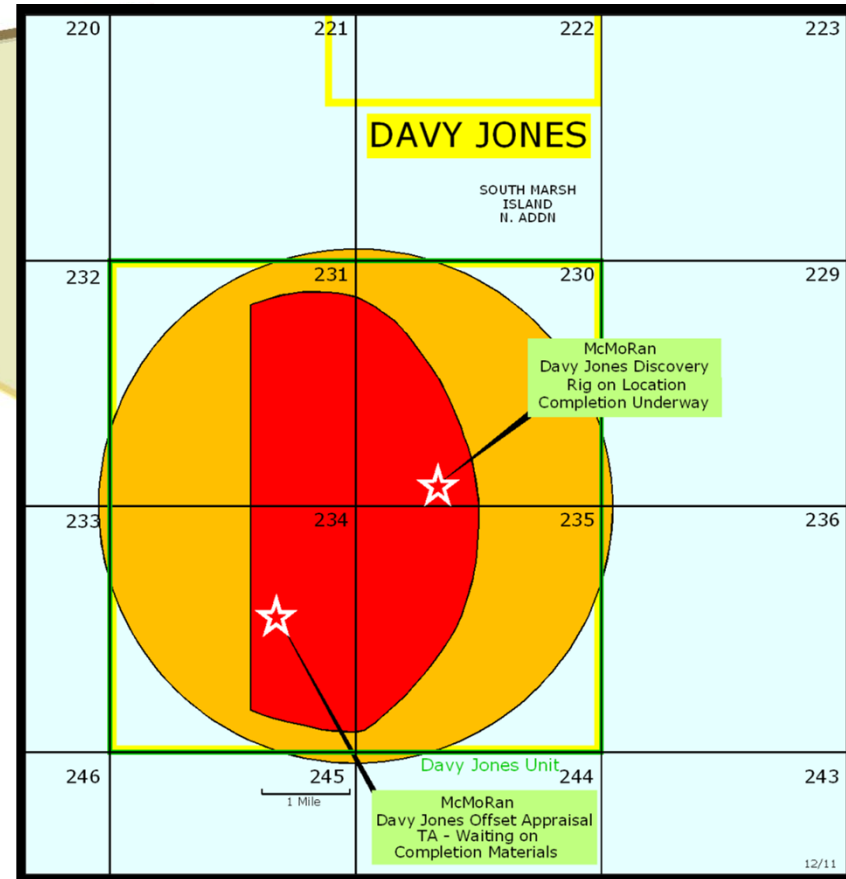
# Davy Jones – Major Ultra-Deep Discovery

Buried Treasures on the Shelf

## 2011 Drilling Results Expand Resource Potential



Located in 20 Feet of Water



Large Ultra-Deep Structure Encompassing 4 OCS Lease Blocks South Marsh Island 230/231/234/235

### What Have We Learned?

- 2 Wells Confirmed Presence of Wilcox Age Sands on Shelf & Structural Continuity
- Confirmed Prospectivity of Tuscaloosa Sands and Cretaceous Carbonates

### What's Next?

- Completion/Flow Testing of Nos. 1 & 2 Wells
- New Wilcox Delineation Well on Northern Part of Structure
- New Well to Evaluate Tuscaloosa and Lower Cretaceous Updip

- MMR WI: 63.4%
- MMR NRI: 50.2%

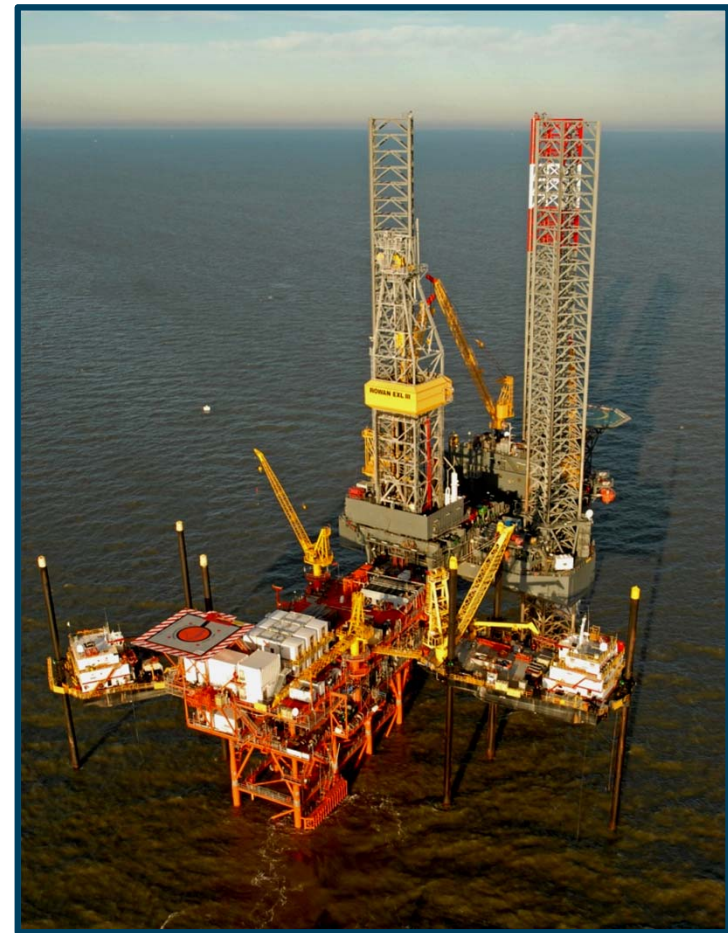


# *Davy Jones Field Development*

*Buried Treasures on the Shelf*

## *McMoRan Has Advanced the Technology, Equipment and Processes Needed to Develop This Field*

- **Installation of Production Platform for DJ No. 1, Central Processing Facility and Sales Pipelines Substantially Complete**
- **No. 1 Well Completion Under Way; Flow Testing Expected in 1Q12**
- **Following Successful Flow Test, First Production Could be Established Shortly Thereafter**
- **No. 2 Well Completion/Flow Test Expected in 2<sup>nd</sup> Half 2012**
- **Initial Capacity of Production Facility 150 MMcf/d; Expandable to 275 MMcf/d Quickly**

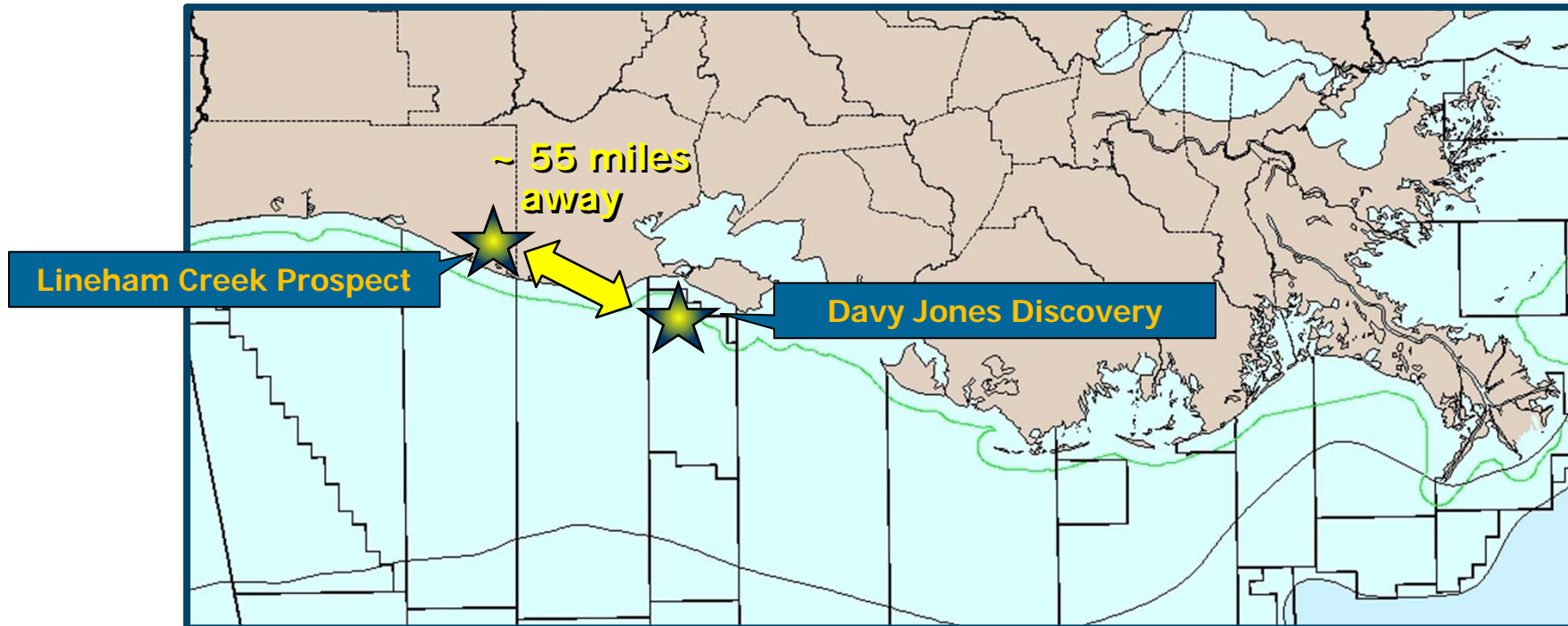


*Rig on Location for completion activities of #1 Well*



# *Lineham Creek Ultra-Deep Exploration Prospect*

Buried Treasures on the Shelf



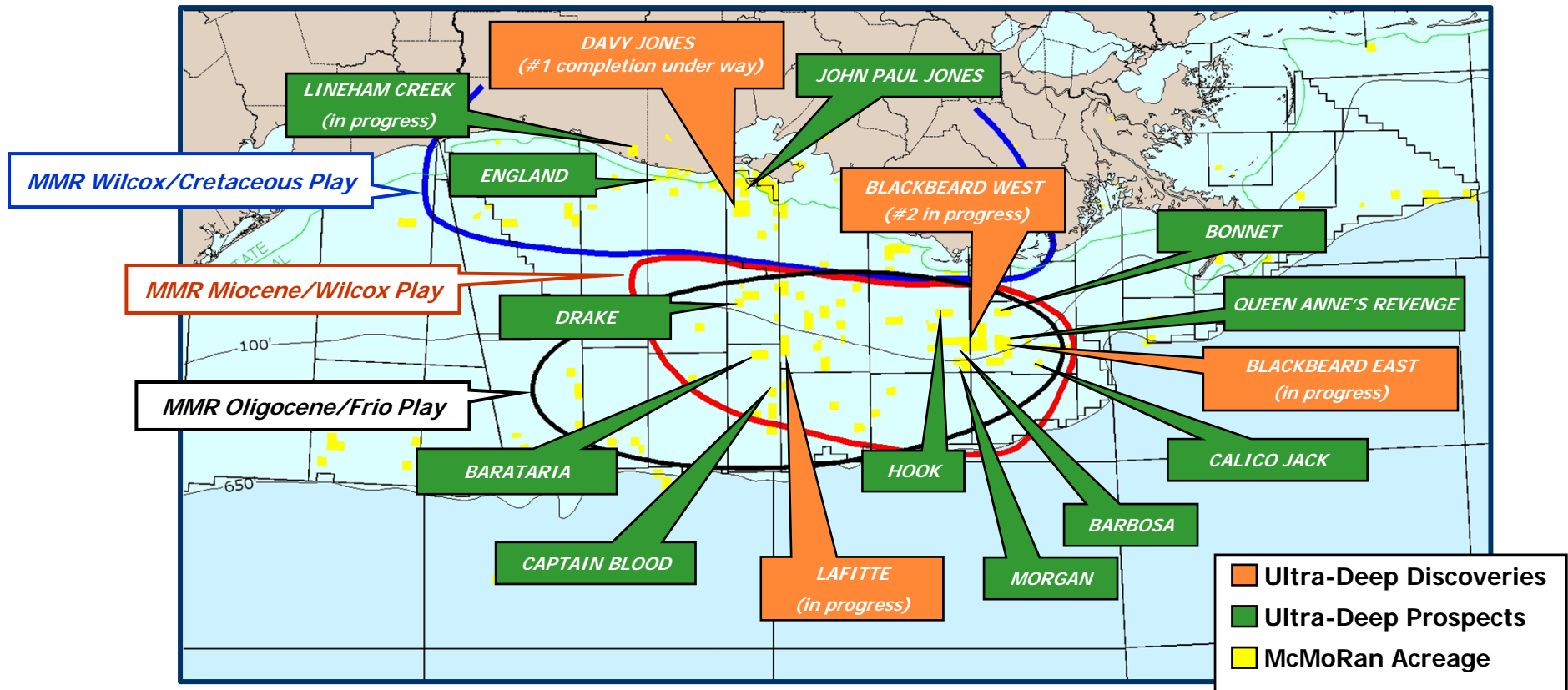
- Located Onshore in Cameron Parish, LA
- Large Area of Potential Closure
- Operations Commenced 12/31/11
- Targeting Eocene/Paleocene Objectives Below Salt Weld; PTD 29,000'
- Chevron is Operator with 50% WI
- MMR Participating with 36% WI



# Ultra-Deep Prospects/Potential

Buried Treasures on the Shelf

**Unrisked Potential for Ultra-Deep Focus Area: 30+ Tcfe Gross, 14+ Tcfe Net\***  
**Gross Unrisked Potential Could Exceed 100 Tcfe**



\* Assumes McMoRan has rights to 48% NRI; actual WI & NRI are pending unitization and parties' participation on a per prospect basis.

NOTE: We use certain phrases and terms in this presentation, such as "gross and net unrisked potential" and "resource potential" which the SEC's guidelines prohibit us from including in filings with the SEC. See Cautionary Statement.



# 2012 Outlook Summary

Buried Treasures on the Shelf

- **2012 Production Estimate\***
  - Annual Average 130 MMcfe/d
  - Excludes Production from DJ #1
  - Expect to Increase 2012 Estimate Following Successful Flow Test
  - 1Q12e – 155 MMcfe/d
  
- **2012 Capital Expenditures Estimate – ~\$500 MM**
  - \$300 MM in Exploration
  - \$200 MM in Development
  - Spending Subject to Change, Depending on Drilling Results, Follow-on Development Activities, and General Market Factors
  
- **Abandonment Expenditures Estimate – ~\$60 MM**

*\* Dependent on the timing of planned recompletions and start ups, production performance, weather and other factors.  
e = estimate. See Cautionary Statement.*

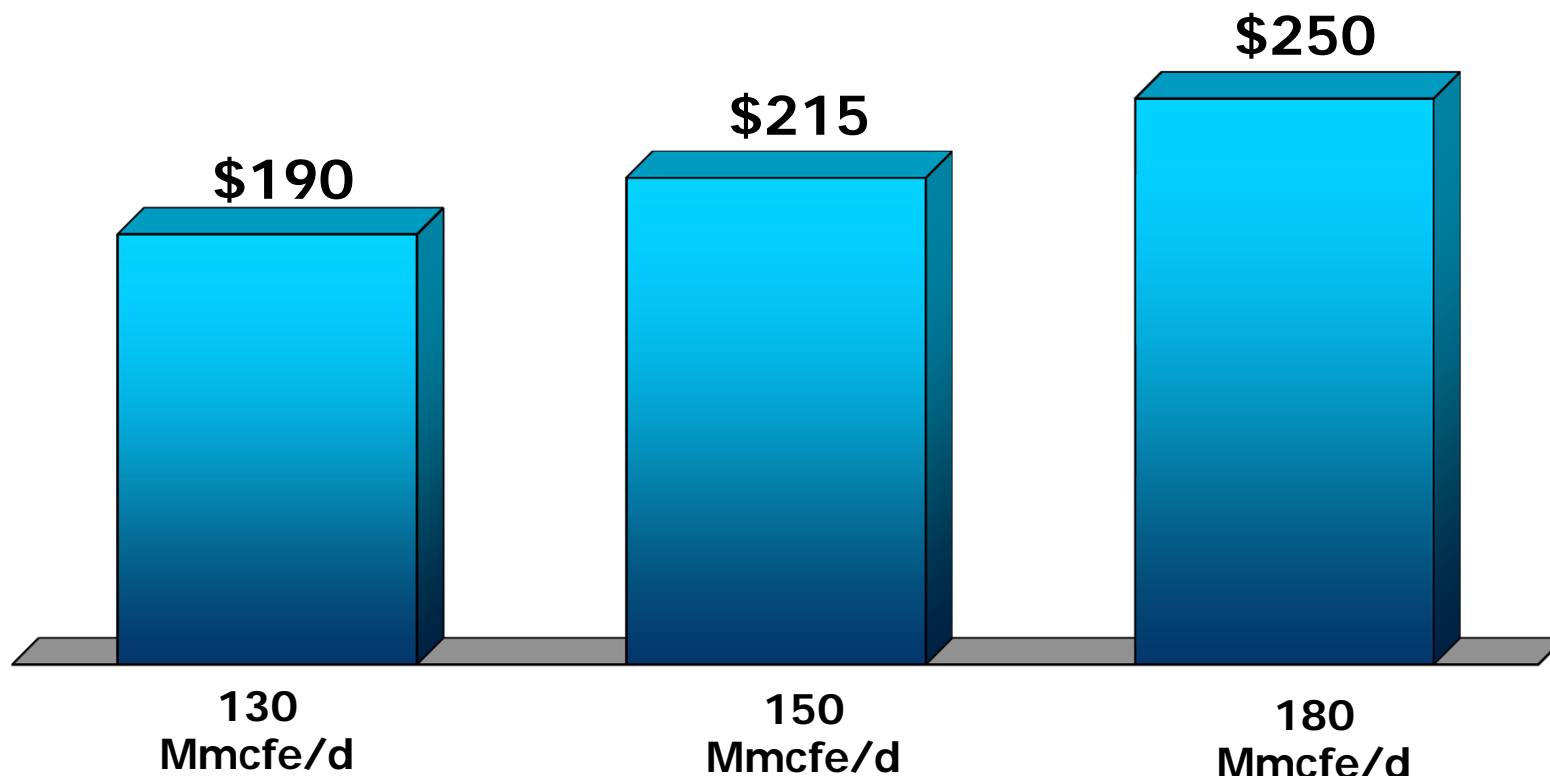


# Cash Flow Sensitivities

Buried Treasures on the Shelf

(\$ in millions)

## 2012e EBITDAX Models Based on Varying Production Levels <sup>(1)</sup>



### Impact to EBITDAX

	130 Mmcfe/d	150 Mmcfe/d	180 Mmcfe/d
+/- \$1/Mmbtu	\$38 MM	\$45 MM	\$55 MM
+/- \$10/Bbl	\$22 MM	\$23 MM	\$24 MM

(1) Based on NYMEX forward curve pricing as of January 10, 2012 (approximately \$3.20/MMbtu and \$102.50/bbl for 2012). Volume sensitivities on incremental sales assume 95%/5% natural gas to oil ratio.

e = estimate. See Cautionary Statement.

NOTE: These are model results presented for illustrative purposes only.



**McMORAN EXPLORATION CO.**

Louisiana

Texas

GULF of MEXICO

**Buried Treasures on the Shelf**



***Reference Slides***

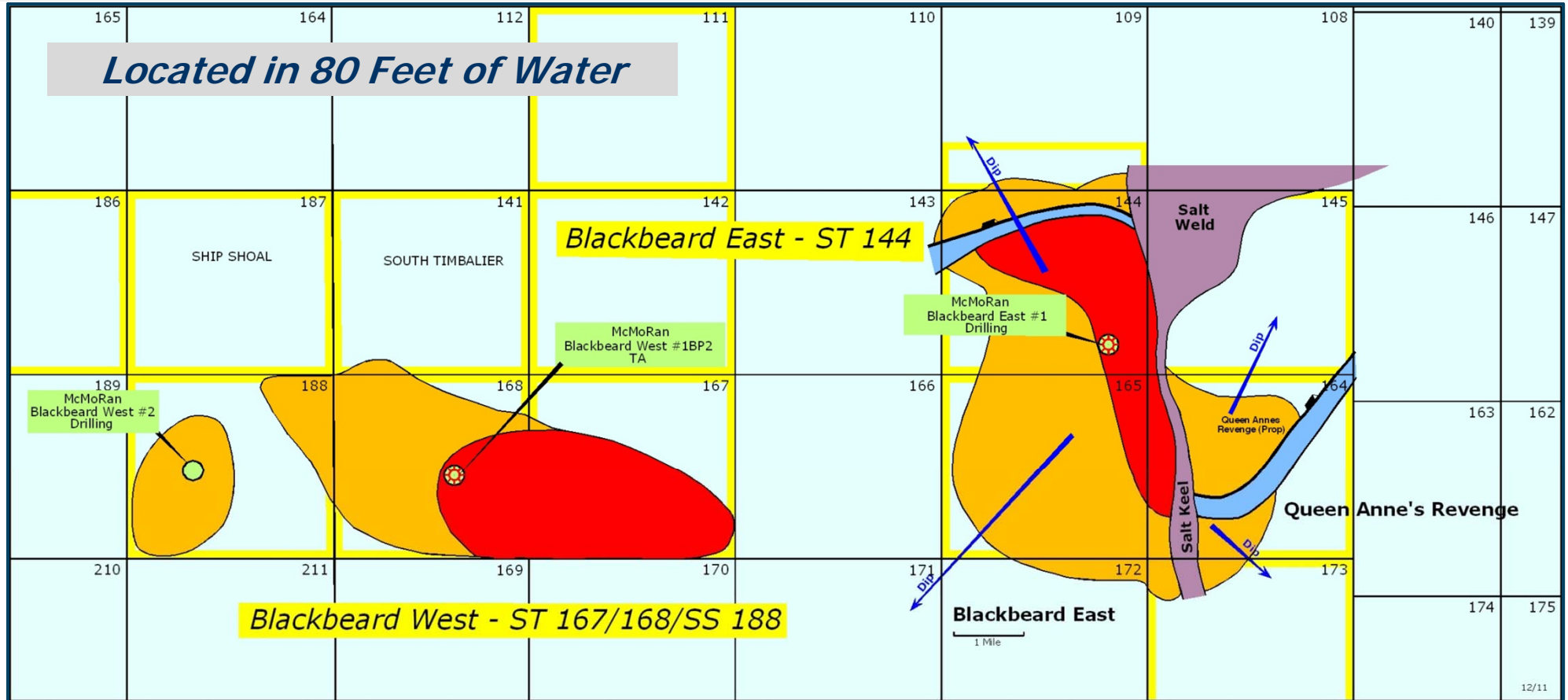
**MMR  
LISTED  
NYSE**

[www.mcmoran.com](http://www.mcmoran.com)



# Blackbeard Ultra-Deep Exploration Area

Buried Treasures on the Shelf



## Blackbeard West No. 2 (SS 188)

- Spud on November 25, 2011
- Drilling Below 11,700'
- Targeting Miocene Sands Below Salt Weld
- PTD 26,000'
- WI: 69.4%; NRI: 53.1%

## Blackbeard West No. 1 (ST 168)

- Identified 4 Hydrocarbon Bearing Sands in Miocene Below 30,000'
- WI: 69.4%; NRI: 56.5%

## Blackbeard East (ST 144)

- 178 Net Feet of Pay in Miocene
- 1<sup>st</sup> Frio Sand Offshore Central LA
- Drilled to 33,318' TVD
- Targeting Eocene Age Sands
- Permitted Depth: 34,000'
- WI: 72%; NRI: 57.4%



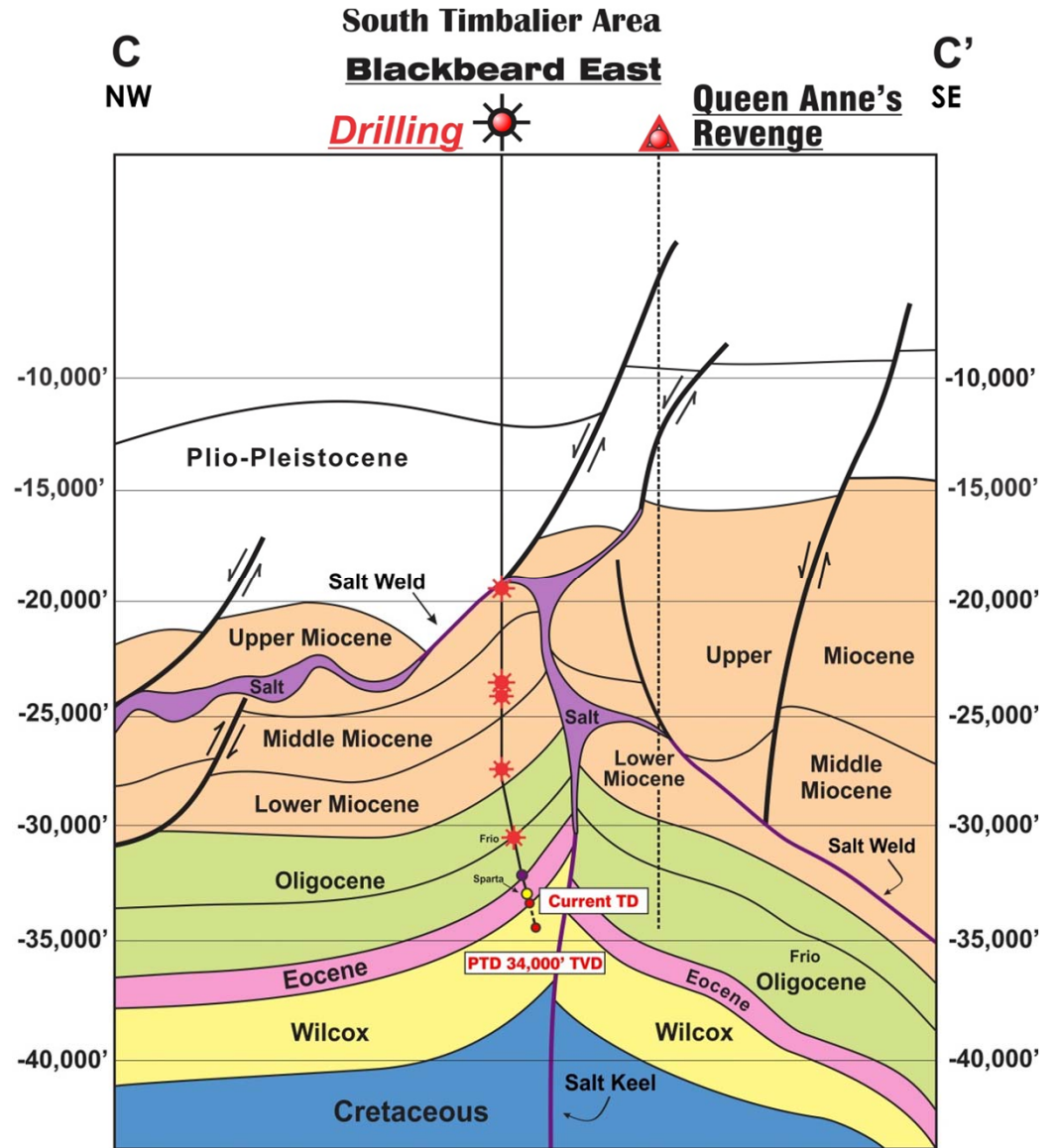
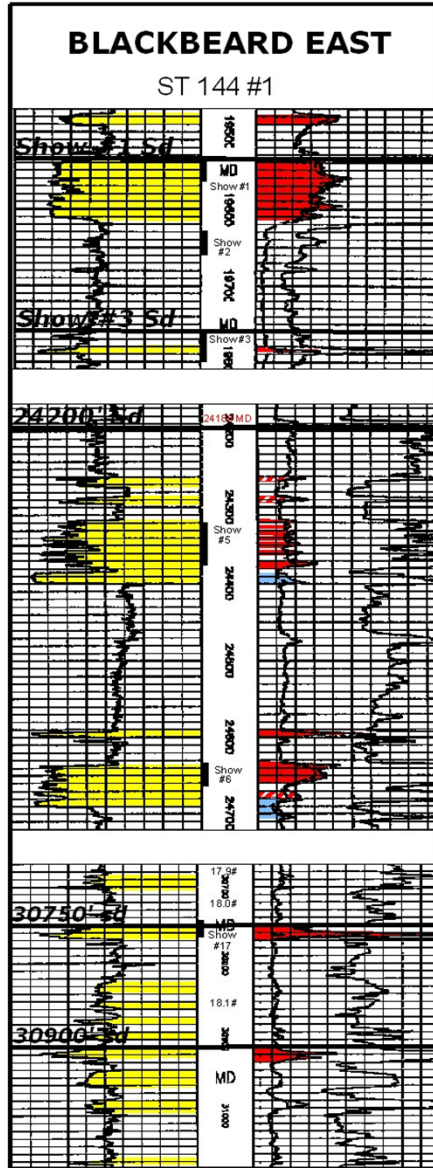
# Blackbeard East Cross Section

Buried Treasures on the Shelf

Upper Miocene

Middle Miocene

Frio

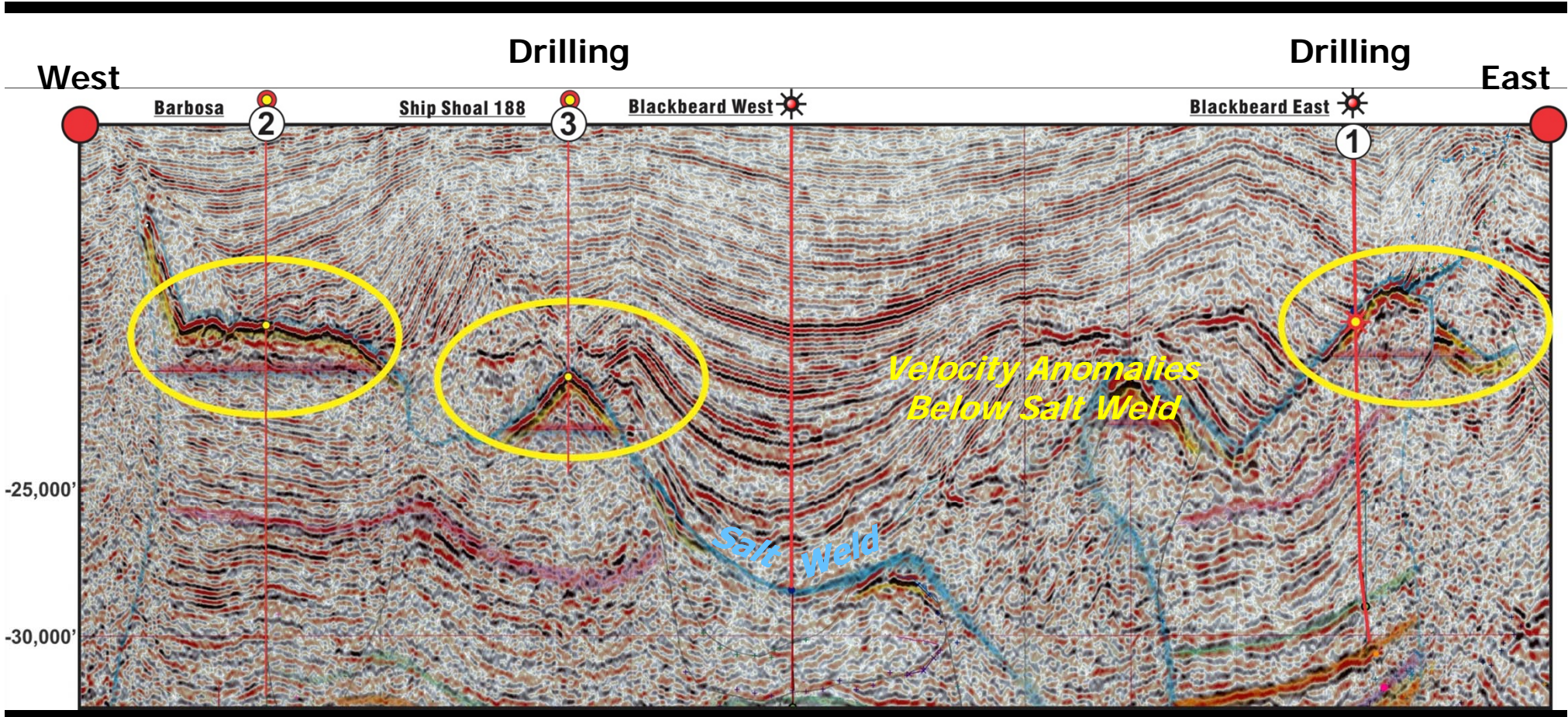




# Other Ultra-Deep Prospects with Similar Characteristics to Blackbeard

Buried Treasures on the Shelf

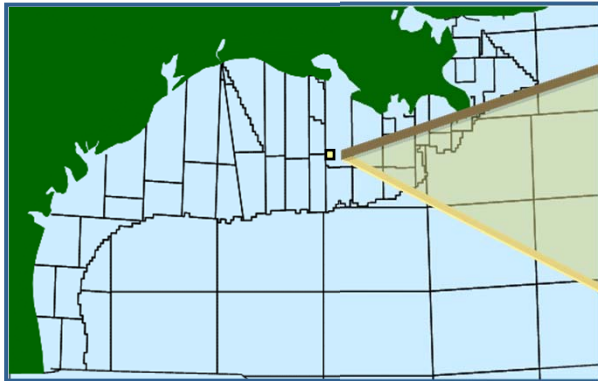
## Velocity Anomaly Seen at Blackbeard East May be Visible at Other Nearby Prospects





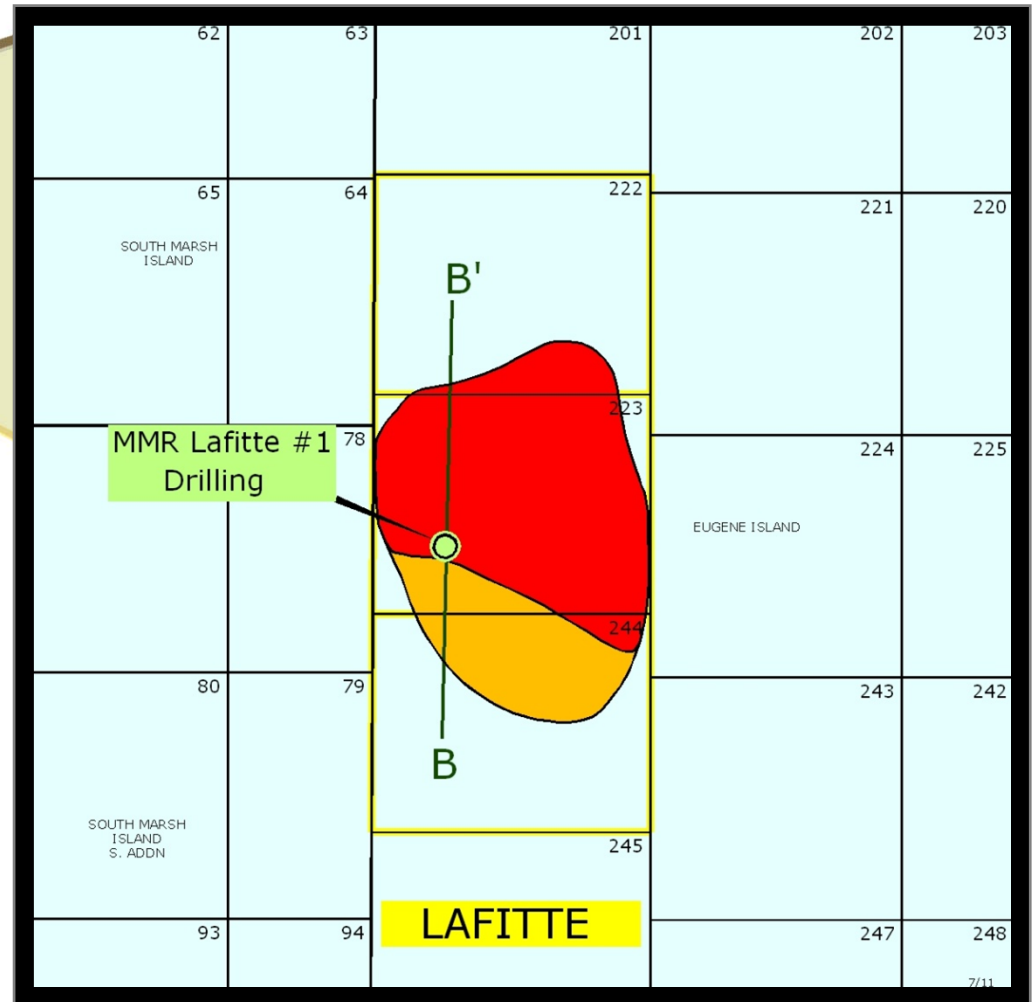
# Lafitte Ultra-Deep Exploration Prospect

Buried Treasures on the Shelf



Located in 140 Feet of Water

- MMR WI: 72.0%
- MMR NRI: 58.3%
- Spud Date: October 3, 2010
- Drilling Below 32,400'
- Identified 211' Net Pay, Including 56' in *Cris-R* and 40' in *Frio*
- Deepening to Evaluate Oligocene and Possibly Eocene Targets Below the Salt Weld
- PTD: 33,000'

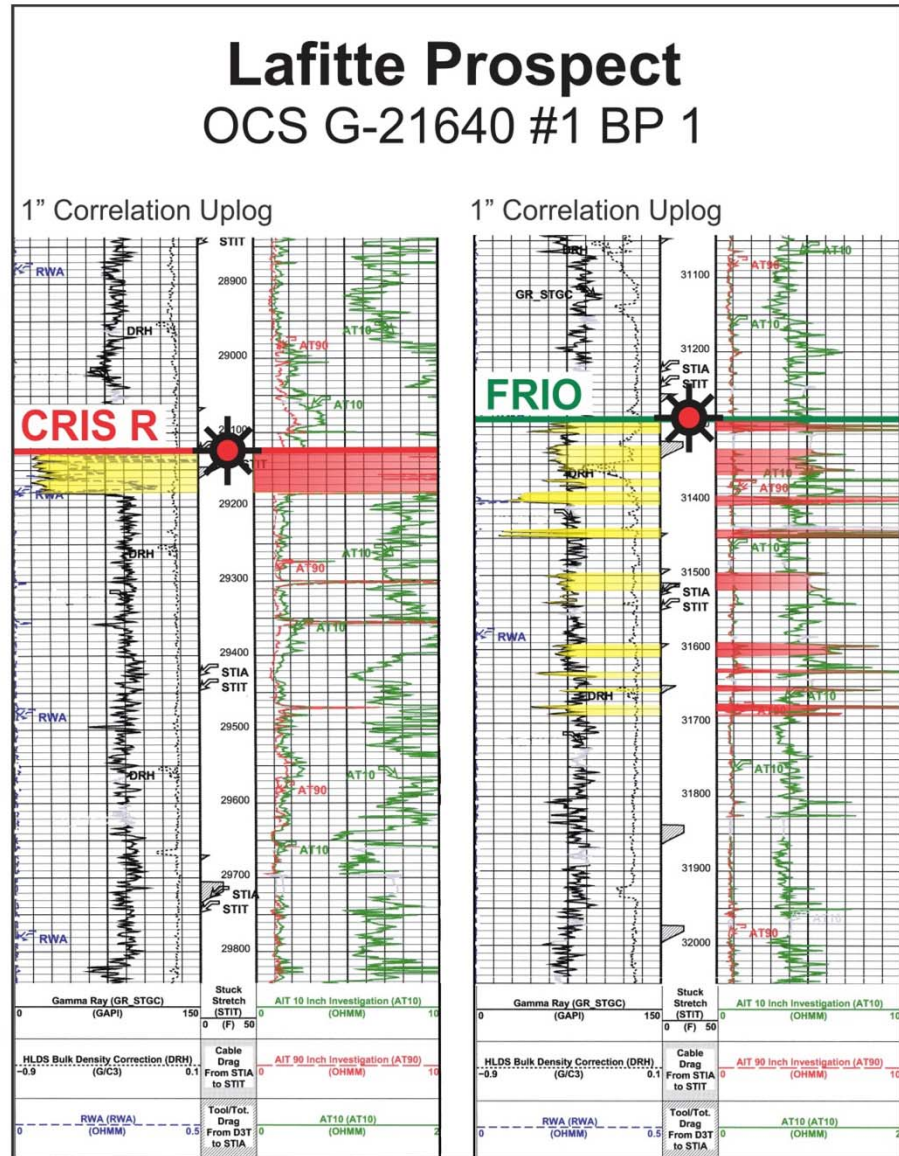
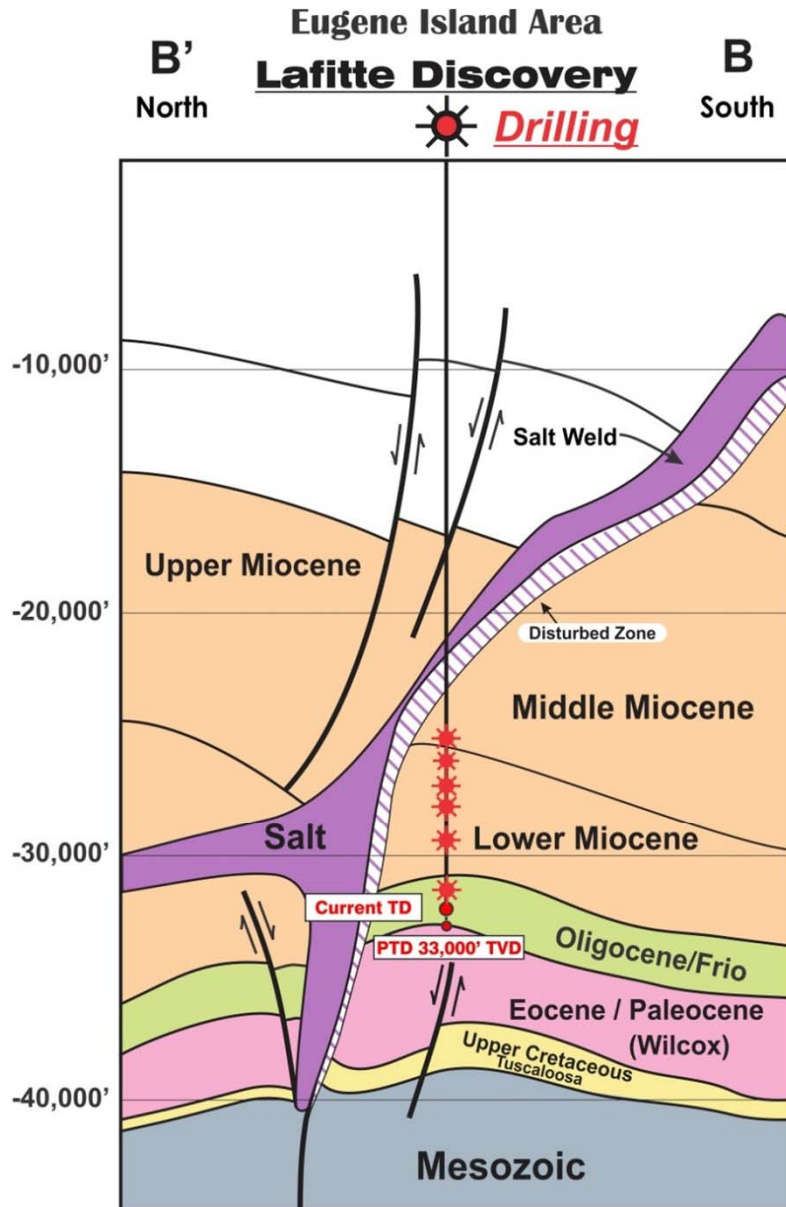


Eugene Island Blocks 222/223/244



# Lafitte Cross Section

Buried Treasures on the Shelf

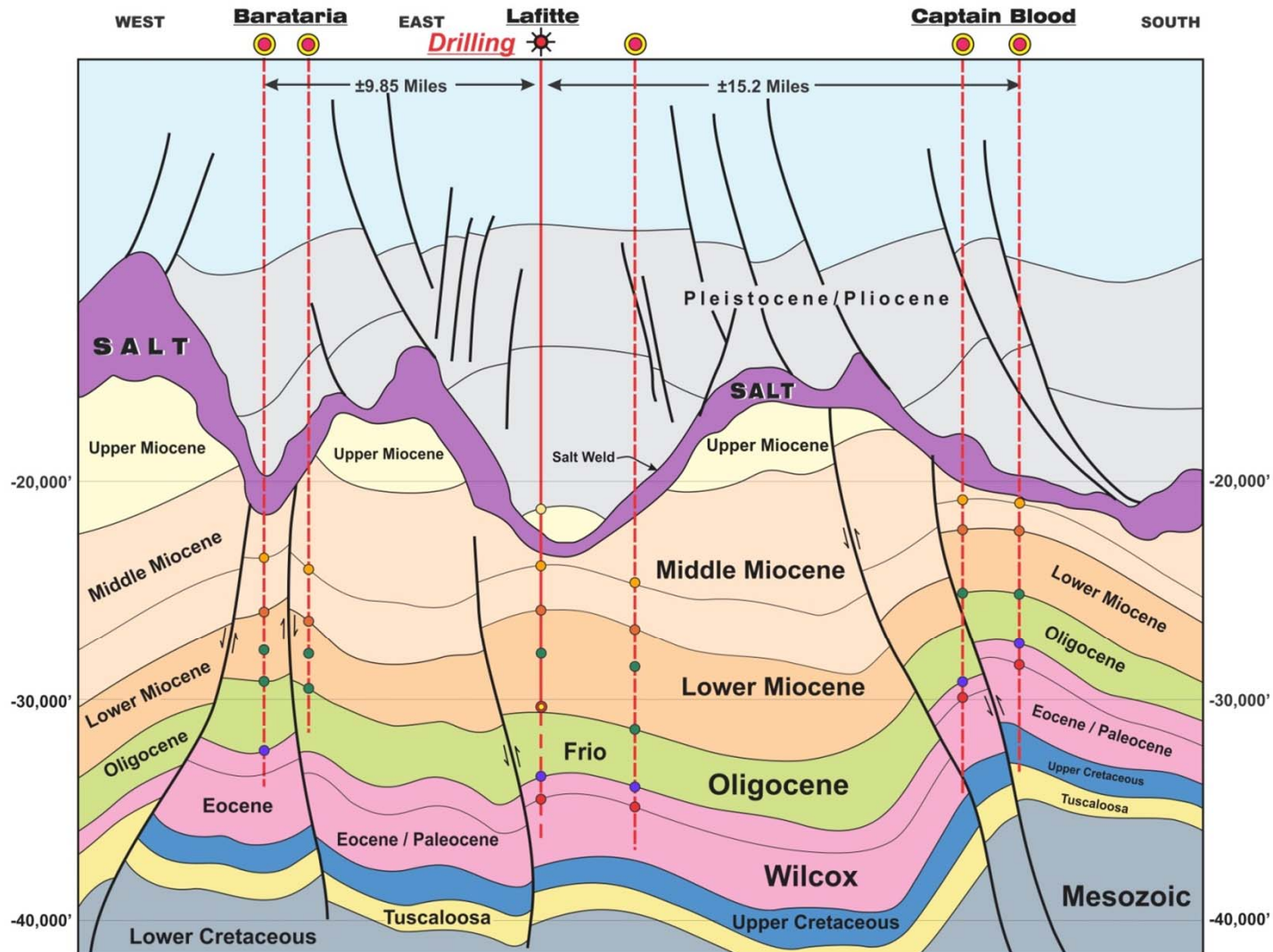




# Lafitte/Barataria/Captain Blood Cross Section

Buried Treasures on the Shelf

Results at Lafitte Enhance Potential of Lafitte Strategic Area  
Including McMoRan's Barataria and Captain Blood Prospects

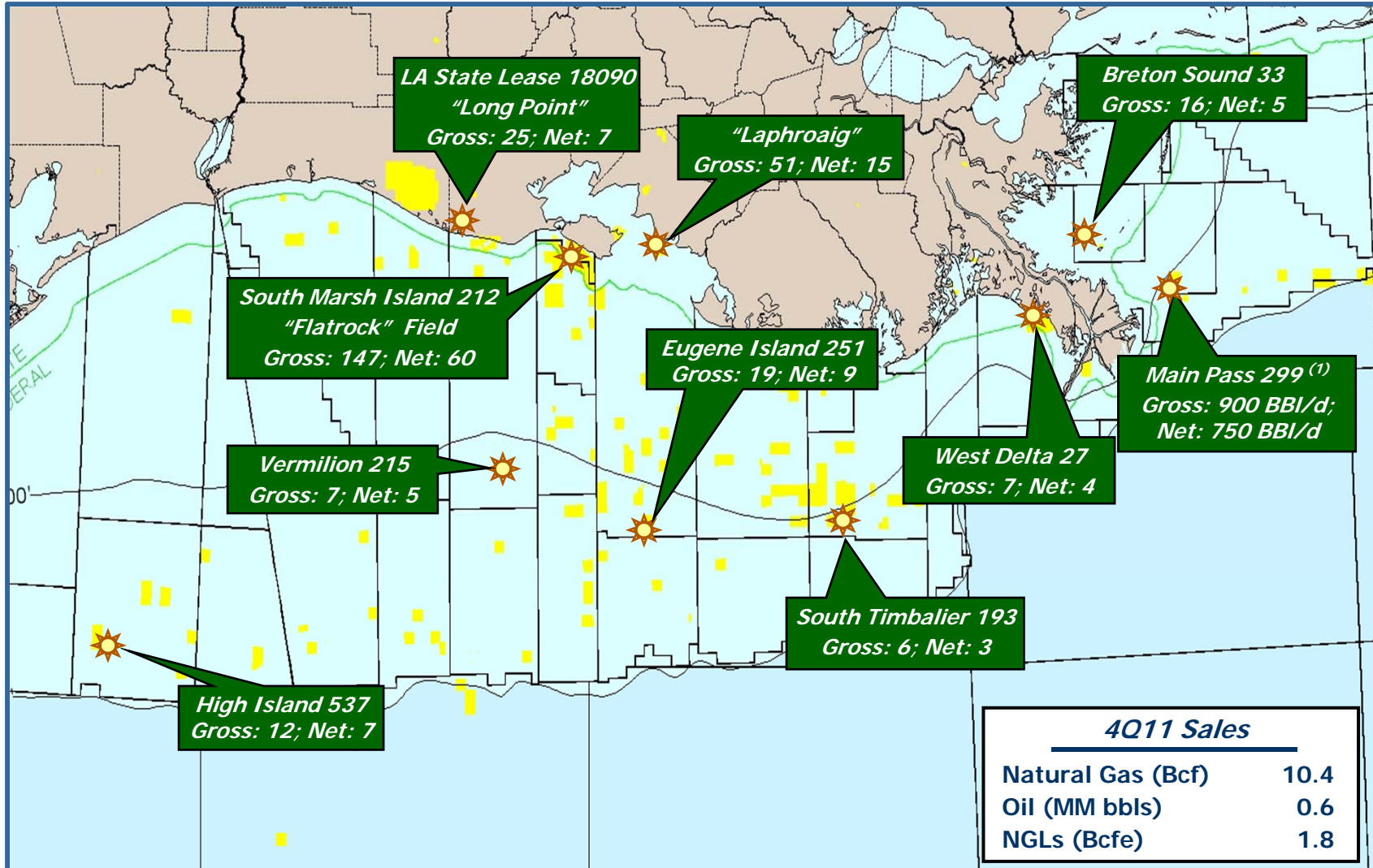




# 4Q11 Average Production Rates For Top Fields

Buried Treasures on-the Shelf

(MMcfe/d, except MP 299)



(1) Lower rates due to planned maintenance



# Reconciliation of Non-GAAP Measure

Buried Treasures on the Shelf

EBITDAX is a financial measure commonly used in the oil and natural gas industry but is not a recognized accounting term under accounting principles generally accepted in the United States of America (GAAP). As defined by McMoRan, EBITDAX reflects the company's adjusted oil and gas operating income. EBITDAX is derived from net income from continuing operations before interest expense, net; income tax expense; exploration expenses; depletion, depreciation and amortization expense; hurricane repair charges included in production and delivery costs; stock-based compensation charged to general and administrative expenses; insurance recoveries; and other income, net. EBITDAX should not be considered by itself or as a substitute for net income (loss), operating income (loss), cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP, or as a measure of McMoRan's profitability or liquidity. Because EBITDAX excludes some, but not all, items that affect net income (loss), the computation of this non-GAAP financial measure may be different from similar presentations of other companies, including oil and gas companies in our industry. As a result, the EBITDAX data presented below may not be comparable to similarly titled measures of other companies. A reconciliation of net income to EBITDAX for the fourth quarter ended December 31, 2011 is set forth below:

	<b>4Q11</b>
	<i>(\$ in millions)</i>
Net income applicable to common stock, as reported	\$ 28.4
Preferred dividends and inducement payments for early conversion of preferred stock	10.3
Loss from discontinued operations	<u>4.7</u>
Income from continuing operations, as reported	43.4
Interest expense, net	0.0
Income Tax Expense	0.0
Exploration expenses	2.9
Depreciation, depletion and amortization expense	59.2
Hurricane repair charges (credits) included in production and delivery costs	(0.1)
Stock-based compensation charged to general and administrative expenses	1.5
Insurance recoveries	(39.1)
Other income, net	<u>(0.2)</u>
EBITDAX	<u><u>\$ 67.6</u></u>