

# Third Quarter 2011 Earnings Conference Call and Web Cast

November 1, 2011

*Marathon Oil Corporation*



# Forward-Looking Statement

Except for historical information, this presentation contains forward-looking information with respect to the timing and levels of the company's worldwide liquid hydrocarbon and natural gas production available for sale, integrated gas sales volumes, synthetic crude volumes, exploration expenses, and estimated effective tax rates. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied from such information. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Marathon Oil Corporation has included in its Annual Report on Form 10-K for the year ended December 31, 2010, and subsequent Forms 10-Q and 8-K, cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in the forward-looking statements.

## *Other Information*

*In addition to net income determined in accordance with generally accepted accounting principles (GAAP), Marathon has provided supplemental "adjusted income from continuing operations," a non-GAAP financial measure which facilitates comparisons to earnings forecasts prepared by stock analysts and other third parties. Such forecasts generally exclude the effects of items that are difficult to predict or to measure in advance and are not directly related to Marathon's ongoing operations. A reconciliation between GAAP income from continuing operations and "adjusted income from continuing operations" is provided in a table on slide 20. "Adjusted income from continuing operations" should not be considered a substitute for net income as reported in accordance with GAAP.*

*Management, as well as certain investors, uses "adjusted income from continuing operations" to evaluate Marathon's financial performance between periods. Management also uses "adjusted income from continuing operations" to compare Marathon's performance to certain competitors.*

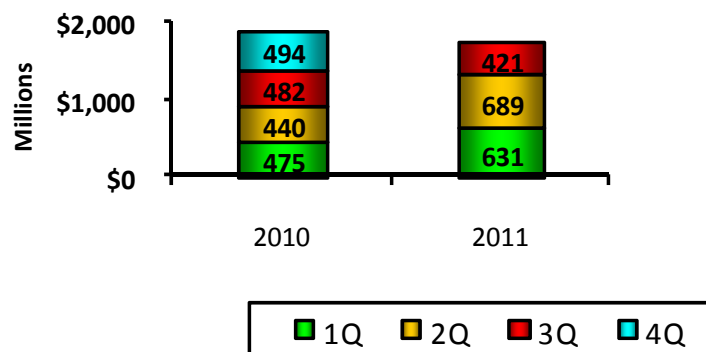
*Marathon's downstream business was spun off on June 30, 2011. All previously reported periods have been recast to reflect the downstream business as discontinued operations. The discontinued operations presentation has not yet been audited; therefore, reported values are preliminary.*

# 3Q-11 Earnings

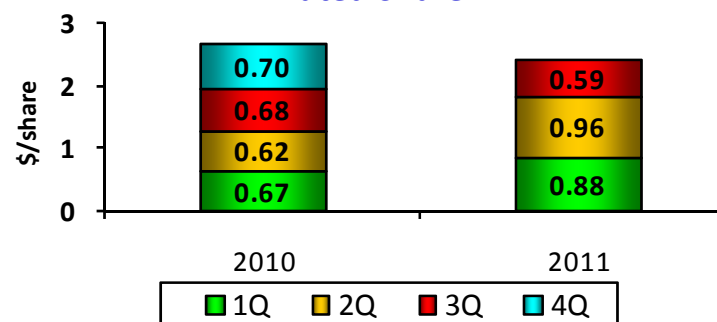
	3Q 2011	2Q 2011	3Q 2010
Net Income	\$405 MM	\$996 MM	\$696 MM
Adjusted Income from Continuing Ops.	\$421 MM	\$689 MM	\$482 MM
Net Income per Diluted Share	\$0.57	\$1.39	\$0.98
Adj. Income from Cont. Ops. per Diluted Share	\$0.59	\$0.96	\$0.68

(39)%

Adjusted Income from Continuing Operations

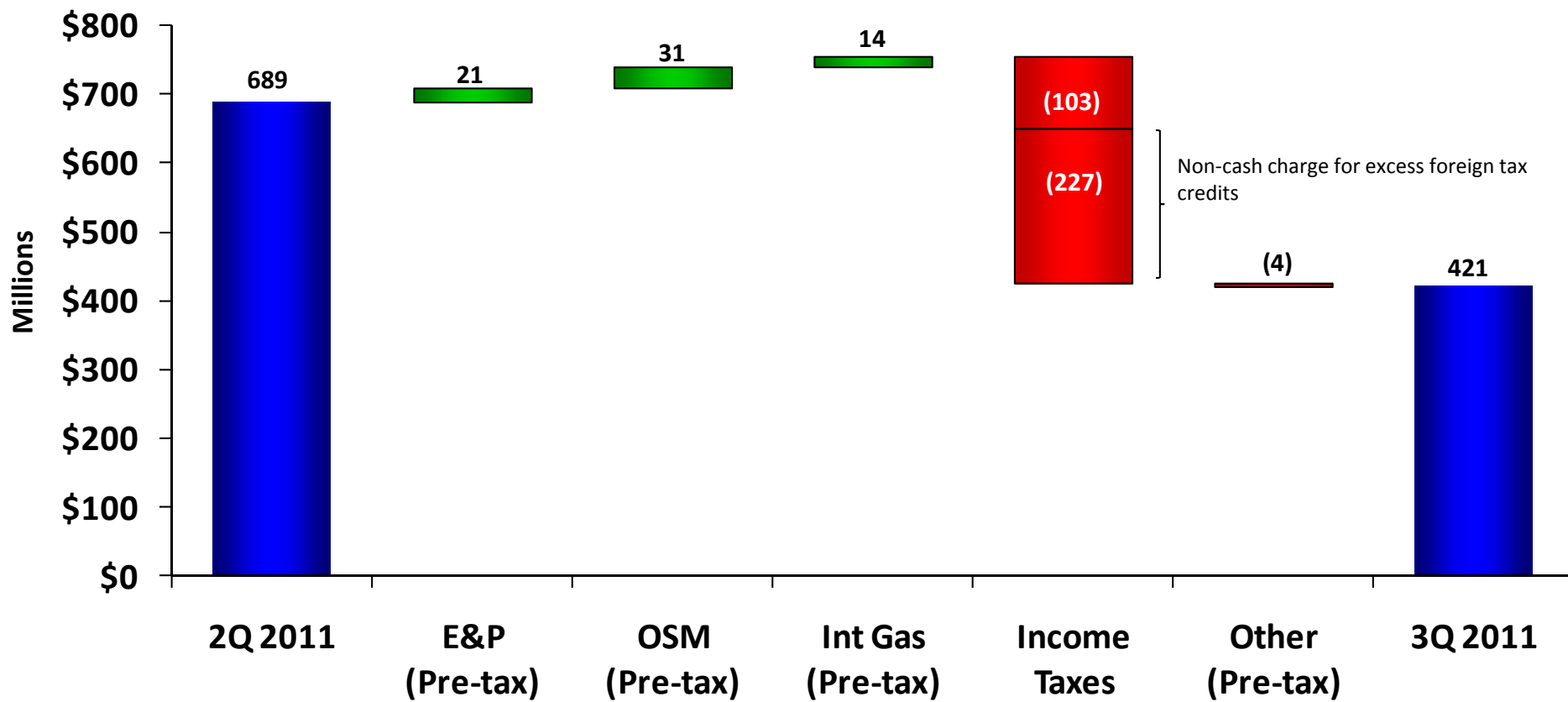


Adjusted Income from Continuing Operations per Diluted Share



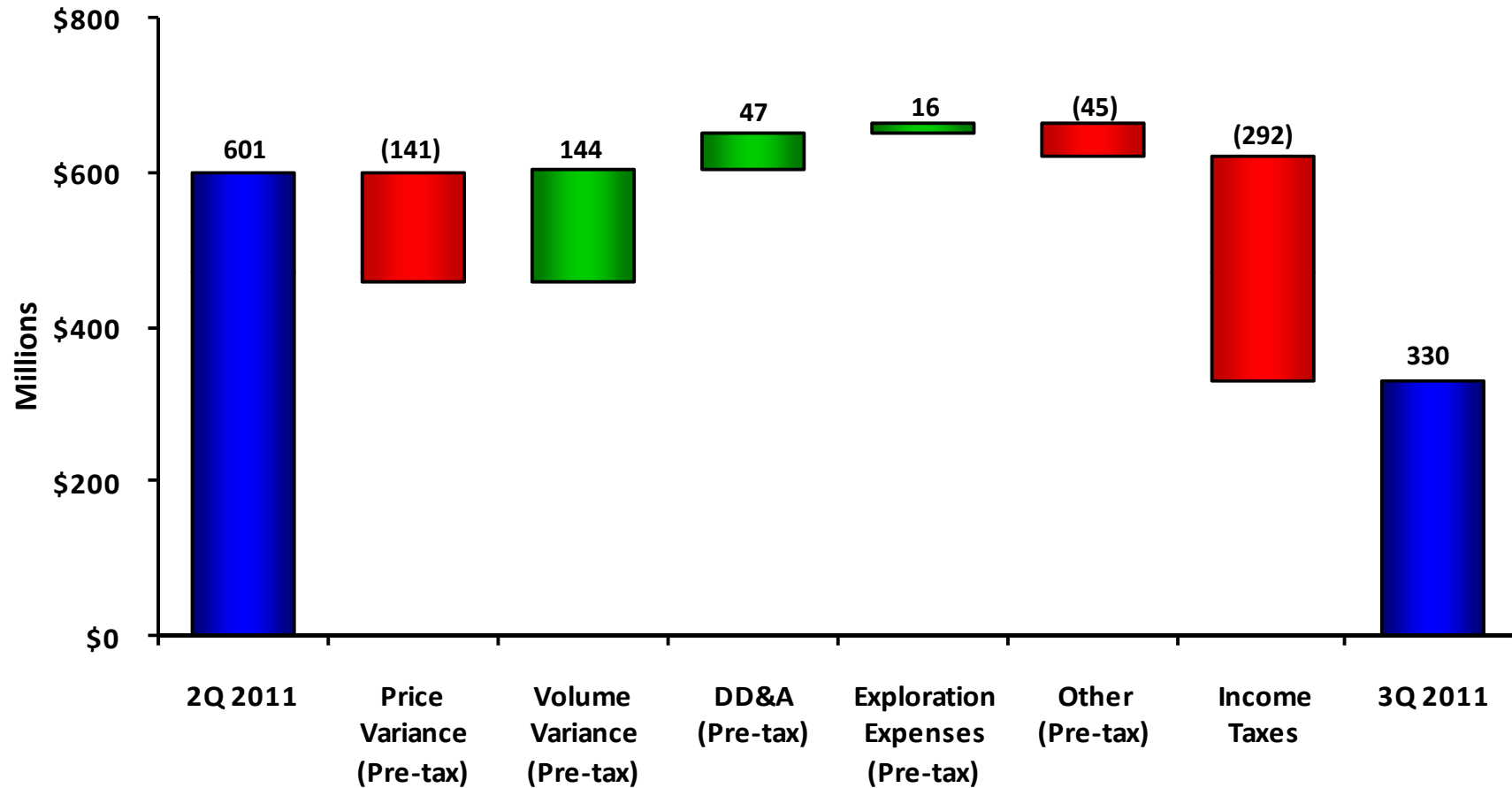
# Adjusted Income From Continuing Operations

## 3Q-11 vs. 2Q-11 Variance Analysis



# E&P Earnings

## 3Q-11 vs. 2Q-11 Variance Analysis



# E&P 3Q-11 Realizations

- Average realizations down \$3.05/BOE
  - Liquid hydrocarbon average realizations down \$5.69/BBL
  - Natural gas average realizations down \$0.40/MCF

<u>MRO Realized Prices</u>	<u>1Q 2010</u>	<u>2Q 2010</u>	<u>3Q 2010</u>	<u>4Q 2010</u>	<u>1Q 2011</u>	<u>2Q 2011</u>	<u>3Q 2011</u>
Liquid hydrocarbons (\$/BBL)	\$74.35	\$73.68	\$72.95	\$81.50	\$95.79	\$104.93	\$99.24
Natural gas (\$/MCF)	\$3.31	\$2.61	\$2.69	\$3.07	\$3.34	\$3.21	\$2.81
<b>Average realizations (\$/BOE)</b>	<b>\$53.90</b>	<b>\$52.61</b>	<b>\$51.48</b>	<b>\$57.49</b>	<b>\$66.88</b>	<b>\$69.74</b>	<b>\$66.69</b>
<u>Market Indicators</u>							
NYMEX prompt WTI (\$/BBL)	\$78.88	\$78.05	\$76.21	\$85.24	\$94.60	\$102.34	\$89.54
Brent (\$/BBL)	\$76.25	\$78.51	\$76.82	\$86.47	\$104.96	\$117.36	\$113.34
Nymex settlement natural gas (\$/MMBTU)	\$5.30	\$4.09	\$4.38	\$3.80	\$4.11	\$4.31	\$4.19

\$5.69

\$3.05

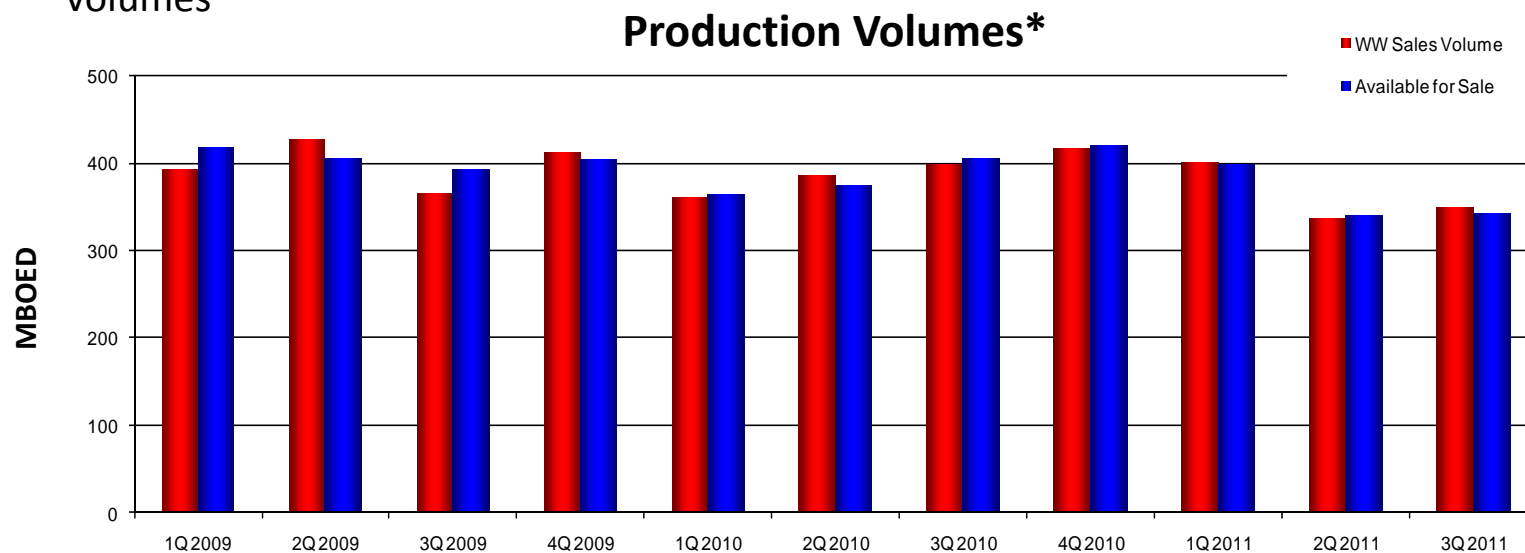
\$12.80

\$4.02

# E&P Segment

## 3Q-11 E&P Production Volumes

- Sales volumes up 4% vs 2Q-11
  - Overlifted in UK and Norway offset by underlift in Equatorial Guinea and Alaska (gas storage) during 3Q
  
- Production available for sale up 1% vs 2Q-11
  - Higher 3Q reliability at Norway and Equatorial Guinea off-set by lower Gulf of Mexico volumes

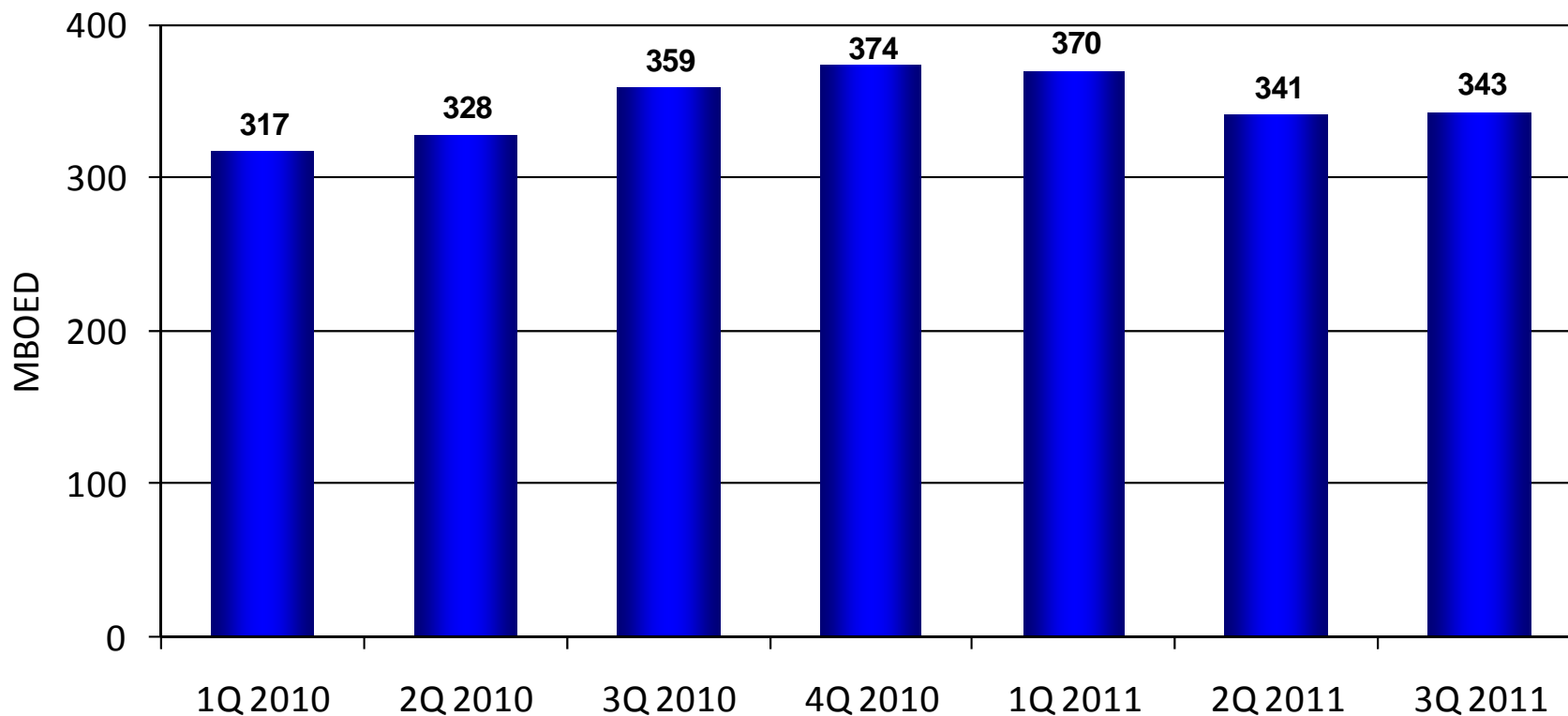


\* All periods prior to 2011 include Libyan available for sale volumes.  
 2011 Q1 available for sale excluding Libya 370,000 BOED, Libya available for sale 28,000 BOED

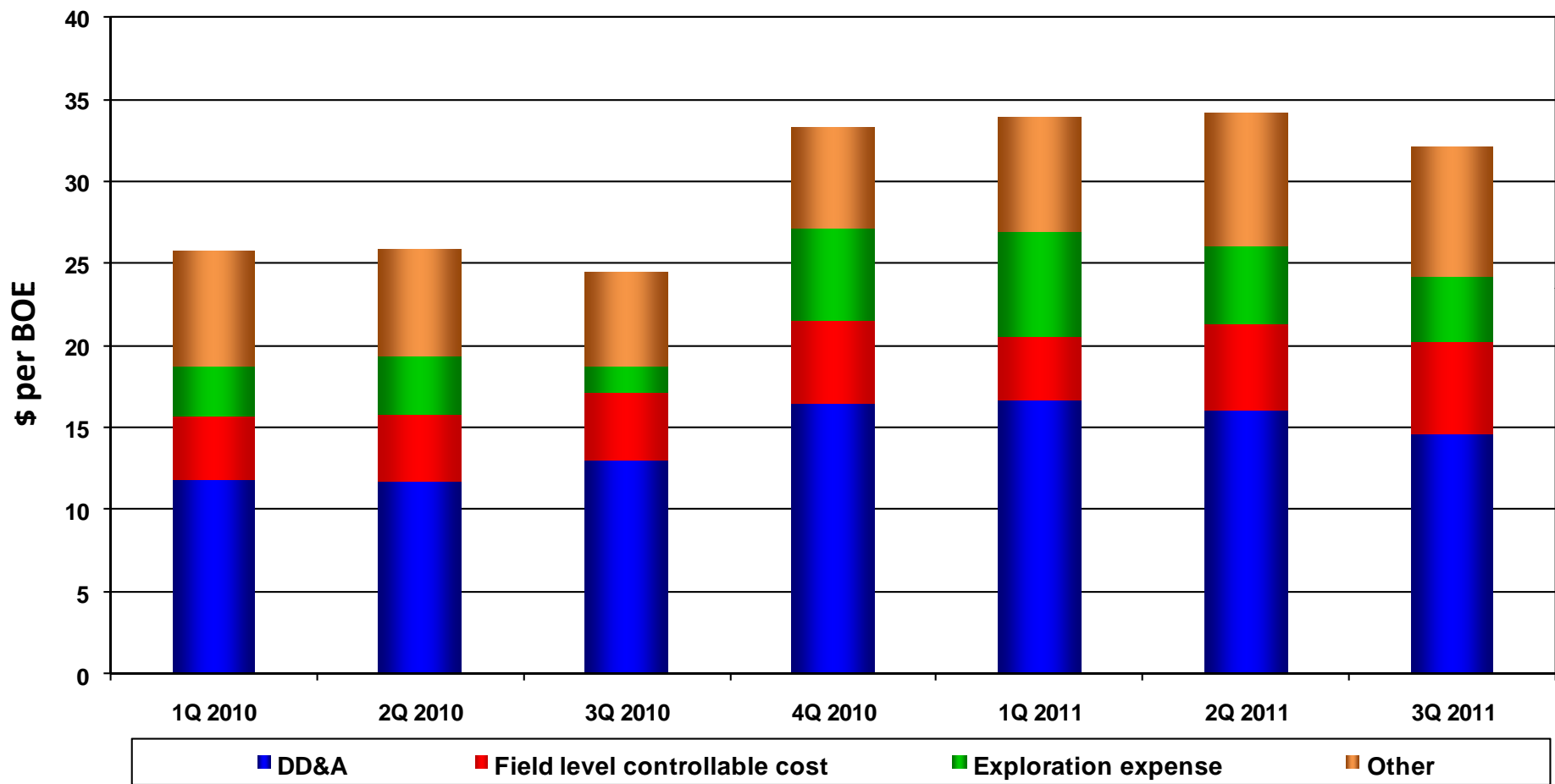


# E&P Segment

*E&P Production Available for Sale Volumes without Libya*

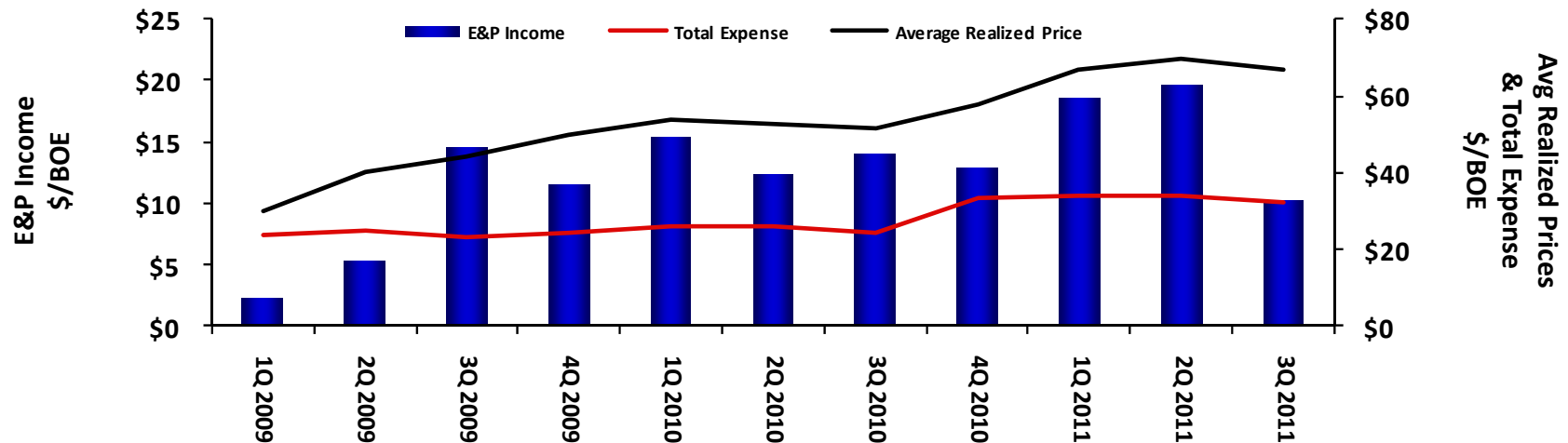


# E&P Cost per BOE Trend



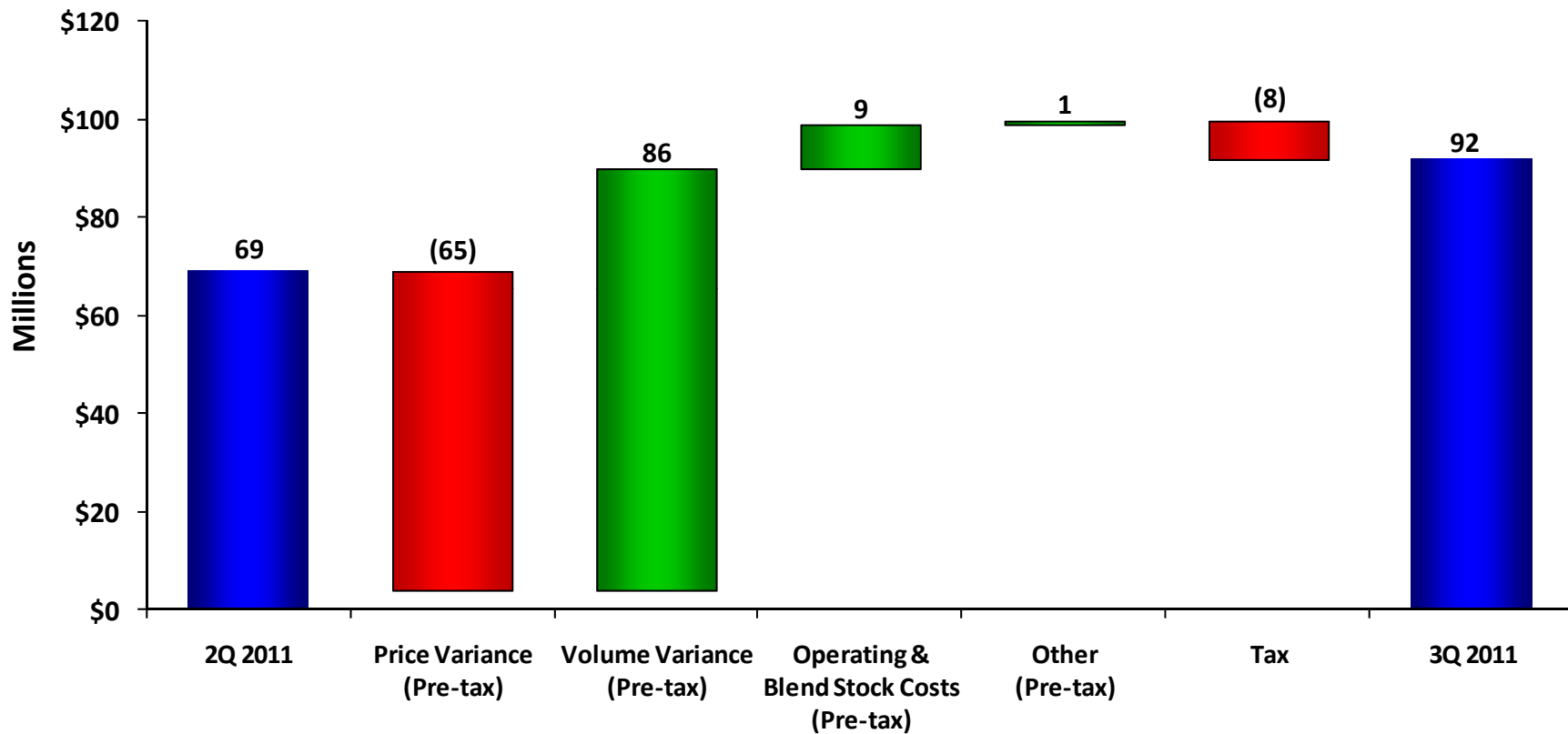
# 3Q-11 E&P Expenses and Profitability

- 3Q-11 income per BOE down 48% from 2Q-11, \$10.27/BOE vs \$19.59/BOE
  - Decrease primarily due to higher taxes and lower per BOE realizations partially offset by lower expenses
  - Total expenses lower \$2.01 per BOE from 2Q-11, \$32.11/BOE vs \$34.12/BOE
  - Total expenses excluding exploration: \$28.10/BOE down \$1.29/BOE from 2Q-11
    - Exploration expenses decreased \$0.72/BOE to \$4.01/BOE (\$16 MM) from 2Q-11



# Oil Sands Mining Earnings

## 3Q-11 vs. 2Q-11 Variance Analysis

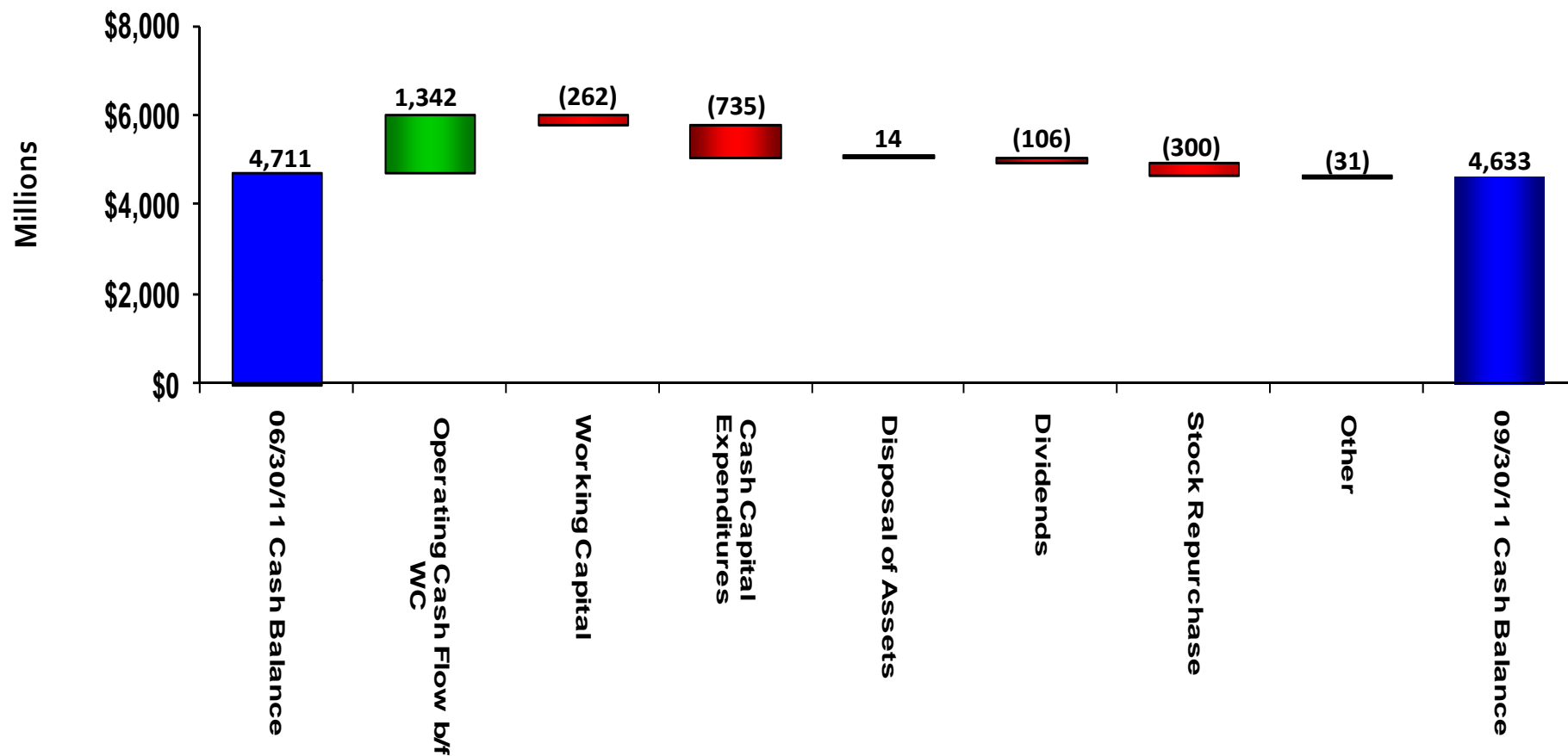


## 3Q-11 Integrated Gas Results

- Segment income: 3Q-11 \$55 MM, 2Q-11 \$43 MM
  - Increase due to sale of interest in Alaska LNG facility and higher methanol sales volumes
  - Net LNG sales volumes MTPD : 3Q-11 6,935 vs. 2Q-11 6,614
  - Net methanol sales volumes MTPD : 3Q-11 1,366 vs. 2Q-11 1,243

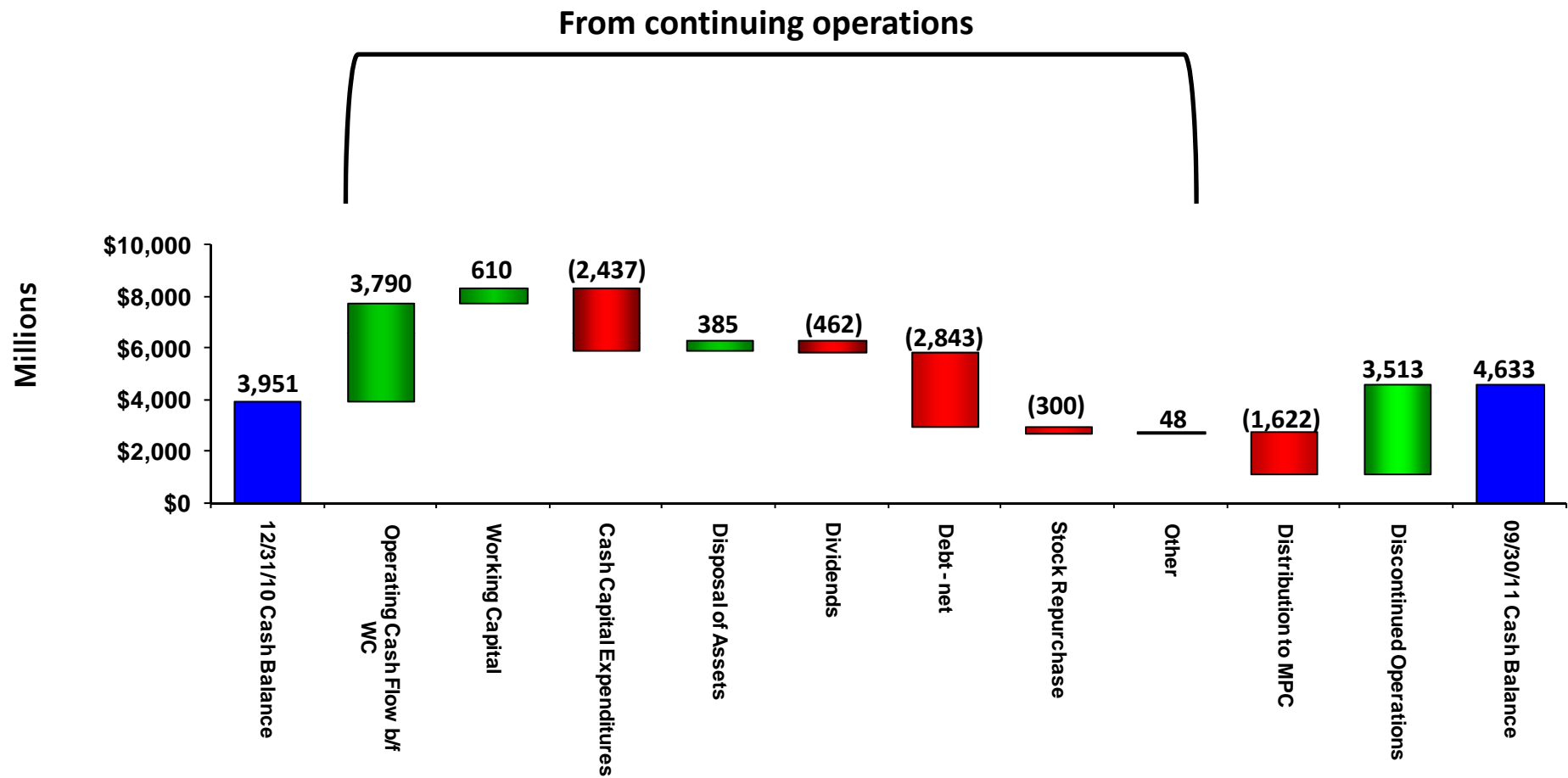
# Total Company Preliminary Cash Flow

## Q3 2011 From continuing operations



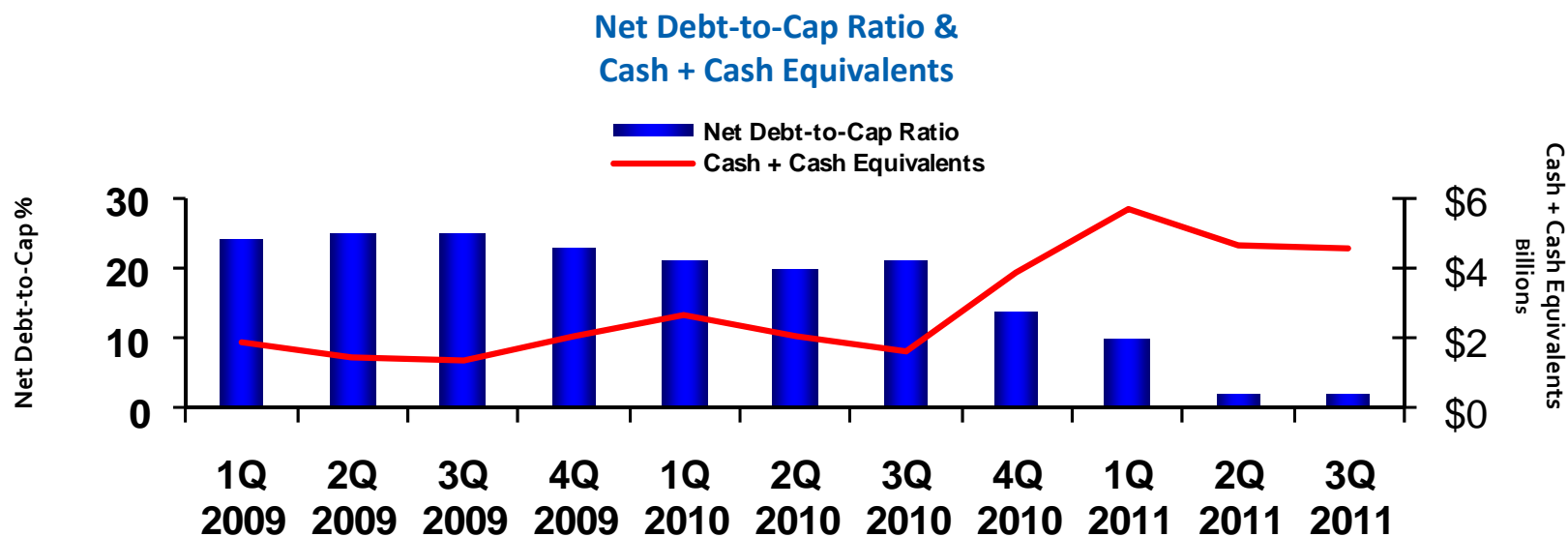
# Total Company Preliminary Cash Flow

## 2011 YTD



## 3Q-11 Select Financial Data

- 3Q-11 Net debt-to-total cap ratio 2%
  - Quarter end cash and cash equivalents: \$4.6B
- 3Q-11 Effective tax rate: 69%
  - 4Q-11 Effective tax rate from continuing operations estimated at 55-62%
  - Full year 2011 effective tax rate, including disc. operations estimated at 50-56%



# Upstream Volumes & Exploration Expense

## 2011 Estimates

	2011					2012
	1Q	2Q	3Q	4QE	Year Est*	Year Est*
Domestic E&P Net Sales Volumes*:						
Liquid Hydrocarbons (MBD)	78	72	69	80 - 84		
Natural Gas (MMCFD)	368	315	296	315 - 325		
Domestic Total (MBOED)	139	125	118	133 - 138		
International E&P Net Sales Volumes*:						
Liquid Hydrocarbons (MBD)	169	126	142	135 - 138		
Natural Gas (MMCFD)	548	516	532	550 - 565		
International Total (MBOED)	261	212	231	227 - 232		
Total E&P Net Sales (MBOED)	400	337	349			
E&P Available for Sale (MBOED)*	398	341	343	360 - 370	<b>360 - 365</b>	<b>360 - 380</b>
Oil Sands Mining Net Volumes:						
Synthetic Crude Production (MBD) **	32	37	43	41 - 45	39 - 41	40 - 50
Integrated Gas Net Sales Volumes:						
Worldwide LNG (metric tonnes/day)	7,822	6,614	6,935	5,750 - 6,250	6,500 - 7,000	5,750 - 6,250
Exploration Expense (Pre-tax):						
Domestic (\$ millions)	151	54	75	60 - 100		
International (\$ millions)	79	92	54	50 - 70		

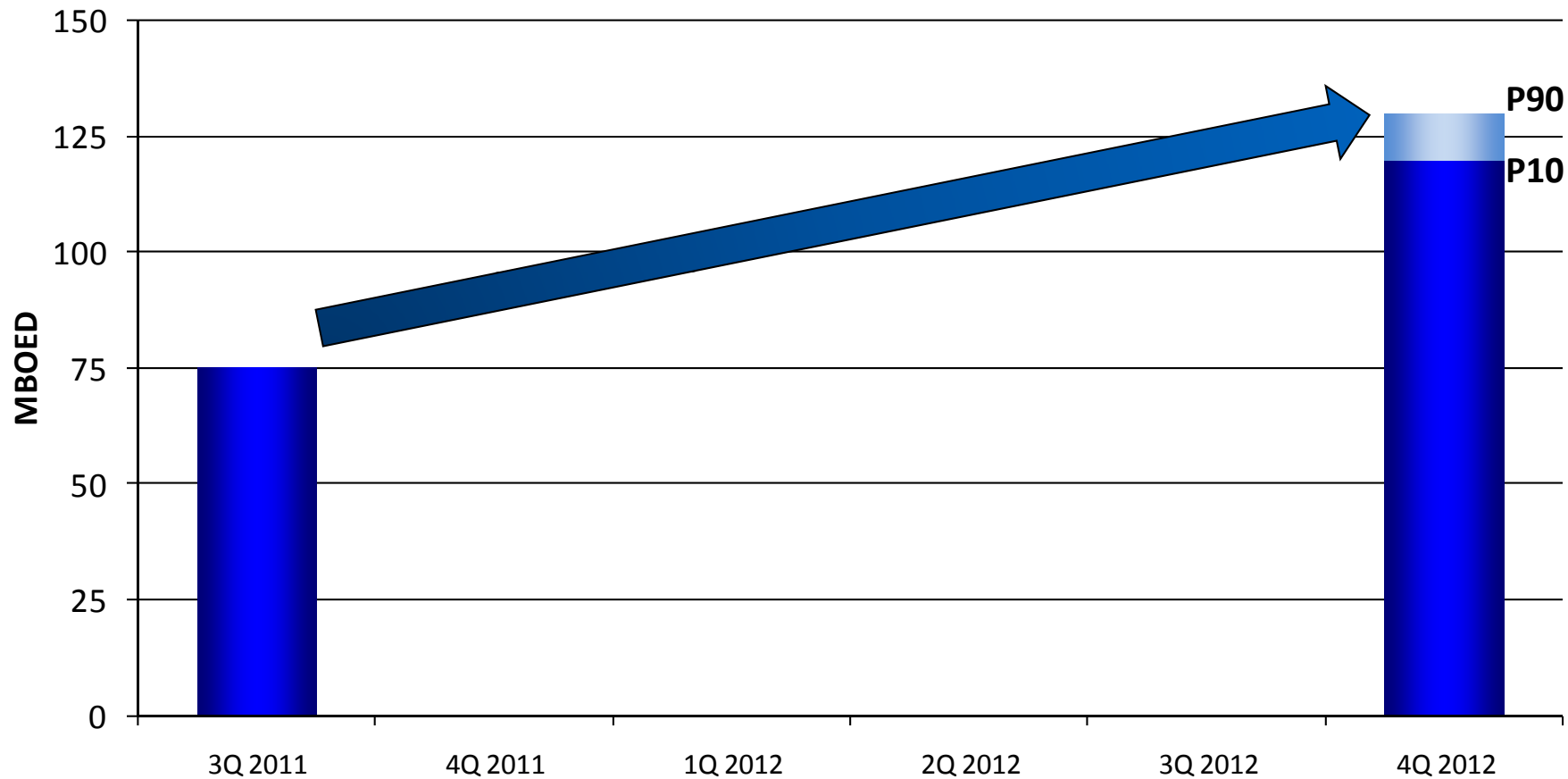
\*Estimated volumes are based upon production available for sale. Production available for sale may vary materially from production sold in any given period based on the timing of liquids liftings and natural gas sales, primarily in international operations.

\*\*Estimates reflect projections after royalties.



# Lower 48 Production Forecast

Available for Sale (Excludes Alaska and GOM)



# Estimated 2012 Production & Tax Rates by Jurisdiction

Jurisdiction	Approximate Production MBOED	Effective Tax Rate	Statutory Tax Rate
US	155	30% - 40%	35%
Norway	76	68% - 78%*	78%
EG	102	23% - 33%*	25%
Angola	7	45% - 55%	50%
UK	20	60% - 70%*	62%
Total E&P	360		
Canada	45	25% - 35%	26.5%

\*Mostly current

# Appendix

*Marathon Oil Corporation*



**Marathon Oil**  
Corporation

# Reconciliation

## Income to Adjusted Income (\$MM)

	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
Net Income	457	709	696	706	996	996	405	
Exclude discontinued operations	160	(335)	(229)	(282)	(541)	(698)	0	
Income from continuing operations	617	374	467	424	455	298	405	
Loss/(Gain) on dispositions	(449)			42		(24)	1	
Impairments	262	9	15			195		
Pension settlement				28				
Loss on early extinguishment of debt		57			176			
Deferred income tax items	45					50	15	
Water abatement – oil sands						48		
Tax effect of subsidiary restructuring						122		
Adjusted income from continuing operations*	475	440	482	494	631	689	421	

\* See slide 2 of this presentation for a discussion of the use of the non-GAAP measure adjusted income.

# Net Income

(\$MM unless otherwise noted)

	2010				2011			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
E&P Segment Income	502	432	509	498	668	601	330	
Oil Sands Mining Segment Income (Loss)	(17)	(60)	18	9	32	69	92	
Integrated Gas Segment Income	<u>44</u>	<u>24</u>	<u>41</u>	<u>33</u>	<u>60</u>	<u>43</u>	<u>55</u>	
Total Segment Income	529	396	568	540	760	713	477	
Unallocated Administrative Expense (Before income tax)	(82)	(99)	(96)	(112)	(119)	(97)	(84)	
Net Interest and other financing costs (Before income tax)	(22)	(15)	(16)	(22)	(19)	(13)	(30)	
Unallocated Income Taxes	50	149	26	88	9	86	58	
Gain (Loss) on dispositions	449	-	-	(42)	-	24	(1)	
Impairments	(262)	-	(15)		-	(195)	-	
Pension settlement	-	-	-	(28)	-	-	-	
Loss on early extinguishment of debt		(57)	-	-	(176)	-	-	
Deferred income tax items	(45)	-	-	-		(50)	(15)	
Water abatement – oil sands	-	-	-	-	-	(48)	-	
Tax effect of subsidiary restructuring						<u>(122)</u>		
Income from continuing operations	617	374	467	424	455	298	405	
Discontinued operations, net of tax*	<u>(160)</u>	<u>335</u>	<u>229</u>	<u>282</u>	<u>541</u>	<u>698</u>	-	
Net Income	457	709	696	706	996	996	405	
Effective Tax Rate *	55%	54%	55%	50%	54%	67%	69%	

\*The effective tax rates shown have been calculated in accordance with GAAP.

# Select Balance Sheet / Cash Flow Data

*Preliminary (\$B unless otherwise noted)*

	2010				2011			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>As of quarter ended:</b>								
Cash and cash equivalents	2.7	2.1	1.6	4.0	5.7	4.7	4.6	
Total debt	8.5	7.9	7.9	7.9	8.3	5.0	5.0	
Cash-adjusted total debt	5.8	5.9	6.3	3.9	2.6	0.3	0.4	
Stockholders' equity	22.2	22.8	23.4	23.8	24.7	16.7	16.8	
Cash-adjusted debt-to-capital ratio	21%	20%	21%	14%	10%	2%	2%	
<b>Year-to-date:</b>								
Net cash provided by continuing operations	0.9	2.0	3.1	4.2	1.6	3.3	4.4	
Net cash provided by continuing operations before changes in working capital	0.6	1.5	2.3	3.3	1.2	2.4	3.8	

# Capital, Investment & Exploration Spending Reconciliation \$MM

	2011 Budget	3Q 2011 YTD
Capital expenditures	3,473	2,376
Investments in equity method investees & others	0	0
Exploration costs other than well costs	420	193
Capital, Investment & Exploration Spending	3,893	2,569



*Marathon Oil Corporation*

 **Marathon Oil**  
Corporation