Marathon Sets 2011 Capital, Investment and Exploration Budget

HOUSTON, Feb. 2, 2011 - Marathon Oil Corporation (NYSE: MRO) announced today a $5.267 billion capital, investment and exploration budget for 2011, consistent with prior guidance and a 9 percent increase from 2010 capital spending.

"Having completed a number of major investment projects over the last few years, Marathon's 2011 budget has shifted toward an emphasis on more scalable and lower-risk activities, largely aimed at liquids rich opportunities such as the Bakken, Anadarko Woodford, Eagle Ford and Niobrara resource plays in the U.S.," said Clarence P. Cazalot, Jr., Marathon president and CEO. "Oil projects make up more than 80 percent of our Upstream budget; and importantly, we continue to grow the percentage of Marathon-operated projects within our portfolio with roughly two-thirds of our 2011 spending being directed toward Company-operated activity, affording us greater control of outcomes and flexibility in changing conditions.

"Our total planned capital spending in the Upstream segments is approximately $3.7 billion or 71 percent of total spending for 2011. This Upstream program includes spending of $1.3 billion on base assets ($1 billion on E&P base and $300 million on Oil Sands Mining and Integrated Gas), $1.9 billion on growth assets such as liquids resource plays in the U.S., and $465 million specifically for impact exploration," he said. "Our base and growth assets provide a solid platform for profitable returns, and our impact exploration prospects in the Gulf of Mexico, Indonesia, the Iraqi Kurdistan Region and Poland provide further upside potential.

"We estimate Downstream capital spending will be $1.2 billion in 2011, with the major component being the Detroit Heavy Oil Upgrading Project which is expected to progress significantly during the year," Cazalot said.

<u>Exploration and Production</u>

Marathon's 2011 worldwide Exploration and Production (E&P) budget of approximately $3.4 billion reflects an increase of 29 percent over 2010 capital spending. Marathon's E&P strategy is based on three key elements: a solid portfolio of base assets, growth assets and impact exploration.

Base Assets: The Company plans to spend approximately $1 billion on its base E&P assets to provide stable production, income and free cash flow. These assets include production operations in the Gulf of Mexico, Norway, U.S. conventional oil plays, Equatorial Guinea and elsewhere. With a continued emphasis on high operational reliability, Marathon will implement a disciplined investment plan and competitive cost structure for its base assets. The increase in spending for base E&P assets, compared to 2010, is primarily due to additional activity on conventional oil assets in Norway and the U.S.

Growth Assets: Approximately $1.9 billion of the capital spending budget is allocated to E&P growth projects. Of that, nearly $1 billion is concentrated on three key North America liquids-rich resource plays: North Dakota's Bakken play, the Eagle Ford Shale play in Texas, and the Anadarko Woodford Shale play in Oklahoma. In the Bakken Marathon plans to drill 70 - 75 operated wells and 50 - 70 outside operated wells. In the Anadarko Woodford, 20 - 25 operated wells and 25 - 50 outside-operated wells are planned. Other growth assets are offshore Angola, where advancement of the deepwater PSVM development for Block 31 is under way, and Alberta, Canada, where the Company is progressing in situ activity.

Impact Exploration: Marathon plans to spend $465 million selectively investing in a controlled high-impact exploration program. Activity will include conducting seismic surveys and drilling three to six high-potential prospects this year across the deepwater Gulf of Mexico, Indonesia, the Iraqi Kurdistan Region and Poland.

Marathon estimates 2011 production available for sale will be between 380,000 and 400,000 barrels of oil equivalent per day, excluding the effect of any future acquisitions, dispositions or exploration success, essentially flat with 2010 volumes. Increases in the Company's U.S. unconventional production is expected to largely offset natural declines elsewhere, largely in North Sea assets.

Oil Sands Mining

Marathon has budgeted approximately $300 million for its Oil Sands Mining (OSM) segment - less than half of 2010 OSM spending. The decrease is due primarily to the completion of the construction of the Athabasca Oil Sands Project (AOSP) Expansion 1, while the ramp up to full capacity is ongoing in the first quarter of 2011. Marathon holds a 20 percent interest in the AOSP, a long-life project with a stable production profile and substantial production capacity upside through both debottlenecking activities and longer term future expansions.

Net synthetic crude production for 2011 is expected to be between 36,000 and 45,000 barrels per day.

Refining, Marketing and Transportation

The 2011 budget for the Refining, Marketing and Transportation (RM&T) segment will increase slightly to about $1.2 billion, from just under $1.1 billion in 2010. The 2011 Downstream budget is allocated as follows: approximately $600 million for continuation of the Detroit Heavy Oil Upgrading Project, which is targeted for start-up in the second half of 2012; approximately $100 million to address the Mobile Source Air Toxics II regulations that went into effect starting Jan. 1, 2011; and approximately $500 million for the remainder of the Company's RM&T operations.

Corporate

The corporate budget is expected to total approximately $300 million, of which $234 million represents capitalized interest on assets under construction.

Tables below detail Marathon's 2011 planned capital, investment and exploration budget, and 2010 preliminary spending.

The Company will conduct a conference call and webcast later today at 2 p.m. EST during which it will discuss fourth quarter and full year 2010 results, the 2011 capital budget, as well as future prospects. To listen to the webcast of the conference call and view the slides, visit the Marathon website at http://www.marathon.com. Replays of the webcast will be available through Feb. 16, 2011. Quarterly financial and operational information is also provided on Marathon's website at http://ir.marathon.com in the Quarterly Investor Packet.

Marathon is an integrated international energy company engaged in exploration and production; oil sands mining; integrated gas; and refining, marketing and transportation operations. Marathon, which is based in Houston, has principal operations in the United States, Angola, Canada, Equatorial Guinea, Indonesia, Iraqi Kurdistan Region, Libya, Norway, Poland and the United Kingdom. Marathon is the fourth largest United States-based integrated oil company and the nation's fifth largest refiner. For more information, please visit our website at http://www.marathon.com.

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Note to investors: Marathon's capital, investment and exploration budget includes items that will not be reported as capital expenditures under generally accepted accounting principles. See the table at the end of this release for a reconciliation of forecasted capital expenditures to the capital, investment and exploration budget. In the above discussion, segment amounts do not include capitalized interest. Capitalized interest for all capital projects is budgeted in total as part of the Company's corporate capital spending budget.

This release contains forward-looking statements with respect to expected capital, investment and exploration spending, exploration and drilling plans, investments in new resource plays and development projects, the Detroit refinery heavy oil upgrading and expansion project, the timing and levels of the Company's worldwide liquid hydrocarbon and natural gas production, synthetic crude production, the Angola Block 31 development and other development projects. The capital, investment and exploration spending budget is based on current expectations, estimates and projections and is not a guarantee of future performance. Some factors that could cause actual results *to differ materially include prices of and demand for crude oil, natural gas and refined products, actions of competitors, disruptions or interruptions of our production or refining operations due to the shortage of skilled labor and unforeseen hazards such as weather conditions, acts of war or terrorist acts and the governmental or military response, and other operating and economic considerations. Some factors that could potentially affect the timing and levels of liquid hydrocarbon and natural gas production, synthetic crude production, the Angola and other developments, exploration and drilling activities, and investments in new resource plays and development projects include pricing, supply and demand for petroleum products, amount of capital available for exploration and development, occurrence of acquisitions or dispositions of oil and natural gas properties, regulatory constraints, inability or delay in obtaining government and third-party approvals and permits, timing of commencing production from new wells, drilling rig availability, unforeseen hazards such as weather conditions, acts of war or terrorist acts and the governmental or military response thereto, and other geological, operating and economic considerations. Factors that could affect the Detroit refinery heavy oil upgrading and expansion project includes transportation logistics, availability of materials and labor, unforeseen hazards such as weather conditions, delays in obtaining or conditions imposed by necessary government and third-party approvals and other risks customarily associated with construction projects. The foregoing factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements. 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, 2009, and subsequent Forms 10-Q and 8-K, cautionary language identifying other 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.*

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