Marathon Oil Corporation Announces $3.5 Billion Acquisition of Eagle Ford Shale Assets

HOUSTON, June 1, 2011 - Marathon Oil Corporation (NYSE: MRO) announced today it has reached a definitive agreement with Hilcorp Resources Holdings, LP to purchase its assets in the core of the Eagle Ford shale formation in Texas in a transaction valued at $3.5 billion subject to closing adjustments, customary terms and conditions, and Hart-Scott-Rodino approval. Hilcorp Resources Holdings is a partnership between affiliates of Hilcorp Energy Company and Kohlberg Kravis Roberts & Co. LP. Along with other transactions expected to close by the end of 2011, Marathon's Eagle Ford acreage position is expected to more than double to 285,000 net acres. The Hilcorp transaction is expected to close Nov. 1, 2011 with an effective date of May 1, 2011.

Hilcorp acreage acquisition highlights:

- Approximately 141,000 net acres (217,000 gross) primarily in Atascosa, Karnes, Gonzales and DeWitt counties in Texas (see attached map)
- Potential opportunity to acquire approximately 14,000 additional net acres through tag-along rights and other leasing
- Approximately 90 percent operated with 65 percent average working interest
- As of May 1 there were 36 wells producing approximately 7,000 net (17,000 gross) barrels of oil equivalent (boe) per day, of which 80 percent is liquids (three-fourths of which is crude oil and condensate)
    - 10 additional wells drilled and awaiting completion
    - Six rigs currently operating and two dedicated hydraulic fracturing crews
    - Year-end production expected to be approximately 12,000 net boe per day
- Total net risked resource potential of 400 - 500 million boe with upside potential from additional downspacing and other stacked pay potential
- Potential to book up to 100 million boe of proved reserves by the end of 2011
- Production expected to increase to approximately 80,000 net boe per day by 2016

"Marathon has captured a top-five acreage position in the core of the premier resource play in the U.S. since first entering the Eagle Ford in November 2010. This transaction enhances our already strong North America position focused on unconventional, liquids-rich resource plays that provide low-risk, scalable and profitable growth," said Clarence P. Cazalot Jr., Marathon president and CEO. "This and other projects under development serve as a catalyst for Marathon to increase our projected Upstream production growth to 5 - 7 percent on a compound average annual growth rate (CAGR) during the period 2010 - 2016.

"In addition to establishing our position in the highest value oil and condensate core area of the Eagle Ford shale, these assets will deliver immediate production and reserve additions, an active Company-operated drilling program, significant resource potential, as well as solid economic returns and profitability that are immediately accretive to earnings and operating cash flow, and expected to be self-funding by 2014.

"With our technical expertise and best-in-class drilling, along with our project execution skills, we are poised to maximize profitable reserve and production growth across our liquids-rich resource plays, particularly in the Eagle Ford. Importantly, our financial flexibility enables us to pursue this growth while maintaining a strong balance sheet," Cazalot said.

Marathon will use cash on hand and cash generated from operations to fund the transaction. With an anticipated fourth quarter closing, the Company's Upstream capital, investment and exploration spending for 2011 (excluding acquisitions) is not anticipated to increase materially as a result of this transaction.

Increased Production Growth Across North America

In addition to the six rigs currently under contract related to this acquisition and two in Marathon's other Eagle Ford acreage, Marathon has five drilling rigs on order and expects to be operating at least 20 drilling rigs in the Eagle Ford within 12 months of closing this transaction. As a result, the Company expects to grow production from its total Eagle Ford acreage position to a peak of approximately 100,000 net boe per day by 2016. A summary of the total Eagle Ford acreage listed by county is included below.

Eagle Ford Acreage Summary*

County	Net Acres
Wilson	98,000
Atascosa	47,000
Karnes	46,000
Gonzales	34,000

Frio	22,000
DeWitt	11,000
Bee	10,000
Lavaca	9,000
Live Oak	6,000
McMullen	2,000
Total	285,000

* Includes the Hilcorp acreage and other transactions expected to close by the end of 2011.

This acquisition brings Marathon's holdings to nearly 1 million net acres across North American liquids-rich resource plays in the Eagle Ford, North Dakota Bakken, Oklahoma Anadarko Woodford, the emerging Niobrara in Colorado and Wyoming, and an in-situ position in Alberta Canada - with plans to continue to grow acreage and increase drilling activity in each of the U.S. basins. Within 12 months of closing this transaction, Marathon expects to be operating 35 - 40 rigs across the U.S. This drilling activity, along with a potential phased development of the Company's Birchwood in-situ acreage, provides a defined growth trajectory to achieve production from the Company's unconventional portfolio of approximately 175,000 net boe per day in the 2016 - 2017 timeframe.

The legal advisor to Marathon for this transaction is Baker Botts and the financial advisor is Barclays Capital. The legal advisor to Hilcorp Energy for this transaction is Andrews Kurth LLP and the legal advisor to KKR is Simpson, Thacher & Bartlett, LLP. Jefferies & Company, Inc. served as exclusive financial advisor to Hilcorp Resources Holdings for this transaction.

All production growth targets listed in this release are based on current estimates and exclude additional acquisitions or divestitures.

Marathon will conduct a conference call and live webcast today, Wednesday, June 1 at 9 a.m. CDT to discuss this transaction. The conference call and webcast will include forward-looking statements. To listen to the webcast and view the slides, visit the Marathon website at http://www.marathon.com. Replays of the webcast will be available through June 15, 2011.

Marathon is the fourth largest U.S.-based integrated international energy company and is engaged in exploration and production; oil sands mining; integrated gas; and refining, marketing and transportation operations. On May 25, 2011, Marathon's Board of Directors approved the spin-off of Marathon's downstream business, which will create two independent, highly focused energy companies. Marathon Petroleum Corporation, to be headquartered in Findlay, Ohio, is expected to be the fifth largest U.S. refiner with a top-tier downstream portfolio of strategically aligned assets concentrated mainly in the Midwest, Gulf Coast and Southeast regions of the U.S. Marathon Oil Corporation, which will remain based in Houston, will be a global exploration and production company with a strong portfolio of assets delivering defined growth leveraged to crude oil production with exploration upside. Marathon Oil Corporation currently has principal operations in the United States and Angola, Canada, Equatorial Guinea, Norway, the United Kingdom and other international locations.

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This news release contains forward-looking statements with respect to the acquisition of assets in the Eagle Ford shale formation, the timing and levels of the Company's worldwide liquid hydrocarbon and natural gas production, anticipated future drilling activity, expectations of profitable reserve and production growth in the Eagle Ford, expected capital, investment and exploration spending, and drilling rig activity throughout the U.S. The closing of the acquisition for the Eagle Ford assets is subject to customary closing conditions, including government and regulatory approvals. Factors that could potentially affect the other forward-looking statements include pricing, supply and demand for crude oil, natural gas and petroleum products, the amount of capital available for exploration and development, regulatory constraints, 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. This release also contains forward-looking statements with respect to the completion of the spin-off of Marathon Petroleum Corporation. Factors that could affect the spin-off include a registration statement declared effective by the U.S. Securities and Exchange Commission. Although we believe that the expectations set forth in these forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct. Those statements are made by using various underlying assumptions and are subject to numerous uncertainties and risks, including that the *spin-off distribution may not be completed as anticipated or at all and that delays or other difficulties in completing the distribution may be experienced. If one or more of these risks materialize, or if underlying assumptions prove incorrect, actual results may 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, 2010, 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.*

Cautionary Note to U.S. Investors - The United States Securities and Exchange Commission (SEC) permits oil and gas companies to disclose only proved, probable or possible 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. Marathon Oil Corporation uses certain terms in this release to refer to reserves other than proved, probable or possible reserves, which the SEC's guidelines strictly prohibit us from including in filings with the SEC. These terms include net risked resource potential, resource and other similar terms, which are not yet classified as proved, probable or possible reserves. U.S. investors are urged to consider the disclosures in Marathon's periodic filings with the SEC, available from us at 5555 San Felipe Street, Houston, Texas 77056 and the Company's website at http:www.marathon.com. You can also obtain this information from the SEC by calling 1-800-SEC-0330.
