Marathon Oil 2016 Capital Program $1.4 Billion; Reduced Over 50% Year-over-Year

HOUSTON, Feb. 17, 2016 (GLOBE NEWSWIRE) --

Marathon Oil Corporation (NYSE: MRO) announced today a 2016 capital program of $1.4 billion:

- Reduced more than 50% below 2015 and more than 75% below 2014
- Focused on balance sheet protection and operational flexibility
- Total Company production expected to decline 6-8% on divestiture-adjusted basis
- Increased target for non-core asset sales to a range of $750 million to $1 billion
- Optionality to further adjust short-cycle activity

"Through this cycle of sustained low oil prices and market volatility, Marathon Oil will continue to focus on balance sheet protection and operational flexibility," Marathon Oil President and CEO Lee Tillman said. "This year's capital program is designed to preserve the efficiencies we've captured in the Eagle Ford, continue delineating Oklahoma for future growth, and complete profitable long-cycle projects. However, given such a dynamic environment, we will continually review our capital allocation decisions throughout the year and retain flexibility through our short-cycle portfolio and limited long-term commitments to adjust as we see fit. With the material step-back in year-over-year investment, 2016 total Company production is expected to decline 6 to 8 percent on a divestiture-adjusted basis.

"Importantly, we enter 2016 in a strong position with $4.2 billion in liquidity. Given our objective of living within our means in 2016, we anticipate continued execution of our non-core asset divestiture program will contribute to that goal. Based on our progress to date, we've increased our original target for non-core asset sales from at least $500 million to a range of $750 million to $1 billion," Tillman said.

North America: Marathon Oil is allocating $1.15 billion to activity in North America with the majority focused on the Company's three U.S. resource plays where it plans to bring 157-169 gross Company-operated wells to sales.

Approximately $600 million in capital spending is earmarked for the Eagle Ford, of which $520 million is for drilling and completions. The Company expects to bring 124-132 gross Company-operated wells to sales in the Eagle Ford with an average of five rigs in 2016. This compares to an average of 11 rigs in 2015 with 276 gross Company-operated wells to sales. The 2016 drilling program will continue focusing on co-development of the Lower and Upper Eagle Ford horizons as well as the Austin Chalk in the core of the play.

In the Oklahoma Resource Basins, approximately $200 million will support 20-22 gross Company-operated SCOOP and STACK wells to sales. The Oklahoma program includes $195 million for drilling and completions, including an estimated $55 million for outside-operated activity. An average of two rigs in 2016 will focus primarily on lease retention in the STACK and delineation of the Meramec. The Company expects to be approximately 70 percent held by production (HBP) in the STACK by year end, with the SCOOP already more than 90 percent HBP. In the SCOOP Springer, Marathon Oil plans to complete its second Company-operated well in the first quarter and drill another well later in the year.

In the Bakken, the Company plans to spend just under $200 million, with $150 million allocated for drilling and completions including an estimated $75 million for outside-operated activity. Marathon Oil expects to average one rig for half a year in 2016 and bring online 13-15 gross Company-operated wells. Following encouraging results in 2015 from the Company's first pad in West Myrmidon near the Nesson anticline, plans are to bring a second West Myrmidon pad to sales in 2016. Facilities and infrastructure spending will be significantly lower than 2015 with the next phase of the water-gathering system on schedule to be completed in the second half of 2016 to contribute further to unit cost reductions.

Substantially all of the Company's acreage in the Eagle Ford, Bakken, and SCOOP is held by production. Additionally, the Company's rig commitments provide a high degree of flexibility through spot or short-term contracts.

Other North America spending includes outside-operated commitments in the Gulf of Mexico for the completion of the Gunflint project due to come online in 2016, as well as further appraisal work on Shenandoah.

International: The Company plans to spend approximately $170 million on its international assets, primarily to complete long-cycle projects in Equatorial Guinea and the Kurdistan Region of Iraq. The Alba field compression project in Equatorial Guinea remains on budget and on schedule to start up by mid-year, and will extend plateau production by two years as well as the asset's life by up to eight years. First oil from the outside-operated Atrush development in Kurdistan is currently expected later this year.

Exploration: Marathon Oil has reduced conventional exploration spending to $30 million, down from more than $250 million in 2015 and from more than $500 million in 2014. Activity in 2016 is limited to existing commitments in the Gulf of Mexico and Gabon, with no exploration wells planned.

Oil Sands Mining: Marathon Oil expects to spend approximately $40 million for sustaining capital projects in its Oil Sands Mining (OSM) segment. Marathon Oil holds a 20 percent outside-operated interest in the Athabasca Oil Sands Project.

Corporate and Other: The corporate budget is expected to total approximately $40 million, of which $20 million represents capitalized interest on assets under construction.

Production Guidance: For full year, the Company forecasts production available for sale from the combined North America and International E&P segments, excluding Libya, to average 335,000 to 355,000 net boed. On a divestiture-adjusted basis, E&P and total Company production is expected to be 6-8 percent lower than 2015, due to a significantly lower 2016 capital program. The Company forecasts 40,000 to 50,000 net barrels per day (bbld) of synthetic crude oil for the OSM segment, in-line with 2015.

Marathon Oil expects first quarter 2016 North America E&P production available for sale to average 230,000 to 240,000 net boed reflecting the impact of approximately 10,000 net boed associated with the Gulf of Mexico disposition which closed late in fourth quarter 2015. First quarter International E&P production available for sale (excluding Libya) is expected to be within a range of 90,000 to 100,000 net boed. This range includes the impact of approximately 20,000 net boed associated with Equatorial Guinea scheduled downtime and approximately 7,000 net boed from Brae Alpha downtime in the U.K. OSM synthetic crude oil production is expected to range from 45,000 to 50,000 net boed in the first quarter 2016.

The Company will hold a conference call, which will be webcast live, on Thursday, Feb. 18, at 9 a.m. EST. Accompanying slides pertaining to Marathon Oil's 2016 capital program will be available on the Company's website approximately one hour prior to the conference call. The webcast slides, associated commentary and answers to questions will include forward-looking information. Additional financial information, including earnings releases and other investor-related material, is available online and on Marathon Oil's app for mobile devices. To listen to the live webcast, visit the Marathon Oil website at http://www.marathonoil.com. The audio replay of the webcast will be posted by Feb. 19.

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Note to investors: Marathon Oil's capital program includes items that will not be reported as capital expenditures under U.S. generally accepted accounting principles. See the table at the end of this release for a reconciliation of forecasted capital expenditures to the 2016 capital program. 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 (and oral statements made regarding the subjects of this release) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These are statements, other than statements of historical fact, that give current expectations or forecasts of future events, including, without limitation: the Company's 2016 capital program and the planned allocation thereof, including planned capital expenditures and other exploration costs; the Company's operational, financial and growth strategies, including planned projects, drilling plans, rig count, lease retention, balance sheet protection, operational flexibility, cost reductions, efficiencies and non-core asset sales; the Company's ability to successfully effect those strategies and the expected timing and results thereof; first quarter and full year production guidance and the drivers thereof; expectations regarding future economic and market conditions and their effects on the Company, including the Company's ability to be flexible in an uncertain environment; and the Company's financial and operational outlook, and ability to fulfill that outlook.

While the Company believes its assumptions concerning future events are reasonable, a number of factors could cause results to differ materially from those projected, including, without limitation: conditions in the oil and gas industry, including supply/demand levels and the resulting impact on price; changes in expected reserves or production levels; changes in political or economic conditions in key operating markets, including international markets; capital available for exploration and development; well production timing; availability of drilling rigs, materials and labor; difficulty in obtaining necessary approvals and permits; non-performance by third parties of their contractual obligations; unforeseen hazards such as weather conditions, acts of war or terrorism and the governmental or military response thereto; cyber-attacks; changes in tax, environmental and other regulations; other geological, operating and economic considerations; and the risk factors, forward-looking statements and challenges and uncertainties described in the Company's 2014 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other public filings and press releases, available at www.marathonoil.com.The Company undertakes no obligation to revise or update any forward-looking statements whether as a result of new information, future events or otherwise.

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2016 Capital Program		***(In millions)***	***Per Of***
North America:			
Eagle Ford	$	601	42
Bakken		193	13
Oklahoma Resource Basins		204	14
Other		153	11
Total North America		1,151	80
International		169	12
Exploration*		31	2
Total E&P		1,351	94
North America E&P		1,166	81
International E&P		185	13
Total E&P		1,351	94
Oil Sands Mining		41	3
Other:			
Corporate		19	
Capitalized Interest		21	
Total Other		40	3
Total Capital Program	**$**	**1,432**	**100**

*Includes spending on exploration in the Gulf of Mexico and Gabon.

Capital program includes capital expenditures, cash investments in equity method investees and other investments, exploration costs that are expensed as incurred rather than capitalized, such as geological and geophysical costs and certain staff costs, and other miscellaneous investment expenditures. The components of capital program in the 2016 budget are as follows:

2016 Capital Program		***(In mill***
Capital Expenditures	$	1,363
Other Exploration Costs		69
Capital Program	$	1,432

2016 Activity Plans	**Net**	**Gross**	**Gross Company-Oper**
Eagle Ford:			
Wells to be drilled	91-96	150-160	132
Total wells brought to sales	83-88	140-150	124
Bakken:			

Wells to be drilled	10-12	45-55	
Total wells brought to sales	19-22	75-85	1
Oklahoma Resource Basins:			
Wells to be drilled	23-28	65-75	2
Total wells brought to sales	22-25	80-90	2

	Guidance (a)		**Actual**	
	1Q	**Full-Year**	**4Q**	**Full-**
(mboed)	**2016**	**2016**	**2015**	**2**
Net Production Available for Sale				
North America E&P	230-240		260	270
International E&P excluding Libya (b)	90-100		123	116
Combined North America & International E&P, excluding Libya (b)		335-355	383	386
Oil Sands Mining (c)	45-50	40-50	49	45
Total Company			432	431
Less: Divestitures (d)			(10)	(14
Divestiture-adjusted total Company			422	417

(a) This guidance excludes the effect of acquisitions or dispositions not previously announced.

(b) Libya is excluded because of uncertainty around timing of future production and sales levels.

(c) Upgraded bitumen excluding blendstocks.

(d) Divestitures include the sale of East Texas, North Louisiana and Wilburton, Oklahoma assets closed in August 2015, and the sale of Gulf of Mexico assets closed in December 2015 and February 2016. These production volumes have been removed from all periods shown.

	Actual	
	4Q	**Full-**
(mboed)	**2015**	**2**
Net Production Available for Sale		
Combined North America & International E&P, excluding Libya (a)	383	386
Less: Divestitures (b)	(10)	(14
Divestiture-adjusted combined North America & International E&P, excluding Libya	373	372

(a) Libya is excluded because of uncertainty around timing of future production and sales levels.

(b) Divestitures include the sale of East Texas, North Louisiana and Wilburton, Oklahoma assets closed in August 2015, and the sale of Gulf of Mexico assets closed in December 2015 and February 2016. These production volumes have been removed from all periods shown.