MRO Announces $500 Million Reduction to 2020 Capital Budget, Prioritizing Financial Flexibility and Dividend

HOUSTON, March 10, 2020 /PRNewswire/ -- In light of the dramatic fall in commodity prices, Marathon Oil (NYSE: MRO) has announced an immediate capital spending reduction of at least $500 million relative to its previously communicated 2020 capital spending budget of $2.4 billion. The revised capital spending budget of $1.9 billion or less represents an approximate 30% reduction in comparison to actual 2019 capital spending.

Specifically, the Company will take the following steps to reduce its 2020 budget:

- Suspend further Resource Play Exploration (REx) drilling and leasing activity, driving a material reduction to the original $200 million REx budget for 2020;
- Immediately suspend all operated drilling and completion activity in Oklahoma, where the Company is currently running three rigs and one frac crew;
- Meaningfully reduce operated drilling and completion activity in the Northern Delaware, where the Company is currently running four rigs and one frac crew;
- Optimize development programs in the Eagle Ford and Bakken, where the Company is currently running eight rigs and three frac crews.

"In response to the recent commodity price volatility from simultaneous supply and demand shocks, we're taking swift and decisive action to defend our cash flow generation, protect our balance sheet, and fund our dividend," said Marathon Oil Chairman, President, and CEO Lee Tillman. "We believe our foundational work is already in place with a high quality multi-basin portfolio that affords us the flexibility that we're exercising today. Our balance sheet reflects a conservative leverage profile and significant liquidity. And, at every level of the Company we continue to strive to relentlessly drive down our cash flow breakeven, while operating safely and responsibly. This framework has served us well, and it positions us to navigate a challenging oil price environment ahead."

Marathon Oil maintains a strong financial foundation, ending 2019 with approximately $3.9 billion of liquidity and no near term debt maturities. Liquidity at year end 2019 consisted of $858 million of cash and cash equivalents and an untapped $3 billion credit facility. The unsecured credit facility is backed by 18 leading global financial institutions, and the maturity date was recently extended to May 2023. Marathon Oil is rated as investment grade at all three major rating agencies and has no significant debt maturities until November of 2022.

The Company will continue to monitor commodity price developments and retains flexibility to adjust capital spending plans further in response to a dynamic environment, with minimal long-term commitments for services and materials. The Company plans to provide a more comprehensive update to its revised 2020 business plan as part of its first quarter earnings release in May.

Forward-looking Statements

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. All statements, other than statements of historical fact, including without limitation statements regarding the Company's future capital budgets and allocations (including development capital budget and resource play leasing and exploration spend), future performance, organic free cash flow, free cash flow, corporate-level cash returns on invested capital, business strategy, asset quality, drilling plans, production guidance, cash margins, leasing and exploration activities, production, oil growth and other plans and objectives for future operations, are forward-looking statements. Words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "outlook," "plan," "project," "seek," "should," "target," "will," "would," or similar words may be used to identify forward-looking statements; however, the absence of these words does not mean that the statements are not forward-looking. While the Company believes its assumptions concerning future events are reasonable, a number of factors could cause actual results to differ materially from those projected, including, but not limited to: conditions in the oil and gas industry, including supply/demand levels and the resulting impact on price; changes in expected reserve or production levels; changes in political or economic conditions in the U.S. and Equatorial Guinea; changes in foreign currency exchange rates, interest rates, inflation rates, and global and domestic market conditions; capital available for exploration and development; risks related to the Company's hedging activities; well production timing; drilling and operating risks; availability of drilling rigs, materials and labor, including the costs associated therewith; difficulty in obtaining necessary approvals and permits; non-performance by third parties of contractual obligations; unforeseen hazards such as weather conditions, health pandemics, acts of war or terrorist acts and the government or military response thereto; cyber-attacks; changes in safety, health, environmental, tax and other regulations, requirements or initiatives, including initiatives addressing the impact of global climate change, flaring, or water disposal; other geological, operating and economic considerations; and the risk factors, forward-looking statements and challenges and uncertainties described in the Company's 2019 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other public filings and press releases, available at www.marathonoil.com. Except as required by law, the Company undertakes no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise.

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