# 1Q 2015 FINANCIAL AND OPERATIONAL REVIEW REMARKS

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[Zach Dailey]

Welcome to Marathon Oil Corporation's first quarter 2015 financial and operational review. The synchronized slides that accompany this review can be found on our website, at MarathonOil.com. Additionally, we'll conduct a live question and answer webcast on Thursday, May 7, at 8:00 am Central Time / 9:00 am Eastern Time.

Slide 2 contains a discussion of forward-looking statements and other information included in this presentation. Our review will contain forward-looking statements subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Marathon Oil has included in its Annual Report on Form 10-K for the year ended December 31, 2014, and other filings with the Securities and Exchange Commission, 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.

Please note that the appendix to this presentation includes reconciliations of our non-GAAP measures to their most directly comparable GAAP financial measures, as well as operating estimates and other data you may find useful. With that, I'll turn the presentation over to Lee Tillman, Marathon Oil president and CEO, who will begin on slide 3.

[Lee Tillman]

Thanks Zach. I'd like to extend my welcome to those listening, and begin by providing a summary of our corporate highlights for the quarter.

Marathon Oil began the year with operational results that reflected strong execution, efficiency gains and lower costs.

We are enhancing returns across multiple fronts. The performance of our high-specification rigs in the Eagle Ford delivered pacesetter spud-to-TD results of under 7 days. We increased our year-to-date captured U.S. unconventional drilling and completion service costs savings by an additional $25 million to $250 million, a 17 percent reduction from 2014 levels, and we expect to secure further savings as the year progresses. In the Oklahoma Resource Basins, we are reallocating more than $25 million of capital to advance our understanding of the resource potential through increased high value non-operated activity, which is an efficient way to maximize the benefits of our capital dollars.

Rigorous cost control is achieving results and driving our unit costs lower. Our U.S. production costs per oil equivalent barrel are 17 percent lower than the prior quarter and 28 percent lower than the year-ago quarter. During the first quarter we adjusted our organizational capacity to reflect our reduced operational activity levels, and we expect those actions to generate net annualized savings of about $100 million. These savings at both the asset and corporate level help protect and enhance our margins regardless of the commodity cycle.

Our strong first quarter execution performance resulted in an increase of 11 percent in U.S. resource play net production over the prior quarter, with total E&P net production (excluding Libya) also up 4 percent over the same period. Year over year, U.S. resource plays net production increased 49 percent and total E&P, excluding Libya, increased 20 percent over the same time period.

In the Eagle Ford, the first "stack and frac" pilot was brought online during the quarter with encouraging results and we continued our successful extension of co-development with five Upper Eagle Ford wells.

In the Oklahoma Resource Basins, we participated in five high-density outside-operated spacing pilots in SCOOP, three testing the Woodford and two testing the Springer.

The Bakken enhanced completion pilots were concluded during the first quarter with initial IP rates from the first 23 wells exceeding 30 percent improvement for 90-day cumulative production related to direct offset performance. The early performance of the initial downspacing pilot brought online was encouraging. The second downspacing pilot is currently in flowback and a third just completed drilling.

Our Company-operated assets averaged 98 percent operational availability, delivering our most economic barrels.

Complementing our cost control and execution excellence, we've continued to focus on capital discipline and portfolio management to maintain financial flexibility. We've revised our 2015 capital, investment and exploration budget from the $3.5 billion announced in February to $3.3 billion with no change in our full-year E&P production guidance. This revised budget still delivers a total company production growth rate of 5 to 7 percent, excluding Libya, and 20 percent growth in the U.S. resource plays for 2015. In addition, we are targeting non-core asset sales to generate at least $500 million in proceeds and our liquidity at the end of the first quarter stood at $3.6 billion; $1.1 billion in cash.

We'll add more color to all of these highlights and more as we walk through the rest of this presentation.

Moving to slide 4. In the first quarter, U.S. resource play net production averaged 229,000 of oil equivalent barrels per day, an 11 percent increase over the prior quarter and 49 percent over the year-ago quarter. Our U.S. resource plays -- the Eagle Ford, Bakken and Oklahoma Resource Basins -- have grown to almost 60 percent of the total E&P production available for sales volumes excluding Libya as we continue to invest the majority of our capital spend in these high return plays.

Now, I'll turn the call over to J.R. Sult, our CFO, who will review first quarter financial results.

[J.R. Sult]

Thanks Lee.

I'll begin my brief remarks on slide 5. Adjusted income from continuing operations was a loss of $253 million, or $0.37 per diluted share in the first quarter, compared to a loss of $89 million, or $0.13 per diluted share in the prior quarter. Not surprisingly, results this quarter were substantially impacted by lower average crude oil and condensate price realizations which were down nearly 40 percent during the quarter, partially offset by strong production growth in the U.S. resource plays. Lower exploration expenses during the period also offset some of the impact from lower commodity prices. Reported income from continuing operations was a loss of $276 million, or $0.41 per diluted share in the quarter, compared with a loss of $93 million, or $0.14 per diluted share last quarter. Adjustments to reported income in the quarter are related to severance and other expenses associated with a workforce reduction, an unrealized gain on crude oil derivatives and settlement charge in connection with the U.S. pension plans. As Zach indicated at the start of the webcast, a complete reconciliation of the adjusted non-GAAP measures to the reported GAAP measures is included in the appendix to these slides.

Now let's turn to the individual segment results on slide 6. The North America E&P segment had an after-tax loss of $161 million during the quarter, compared to a loss of $143 million in the prior quarter. The 8 percent sequential production increase in the North America E&P segment during the quarter, driven by the U.S. resource plays, together with reduced exploration expense was more than offset by the impact from lower crude oil and condensate price realizations. Details of the North America E&P commodity price realizations can be found in the appendix to this presentation.

Segment income from International E&P was lower than the previous quarter, declining to $23 million, reflecting lower crude oil and condensate price realizations as well as lower sales volumes in Libya in the quarter. In addition, the planned turnaround at the AMPCO methanol facility contributed to the lower income.

Finally, the Oil Sands Mining segment reported a loss of $19 million during the quarter, compared to income of $23 million in the fourth quarter 2014. Higher synthetic crude oil sales volumes and lower production expenses including feedstock costs were more than offset by lower average syncrude price realizations. During the quarter, OSM achieved 35 percent higher production volumes compared to the year-ago quarter primarily due to improved reliability. In addition, unit operating costs in OSM were approximately $35 per oil equivalent barrel excluding blendstocks.

Total company cash flow can be seen on Slide 7. For the first quarter of 2015, operating cash flows before changes in working capital were $412 million compared to $768 million in the fourth quarter of 2014. Lower commodity price realizations were again the primary driver for the decrease in operating cash flow, partially offset by higher production growth in the U.S. resource plays.

Changes in working capital reduced the cash flow contribution by $103 million during the quarter. Additions to property, plant and equipment for the first quarter were $1.1 billion as compared to $1.7 billion in the fourth quarter 2014. First quarter cash flows included changes in working capital related to property, plant and equipment of $350 million as we transitioned from a higher level of activity in the prior quarter. We also paid dividends of $142 million, or $0.21 per share during the quarter. At quarter end, cash and cash equivalents were approximately $1.1 billion which, when combined with our revolving credit facility, resulted in total liquidity of $3.6 billion.

Finally, in May we amended our revolving credit facility to increase the available capacity from $2.5 to $3 billion and extended the maturity date to 2020. This step further bolsters our liquidity and financial flexibility as we transition through this commodity price cycle.

With that, I'd like to turn it back to Lee to review the Company's operational performance.

[Lee Tillman]

Thanks J.R.

Before I take everyone through our operational highlights by asset, I would like to address our planned further reduction in U.S. activity and the progress we are making on reducing costs.

Turning to slide 8, we plan to modestly reduce activity further in our U.S. resource plays by the end of the second quarter, with no change in full-year production guidance. These actions reflect continued capital discipline in an uncertain price environment, delivery against our strategic objectives in each of our three resource plays, and increased operational efficiencies that we're currently achieving. Further, we are retaining our most efficient rigs and crews while matching our frac crew capacity to drilling pace. As a result, our 2015 capital, investment and exploration budget will be reduced to $3.3 billion, with Eagle Ford and Bakken capital revised to $1.3 billion and $645 million respectively. As part of these decisions, we're reallocating more than $25 million of capital to the Oklahoma Resource Basins, which results in an increase in their capital spend to $253 million.

We will average 15 rigs for full year 2015 and will be at 10 rigs by end of second quarter 2015. The rig count in the Eagle Ford will be reduced to seven by the end of the second quarter. The Bakken has already been reduced to one rig… and the Oklahoma Resource Basins rig count will remain unchanged at two. These adjustments allow our Eagle Ford asset to progress its co-development drilling program; the Bakken team to complete their downspacing pilots in 2015 for integration with the now concluded completion trials; and Oklahoma to increase its outside-operated activity to advance our sub-surface objectives in a capital efficient manner. In fact, we will participate in approximately 50 non-operated Oklahoma Resource Basin wells in 2015, nearly double the number originally planned for the year. The adjusted gross operated wells to sales in 2015 for the Eagle Ford and Bakken plays are set out in the following slides.

Slide 9 highlights the strides we're making to continuously improve our operating efficiency in the North America E&P segment. The trend is positive and the first quarter 2015 saw production operating costs fall to $7.94 per oil equivalent barrel, a 17 percent reduction over the prior quarter and a 28 percent reduction from the year-ago quarter. When combined with other operating, costs fall to $12.54, a 14 percent reduction over the prior quarter and a 25 percent reduction from the year-ago period. The reduction was driven by working both the numerator and denominator, increasing sales volumes from our resource plays, cost reductions and leveraging efficiencies across the full breadth of our production operations. We expect our focus on cost reductions will continue to deliver results as we move through the remainder of 2015. When considering absolute unit operating costs, it is important to remember that 70 percent of Marathon's production is liquids.

I'll now move to the outstanding execution demonstrated by our operating teams in the first quarter. Starting with the Eagle Ford on slide 10… as shown in the chart on the upper-left, we produced an average of 147,000 net oil equivalent barrels per day in the first quarter, up 53 percent over the year-ago average and 12 percent above the prior quarter.

High-specification rigs delivered pacesetter spud-to-total depth results in the first quarter with two wells drilled in under seven days. This exceptional performance represents 2,800 feet per day compared to an average of about 1,600 feet per day for the quarter. The high spec rigs combine top drive, rotary steerable, high capacity pumps and advanced moving systems to generate efficiencies we call "self-help" that will persist through the commodity cycle. Furthermore, these types of efficiencies allow us to do more with fewer rigs in the second quarter and beyond.

As a reminder, on last quarter's call we disclosed updated single well economics which showed step change improvements from 2014 to 2015, including the addition of Austin Chalk type curve. EUR uplift was 26 percent in the Eagle Ford Condensate area and 79 percent in the High GOR Oil area compared to our EUR's from the fall of last year. The well performance chart shown on the left highlights these material improvements. Of the 91 gross operated wells brought to sales this quarter;

nine were Austin Chalk wells as we progress our co-development activity. Twenty-four additional Austin Chalk wells are currently being drilled, completed or awaiting first production. The single well economics in the Austin Chalk produce the highest returns in our North America unconventional resource portfolio. We remain encouraged by their performance and the potential they hold to add to our inventory.

Expanding on the Austin Chalk co-development success, we brought online our first four well or quad "stack-and-frac" pilot with Austin Chalk, Upper Eagle Ford and two Lower Eagle Ford wells. Early performance from this pilot is encouraging… achieving 30-day IP rates of 1,145-1,622 gross oil equivalent barrels per day.

We also brought online five Upper Eagle Ford wells in the first quarter with 30 day IP rates from 685-1,248 gross oil equivalent barrels per day.

Turning to slide 11 and the Oklahoma Resource Basins, production averaged 25,000 net oil equivalent barrels per day in the first quarter, up more than 67 percent compared to the year-ago quarter and 25 percent sequentially. We brought five gross operated wells online this quarter – all in the SCOOP. Three of these wells were in the southern SCOOP and had 30-day IP’s averaging 1,500 oil equivalent barrels per day. Our continuous improvement in SCOOP 30, 60 and 90 day IP’s is graphically illustrated in the lower left chart.

We’re continuing to leverage the benefit of our high-value outside-operated program and plan to participate in approximately 50 outside-operated wells in 2015 in the SCOOP Woodford, SCOOP Springer and STACK areas. In the first quarter, we participated in 5 high density non-operated spacing pilots in the SCOOP area; three were designed to test the Woodford at 80-128 acre spacing and two in the emerging Springer shale at 105-128 acre spacing overlying the Woodford. The SCOOP Woodford pilots include one high-density 10-well pilot comprised of five wells in the upper Woodford and 5 wells in the middle Woodford.

Reflecting on the capital reallocated to Oklahoma, we are increasing our non-operated gross well exposure by more than $25 million. This reallocation of capital demonstrates our belief that Oklahoma represents an exciting growth opportunity for Marathon Oil that competes for capital favorably within our existing portfolio even in the current low price environment. We want to advance our technical work to be positioned to step up our activity as prices improve.

Moving to the Bakken. Production averaged 57,000 net oil equivalent barrels per day this quarter, up nearly 33 percent compared to the year-ago quarter, and up 4 percent over the prior quarter.

We continue to progress our downspacing pilots. The first completed pilot has 30-day IP rates of 662-1,209 gross oil equivalent barrels per day, similar to area direct offsets at wider spacing and in line with expectations. Our second high-density spacing pilot has been completed and recently started flowback. The third pilot has been drilled and is awaiting completion. All of these wells are spaced at six wells per horizon. As a reminder, our Bakken 2P resource estimates currently reflect only 4 wells per horizon.

Also, we concluded our enhanced completion pilots. Looking at the chart on the lower left, the first 23 pilot wells averaged greater than 30 percent uplift in cumulative production volumes over the first 90 days of production compared to offset performance. All of the wells we brought to sales in the first quarter incorporated an enhanced completion design, optimizing proppant loading, frac fluid volumes and stage density.

Shifting to international operations, slide 13 shows an overview that includes activity updates for Equatorial Guinea and the U.K….. International production volumes and sales continue to deliver value, anchored by the long-term, stable cash flows generated from our Equatorial Guinea integrated asset.

Production available for sale in EG averaged 99,000 net oil equivalent barrels per day in the first quarter 2015, compared to 106,000 net oil equivalent barrels per day in the prior quarter and 105,000 net oil equivalent barrels per day in the year-ago quarter. Lower production quarter-over-quarter was primarily related to field decline and a planned turnaround completed in first quarter at the AMPCO methanol facility. The drilling of the Alba C21 development well recently commenced in April. The lower left chart shows the impact of the B3 compression project which extends plateau for two years and asset life by eight years to 2032.

U.K. production available for sale averaged 20,000 net oil equivalent barrels per day in the first quarter 2015, flat compared to the prior quarter. Field decline and one fewer lifting at the outside-operated Foinaven during the first quarter was offset by the addition of the Brae infill wells brought online in late 2014 and first quarter 2015. Drilling has been completed on a second West Brae well, which is expected online in the second quarter.

There were no liftings in Libya in the first quarter 2015. Disruptions from civil unrest continue with force majeure reinstated at the Es Sider terminal in December, and considerable uncertainty remains around the timing of future production from Libya, which remains excluded from our guidance.

Moving to my final slide, 14…

As our revised capital budget and activity plans demonstrate, our focus is on delivering long-term shareholder value. To that end, we are keenly focused on returns and financial flexibility. We are reducing our 2015 capital budget to $3.3 billion with no change in our production guidance for the year, while delivering on our strategic objectives across all three U.S. resource plays. At the end of the first quarter our liquidity stood at $3.6 billion, $1.1 billion in cash. We have since taken steps to increase the Company's revolving credit facility from $2.5 billion to $3 billion through 2020.

We plan to continue portfolio management by targeting greater than $500 million in non-core asset sales. In addition, we reallocated more than $25 million of capital to the Oklahoma Resource Basins.

We have stressed previously that Marathon Oil is not opportunity limited with a deep portfolio of investment opportunities across our three U.S. resource plays. We continue to be active across all three basins with sequential growth of 11 percent and year-over-year growth of 49 percent. In the Eagle Ford, we are progressing our co-development concepts in the Austin Chalk, Upper Eagle Ford and “stack and frac”. In the Oklahoma Resource Basin, we are leveraging non-operated participation to help advance downspacing pilots and exploration of stacked horizons. And in the Bakken we are seeing the early results from our downspacing pilots that will be integrated with the now concluded completion trial results in future development plans.

Marathon Oil is pulling all levers to expand margins, focusing on investment opportunities with the highest risk-adjusted returns and continuing to exercise rigorous cost control underpinned by best-in-class operational reliability that keeps our most economic barrels on line.

That concludes our prepared remarks and we look forward to your questions during the live webcast tomorrow morning. Thank you.