

# Third Quarter 2018



*Financial and Operational Review*

*November 7, 2018*



# Forward-Looking Statements and Other Matters

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This presentation (and oral statements made regarding the subjects of this presentation) 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 2018 capital budget and allocations, future performance, organic free cash flow, corporate-level cash returns on invested capital, business strategy, asset quality, drilling plans, production guidance, cost and expense estimates, cash flows, uses of excess cash, returns, including CROIC and CFPDAS, and EG EBITDAX, cash margins, asset sales and acquisitions, leasing and exploration activities, future financial position, tax rates and other plans and objectives for future operations. Words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “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, without limitation: 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 jurisdictions in which the Company operates, including 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 our 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; acts of war or terrorism, and the governmental or military response thereto; cyber-attacks; changes in safety, health, environmental, tax 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 2017

Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other public filings and press releases, available at [www.Marathonoil.com](http://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.

This presentation includes non-GAAP financial measures, including organic free cash flow and E.G. EBITDAX. Reconciliations of the differences between non-GAAP financial measures used in this presentation and their most directly comparable GAAP financial measures are available at [www.Marathonoil.com](http://www.Marathonoil.com) in the 3Q18 Investor Packet.

# Multi-Basin Execution Drives FCF & Return of Cash

Capital budget unchanged, full-year production guidance raised

## Capital Discipline

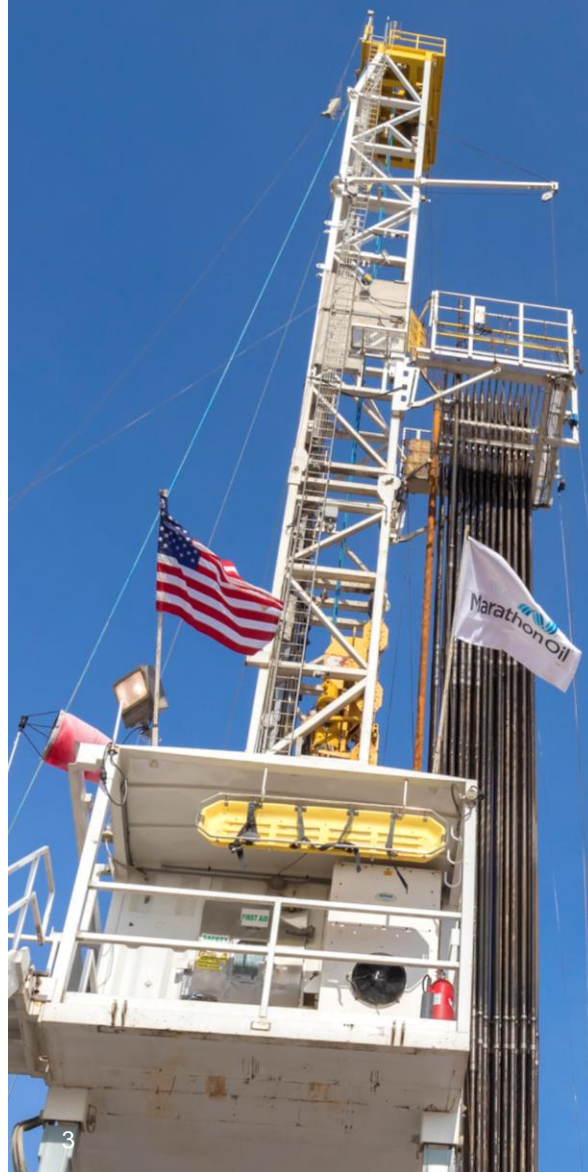
- Full-year Resource Play production (oil & boe) guidance raised for third consecutive quarter on unchanged development capital budget

## FCF Generation & Enhanced Return of Cash to Shareholders

- ~\$320MM of 3Q18 organic free cash flow, bringing year-to-date organic free cash flow to over \$630MM
- \$500MM of year-to-date share repurchases with \$1.0B of remaining authorization

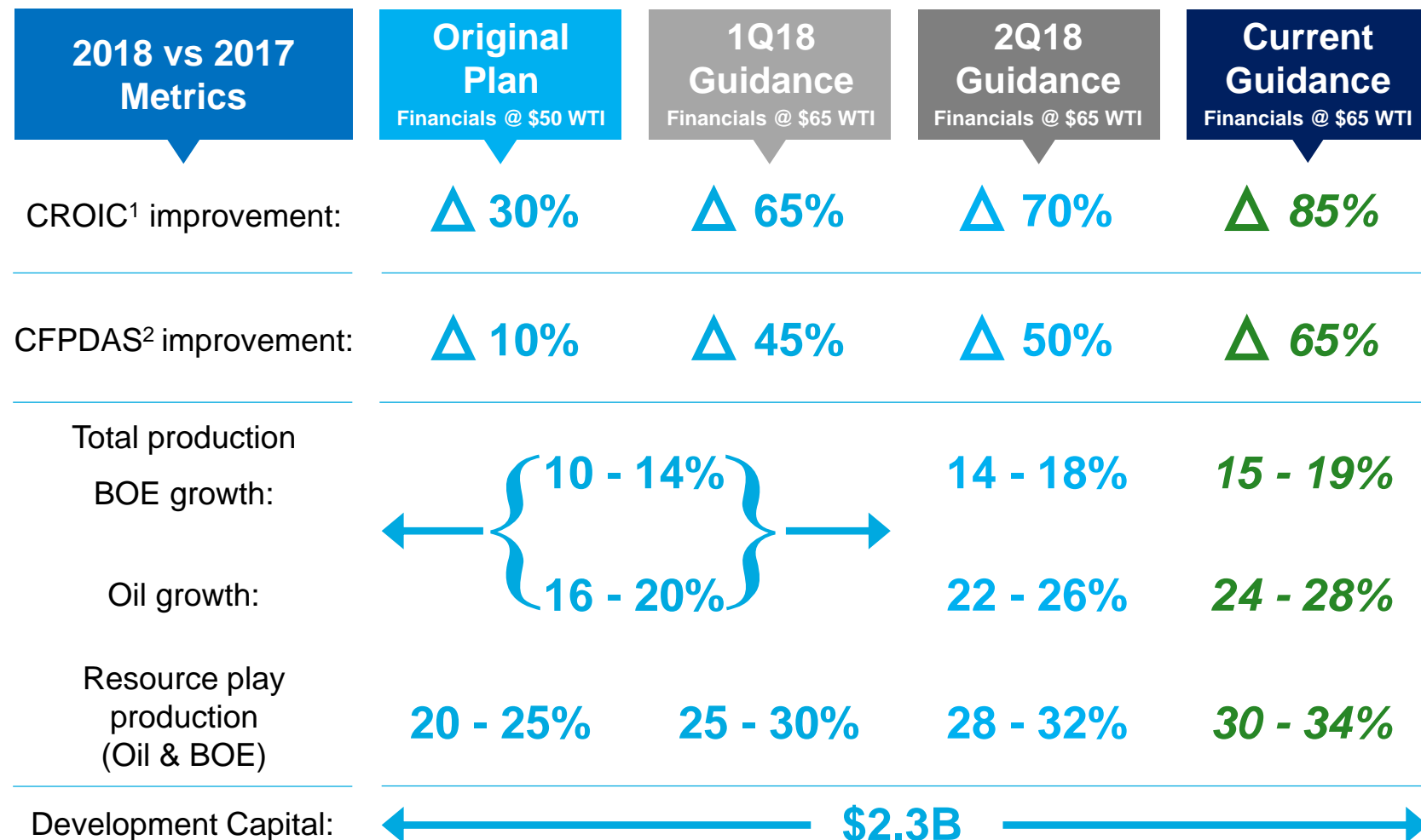
## Differentiated Multi-Basin Execution

- 3Q18 Total Company and U.S. Resource Play production above high end of guidance; development capex down 8% sequentially
  - **Eagle Ford:** production +8% q/q; continued strong well results from expanded Atascosa core
  - **Bakken:** oil +5% q/q; successful core extension with Southern Hector Lars pad; three new record Three Forks wells in West Myrmidon, including Jerome well IP 30 of 6,380 boed (75% oil)
  - **Oklahoma:** enhanced predictability and strong performance from two STACK overpressured multi-well infill pads
  - **Northern Delaware:** three well Upper Wolfcamp Malaga pad achieves IP 30 rate of 540 boed per 1,000 ft lateral
- Spud first Louisiana Austin Chalk exploration well



# Execution Driving Enhanced Corporate Returns

Resource play guidance raised for 3<sup>rd</sup> consecutive quarter, budget unchanged

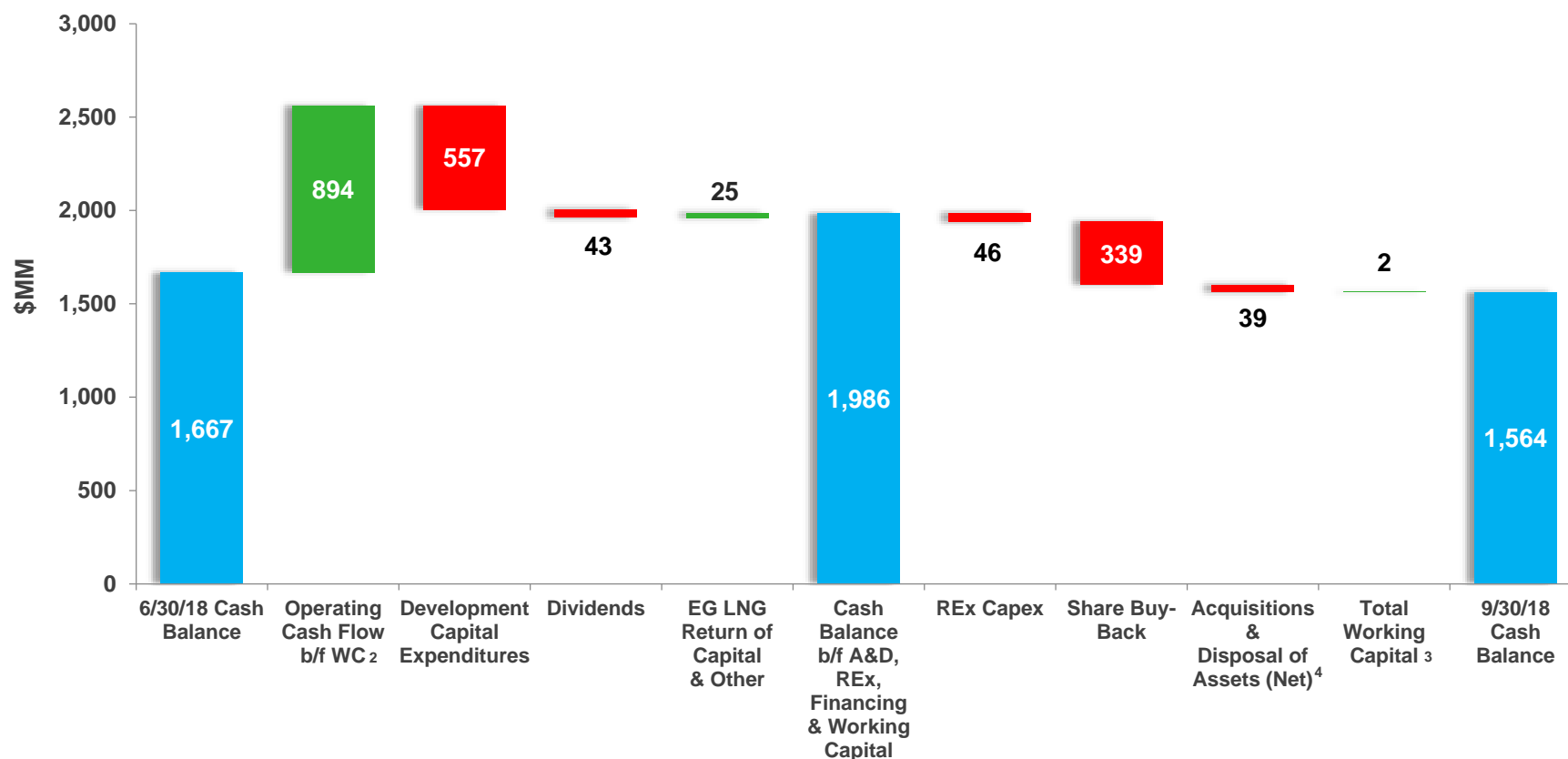


<sup>1</sup>CROIC = Cash return on invested capital; calculated by taking cash flow (Operating Cash Flow before working capital + net interest after tax) divided by (average Stockholder's Equity + average Net Debt) <sup>2</sup>CFPDAS = Cash flow per debt adjusted share; calculated by taking cash flow (Operating Cash Flow before working capital + net interest after tax) divided by total shares including debt shares. Debt shares is the average net debt during a calendar year divided by the average annual stock price. Metrics exclude Libya in 2018. See the 4Q17 Investor Packet at [www.Marathonoil.com](http://www.Marathonoil.com) for non-GAAP reconciliations

# Total Company Cash Flow for 3Q18

Generated ~\$320MM of organic free cash flow<sup>1</sup>

- \$2.3B full-year development capital budget unchanged; 3Q18 development capex down 8% q/q
- \$339MM share buy-backs during 3Q18; \$500M repurchased year-to-date
- New Mexico BLM bolt-on acquisition included in A&D, net of disposal proceeds



<sup>1</sup> Organic free cash flow: Operating Cash Flow before working capital (excl. exploration costs other than well costs), less Development Capex, less Dividends, plus EG return of capital & other

<sup>2</sup> Excludes \$5MM of exploration costs other than well costs

<sup>3</sup> Total working capital includes \$67MM and \$(65)MM of working capital changes associated with operating activities and investing activities, respectively & other

<sup>4</sup> Acquisition and Disposal of Assets includes \$105MM BLM lease costs See the 3Q18 Investor Packet at [www.Marathonoil.com](http://www.Marathonoil.com) for non-GAAP reconciliations

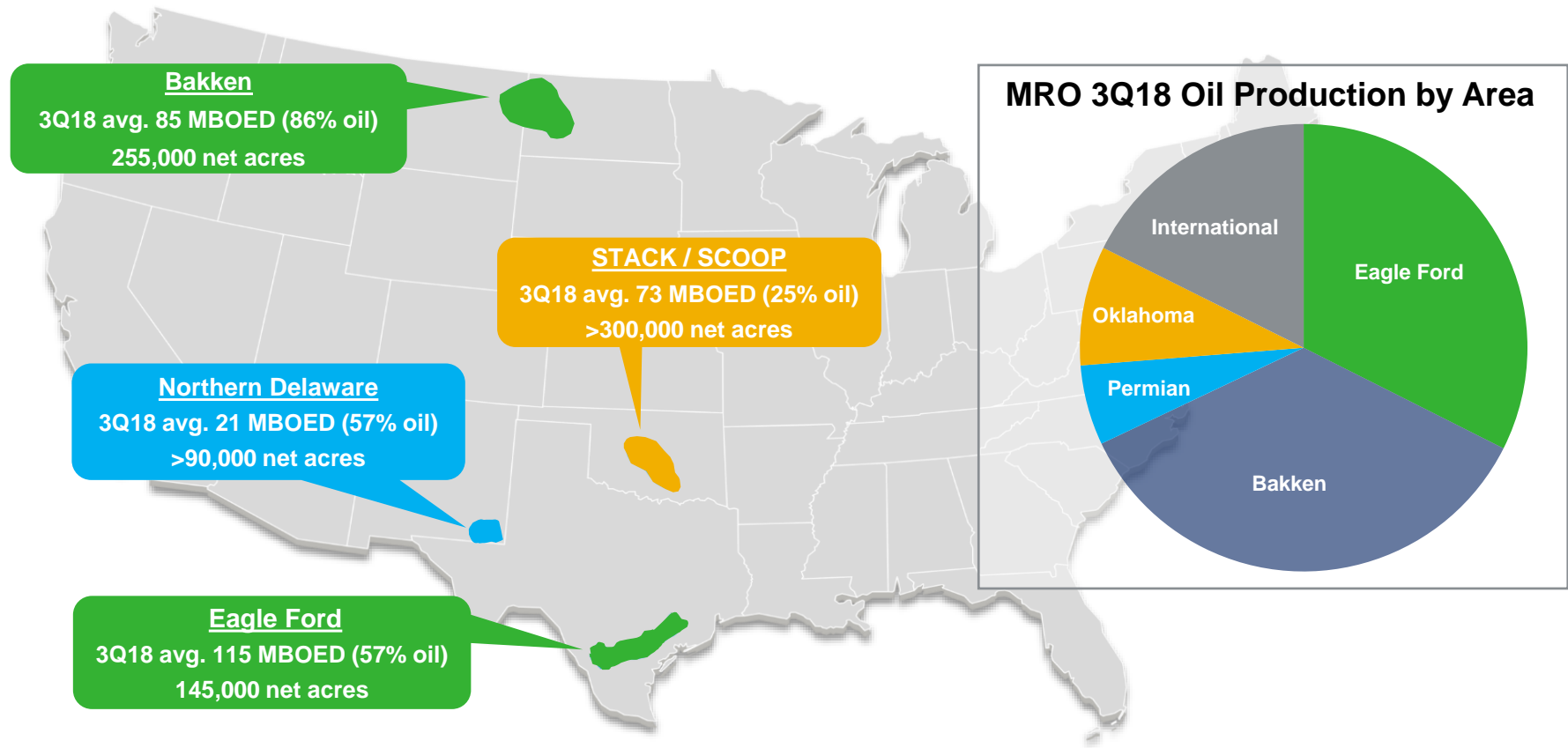
# Differentiated Position in Top 4 U.S. Basins

Multi-basin portfolio provides flexibility

Appraise / Delineate

Early Development

Full Field Development

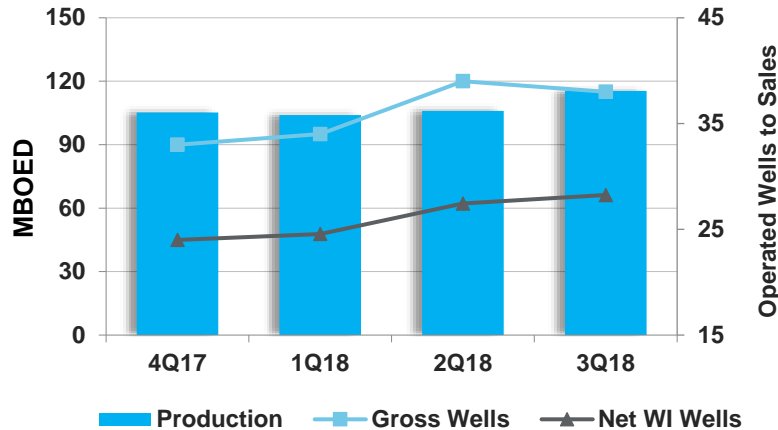




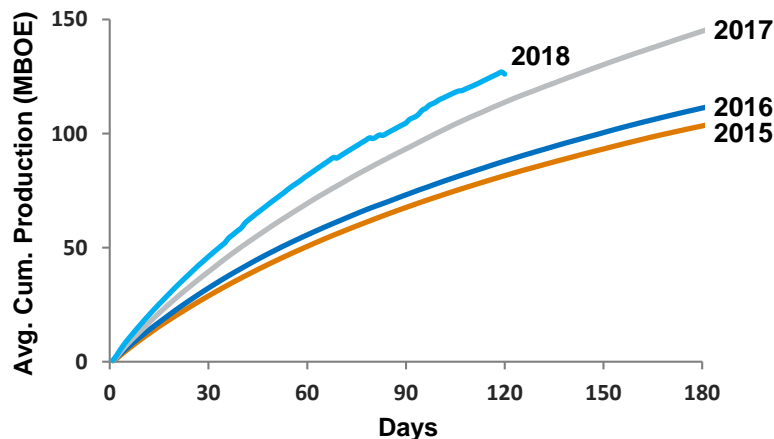
# Eagle Ford Execution Continues to Set the Standard

Capital efficiency coupled with advantaged pricing delivers superior returns

## Production Volumes and Wells to Sales



## Well Performance History

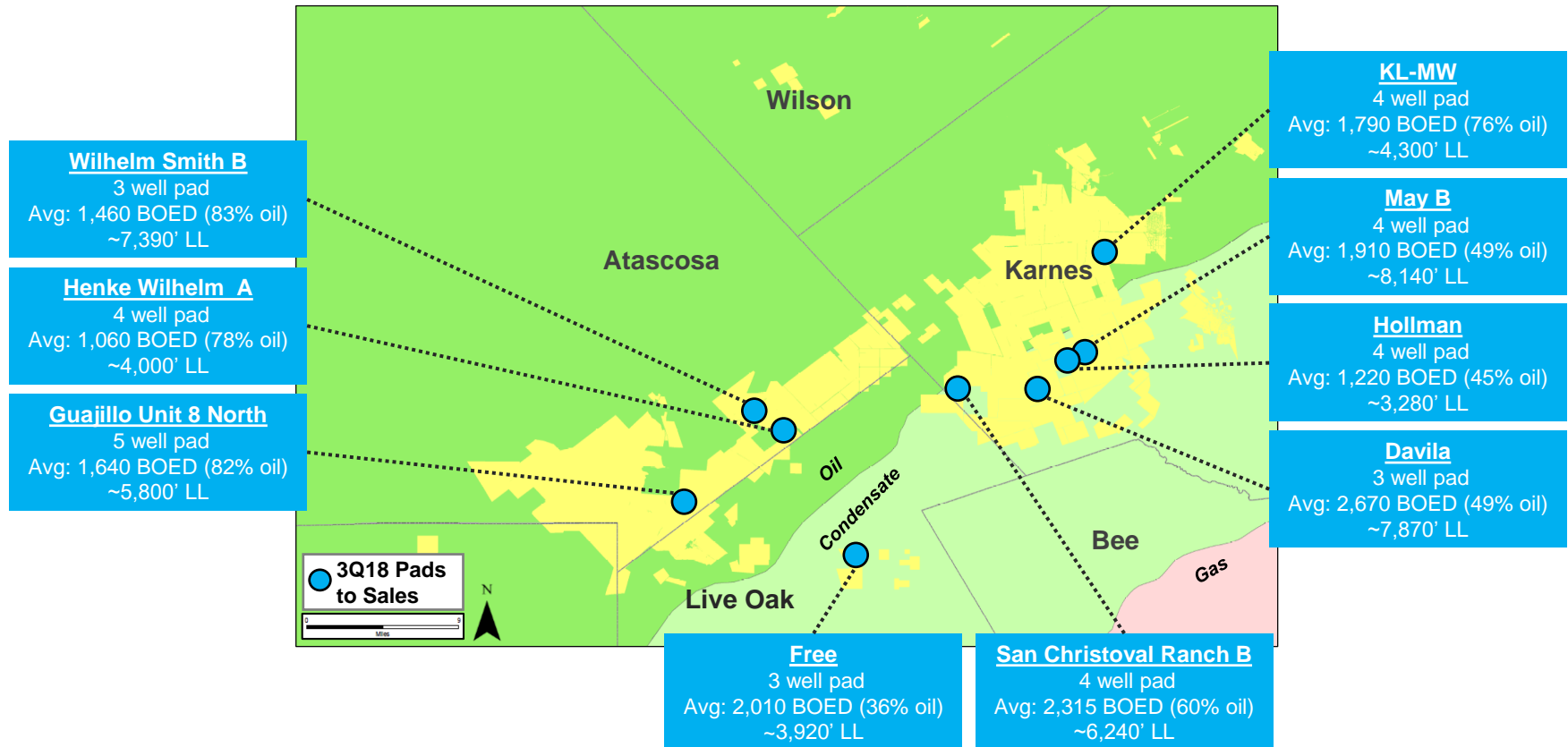


- Production averaged **115** net MBOED, **8%** higher than 2Q18
- Year-to-date oil production up **10%** from prior year with **10%** fewer wells to sales
- **38** gross operated wells to sales with avg. IP 30 of **1,680 BOED** (63% oil); 4Q18 wells to sales down sequentially
- Compelling results within expanded core
  - **12** Atascosa County wells deliver average IP 30 rate of **1,400 BOED** (81% oil)
- Driving well performance improvement
  - 120 day cumulative production up over **40%** vs. 2016
- Significant free cash flow generation with strong LLS-based oil realizations

MRO operated wells across all formations

# Continued Strength Across Expanded Eagle Ford Core

28 Atascosa County wells YTD with avg IP 30 of 1,530 BOED (77% oil)



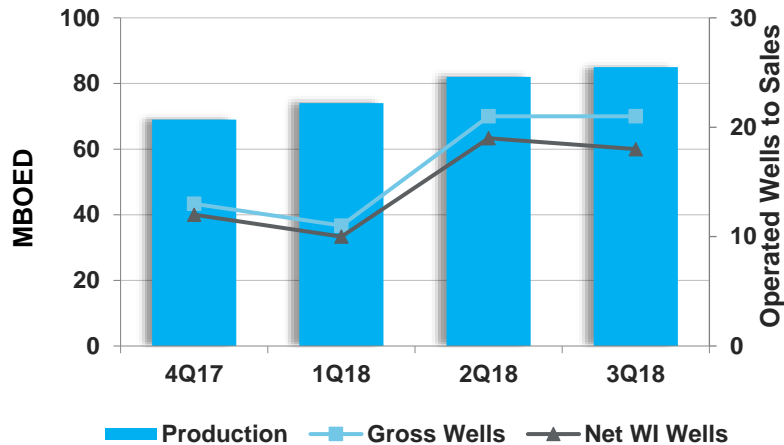
IPs shown are 30 day (includes oil, NGL and gas)



# Basin Leading Results While Extending the Bakken Core

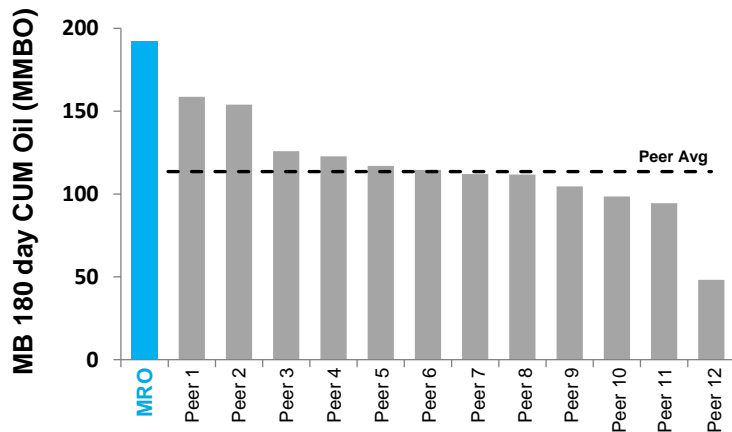
180 day cumulative oil production ~70% above peer average

## Production Volumes and Wells to Sales



- Production averaged **85** net MBOED, **4%** higher than 2Q18
- **21** gross operated wells to sales with IP 30 of **3,460 BOED** (76% oil); 4Q18 wells to sales flat sequentially
- Another quarter of Basin leading wells
  - 6-well W. Myrmidon pad delivers avg. IP 30 of **4,745 BOED** (73% oil)
  - Three new Basin record Three Forks wells, including Jerome IP 30 of **6,380 BOED** (75% oil)
- Core extension continues across footprint
  - Lars pad in Southern Hector achieves avg. IP 30 of **1,810 BOED** (83% oil)
  - Testing Ajax before year-end
- D&C efficiencies enhancing returns
  - 3Q18 CWC per lateral foot over **20%** lower than trailing twelve month average

## Basin Leading 180 Day Well Performance



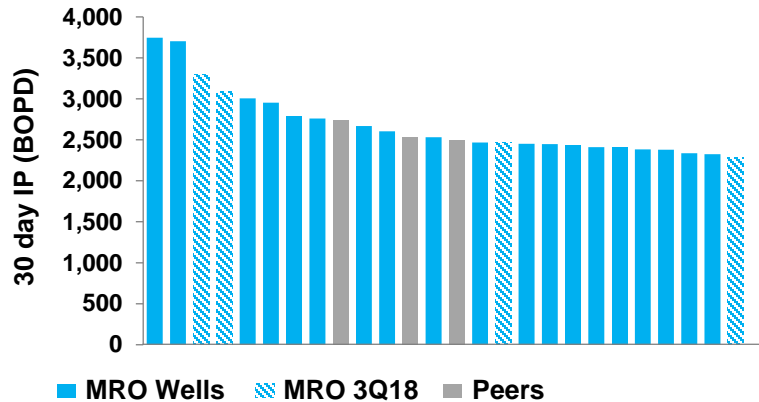
Peer 180 day CUM oil plots reference all Middle Bakken wells online between 8/1/2017 - 8/1/2018. Volumes are normalized to a 9500' lateral length. Peer set includes Bruin, CLR, COP, EOG, ERF, HES, OAS, Petro-Hunt, QEP, WLL, WPX, XOM

MB – Middle Bakken

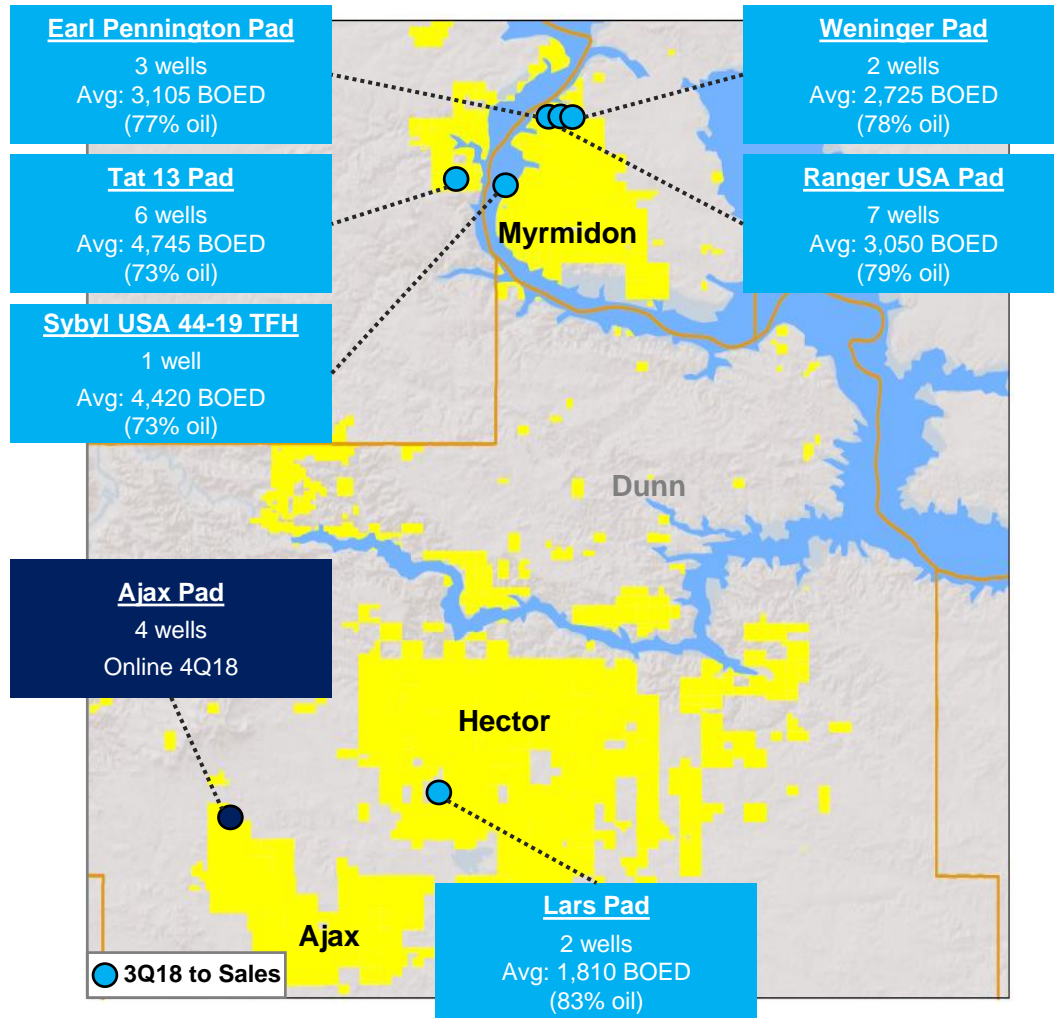
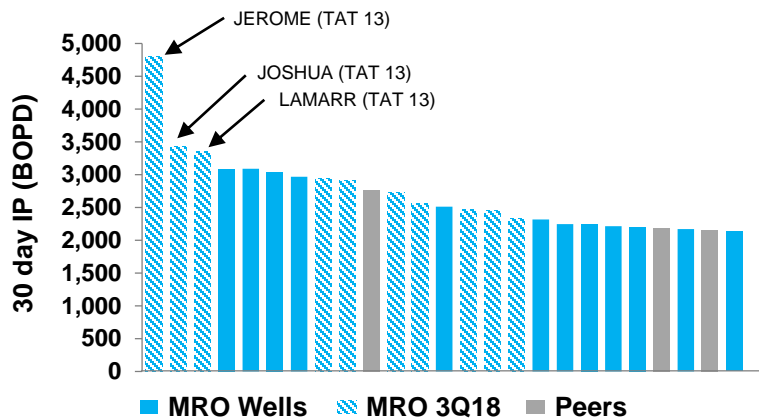
# Record Setting Bakken Performance Continues

## Three new record Three Forks wells

### 22 of top 25 Middle Bakken Wells are MRO wells



### 22 of top 25 Three Forks Wells are MRO Wells



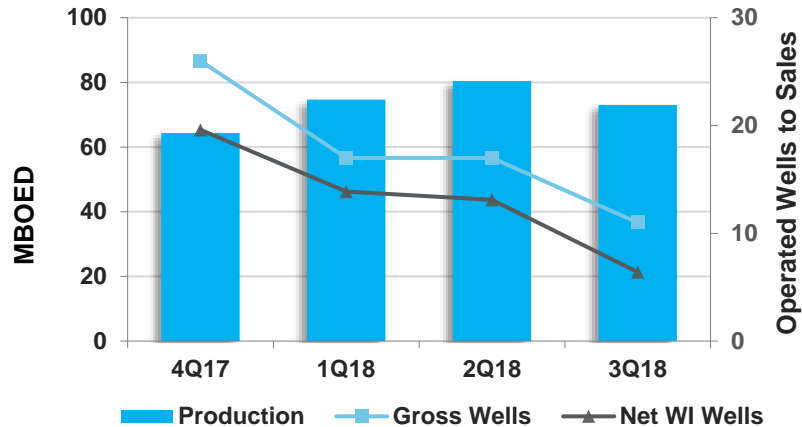
IPs shown are 30 day (includes oil, NGL and gas)

Source: Drilling info, competitor presentations and internal data. External data available through 3Q18.

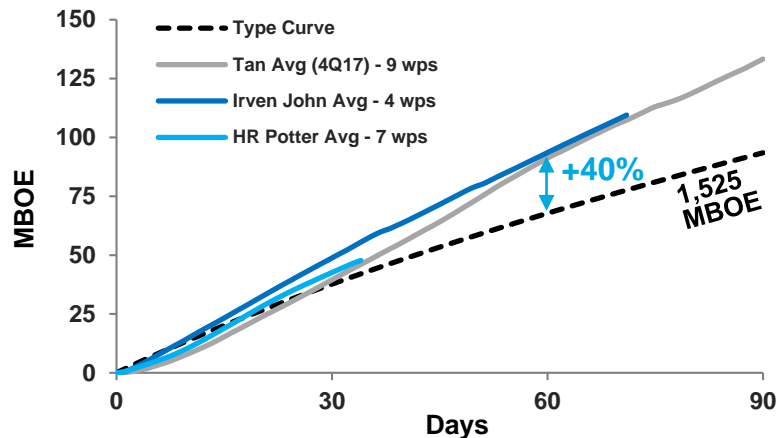
# Oklahoma Successful Transition to Infill Pad Development

Optimizing development approach to deliver consistent performance

## Production Volumes and Wells to Sales



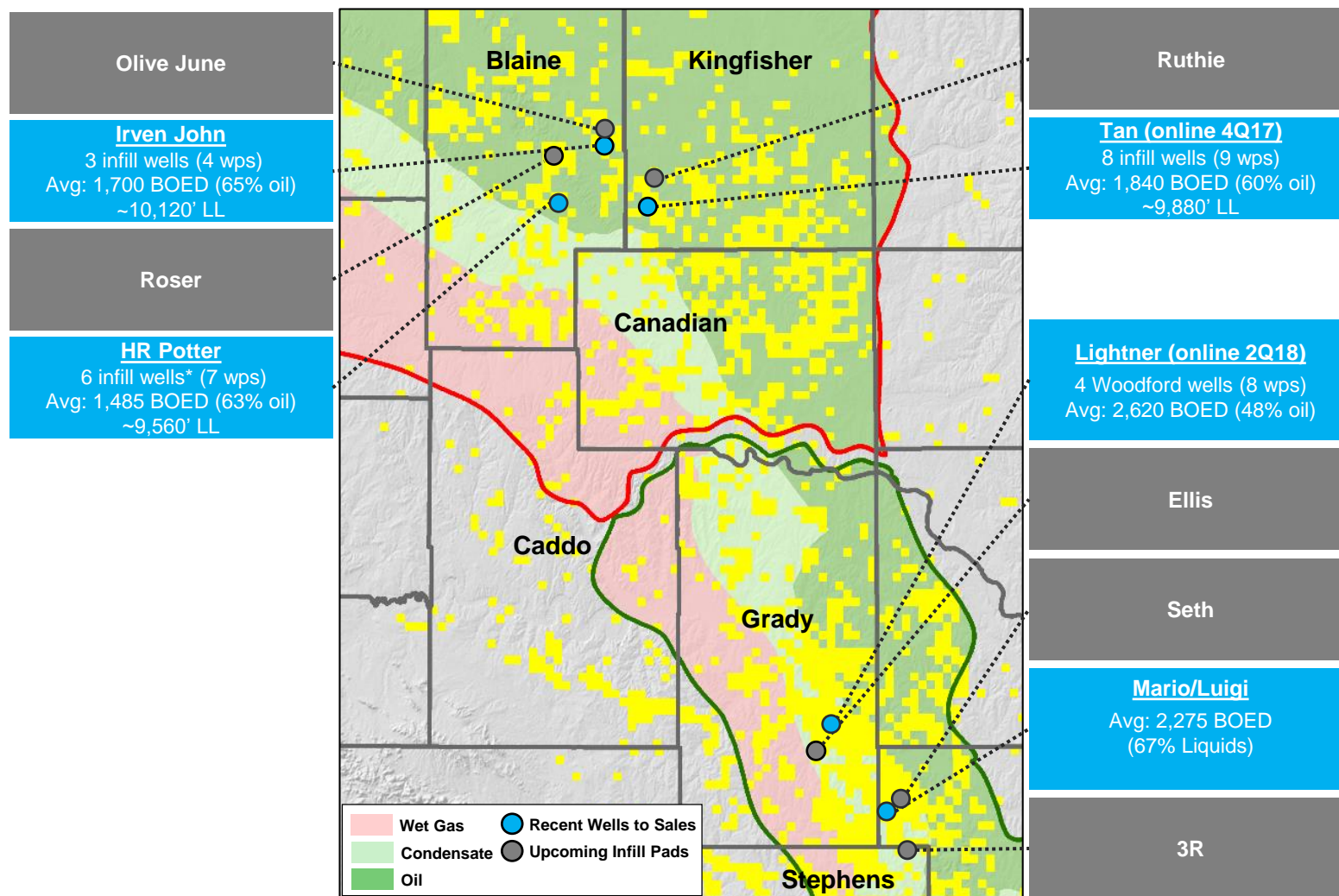
## Strong STACK Infill Performance at Optimized Spacing



- Production averaged **73** net MBOED
- **11** gross operated wells to sales vs. **34** over 1H18; **7** 3Q18 wells on multi-well pads; 4Q18 wells to sales flat sequentially
- Optimizing STACK overpressured infill development to deliver predictable results
  - Irven John at **4 well per section** (wps) spacing outperforming type curve **40%** at 60 days
  - Positive early results from HR Potter infill at **7 wps**
  - HR Potter and Irven John infill wells **15%** to **20%** below parent well costs
  - 4Q17 Tan infill wells at **9 wps** spacing **40%** above type curve at 60 and 270 days
- Continued strong SCOOP Woodford results
  - 2 wells deliver average IP 30 rate of **2,275 BOED** (67% liquids) during 3Q18
  - 2Q18 Lightner infill pad at **8 wps** spacing **70%** above type curve at 120 days

# Strong Results in Overpressured STACK and SCOOP

4Q18 focus on pad drilling



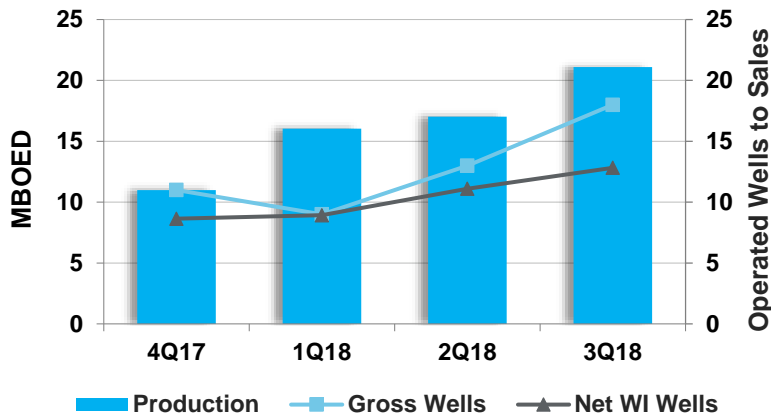
IPs shown are 30 day (includes oil, NGL and gas)

\*4 of 6 new wells brought on-line during 3Q18; 2 of 6 wells brought on-line during 4Q18

wps – wells per section

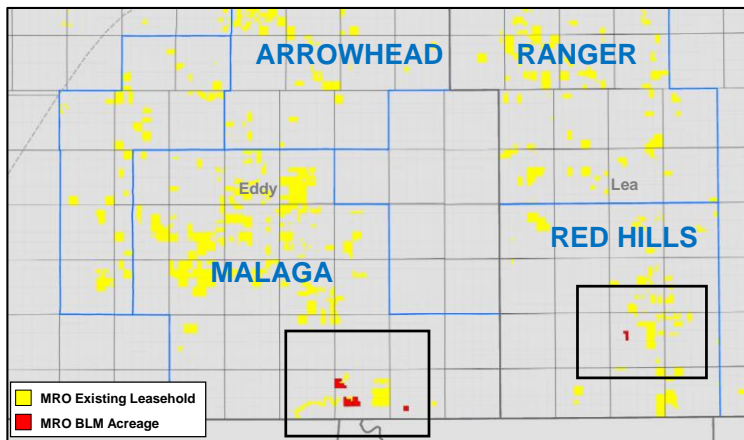
# Strategically Advancing Northern Delaware Position

Production Volumes and Wells to Sales



- Production averaged **21** net MBOED, **24%** higher than 2Q18
- **18** gross operated wells to sales avg. IP 30 of **1,285 BOED** (65% oil, **285 BOED** per 1,000 ft. lateral); 4Q18 wells to sales down sequentially
- 3-well Malaga pad delivers IP 30 of **2,275 BOED** (63% oil, **540 BOED** per 1,000 ft. lateral)
- Capturing D&C efficiencies

Acquired Synergistic Acreage in BLM Lease Sale



- Completion stages per day **up 50%** relative to trailing twelve months
- **100%** local sand during 3Q18
- Strategically enhancing acreage position
  - 1,800 net acres in the BLM lease sale; **12.5%** royalty interest, **10-year** term, bolt-on to existing footprint
  - Risked gross company operated locations increased by **~20%** since play entry through trades and bolt-ons



# International E&P Highlights

## World Class Gas Infrastructure

EGLNG Plant



Alba Gas Plant



AMPCO Methanol Plant

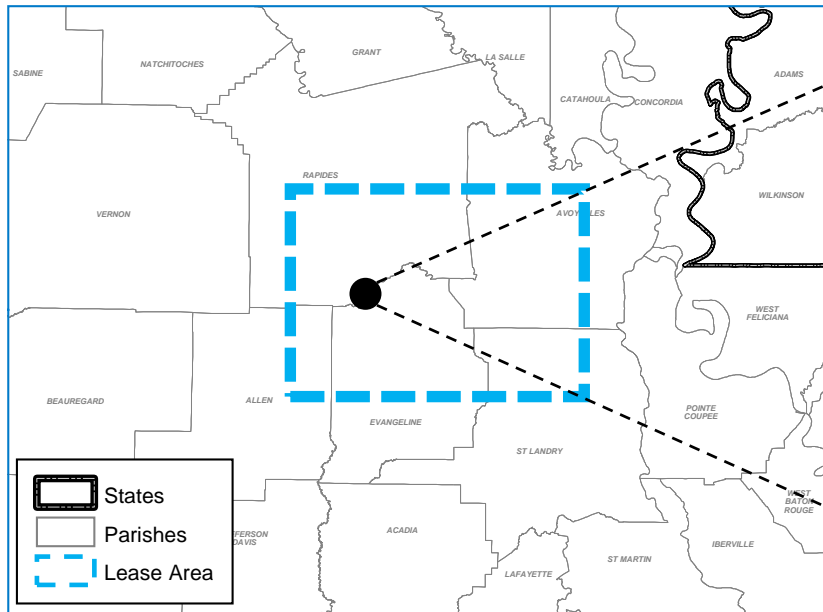


- International E&P production **115** net MBOED
- 4Q18 production guidance of **105** to **115** net MBOED on planned E.G. maintenance
  - 1Q19 production impacted by planned turnaround in E.G.
- Over **\$650MM** of E.G. EBITDAX expected for full-year 2018 at strip (\$74 Brent)
  - 3Q18 EBITDAX of **\$190MM**
- Reduced estimated cost of U.K. asset retirement obligation (ARO) by **\$125 MM**
- Closed on the sale of non-core, non-operated Sarsang asset in Kurdistan

# Resource Play Exploration (REx) Update

Progressing Louisiana Austin Chalk and other opportunities

## MRO Louisiana Austin Chalk Position



## Resource Play Exploration Highlights

- Spud first Louisiana Austin Chalk exploration well and progressing 3D seismic acquisition
- ~240,000 net acres leased at <\$900/acre in Louisiana Austin Chalk; progressing other opportunities
- Expected REx spend of \$50MM - \$100MM for 4Q18, consistent with prior guidance



# Delivering on Our Priorities

Differentiated execution and capital discipline leading the way

## Peer Leading Balance Sheet

- ✓ Financial flexibility to execute business plan across broad range of pricing
- ✓ Consensus 2018 Net Debt/EBITDA of <1x among lowest in peer group

## Returns Focus with Free Cash Flow Generation

- ✓ Development capital budget driving meaningful improvement to corporate returns and cash flow; profitable oil growth an outcome
- ✓ Delivered over \$630MM of organic FCF year-to-date

## Differentiated Execution and Capital Discipline

- ✓ Raised Resource Play production (BOE and oil) guidance for the third time in as many quarters
- ✓ 2018 development capital budget unchanged with expected wells to sales slightly above midpoint of guidance

## Resource Capture and Enhancement

- ✓ Upgrading returns of current inventory through technical innovation, efficiency and enhanced productivity
- ✓ Resource capture through low entry cost resource play exploration (REx) leasing and small, accretive bolt-ons

## Return Capital to Shareholders

- ✓ Executed \$500MM of share repurchases year-to-date, supported by organic FCF generation
- ✓ Peer competitive dividend of ~\$170MM per year



## Appendix

# Volumes, Exploration Expenses & Effective Tax Rate

2018 (excluding Libya)

	1Q	2Q	3Q	4Q	Full-Year
<b>United States Net Sales Volumes:</b>					
- Crude Oil and Condensate (MBD)	164	168	173		
- Natural Gas Liquids (MBD)	50	57	58		
- Natural Gas (MMCFD)	420	435	433		
- United States Total (MBOED)	284	298	303		
<b>International Net Sales Volumes:</b>					
- Crude Oil and Condensate (MBD)	35	32	27		
- Natural Gas Liquids (MBD)	11	12	11		
- Natural Gas (MMCFD)	415	461	441		
- International Total (MBOED)	115	121	112		
<b>Total Sales Volumes (MBOED)</b>	<b>399</b>	<b>419</b>	<b>415</b>		
<b>Total Available for Sale (MBOED)</b>	<b>398</b>	<b>419</b>	<b>419</b>		
<b>Equity Method Investment Net Sales Volumes:</b>					
- LNG (metric tonnes/day)	5,541	6,141	6,152		
- Methanol (metric tonnes/day)	1,195	1,316	1,334		
- Condensate and LPG (BOED)	12,416	12,689	11,942		
<b>Exploration Expenses (Pre-tax):</b>					
- United States (\$ millions)	51	64	55		
- International (\$ millions)	1	1	1		
<b>Consolidated Effective Tax Rate (ex. Libya) Provision</b>	<b>2%</b>	<b>31%</b>	<b>29%</b>		

# 2018 Production Estimates

Guidance adjusted for 3Q18 non-core asset sales\*

	Available for Sale 4QE	Available for Sale Full-Year Estimate
<b>United States Total (MBOED)</b>	<b>295 – 305</b>	
- Crude Oil (MBD)	175 – 185	
<b>International Total (MBOED)</b>	<b>105 – 115</b>	
- Crude Oil (MBD)	25 – 35	
<b>Total Segments (MBOED)</b>	<b>400 – 420</b>	<b>405 – 415</b>
- Crude Oil (MBD)	200 – 220	200 – 210

\* 4Q18 available for sale estimates exclude volumes related to the non-core asset sales completed during 3Q18. These dispositions contributed the following volumes during 1H18:

- United States – 5 MBOED (76% oil)
- International – 2 MBOED (100% oil)

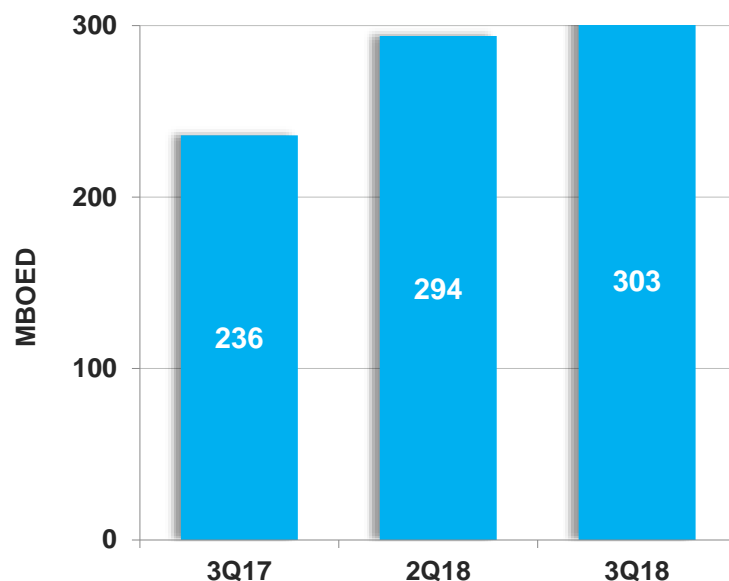
# 2018 Estimates

Full-Year Estimate	
<b>United States Cost Data</b>	
Production Operating	\$4.75 – 5.75
DD&A	\$19.75 – 22.25
S&H and Other*	\$3.75 – 4.25
<b>International Cost Data</b>	
Production Operating	\$4.75 – 5.75
DD&A	\$4.25 – 5.75
S&H and Other*	\$1.25 – 1.75
<b>Expected Tax Rates by Jurisdiction:</b>	
United States and Corporate Tax Rate	0%
Equatorial Guinea Tax Rate	25%
United Kingdom Tax Rate	40%

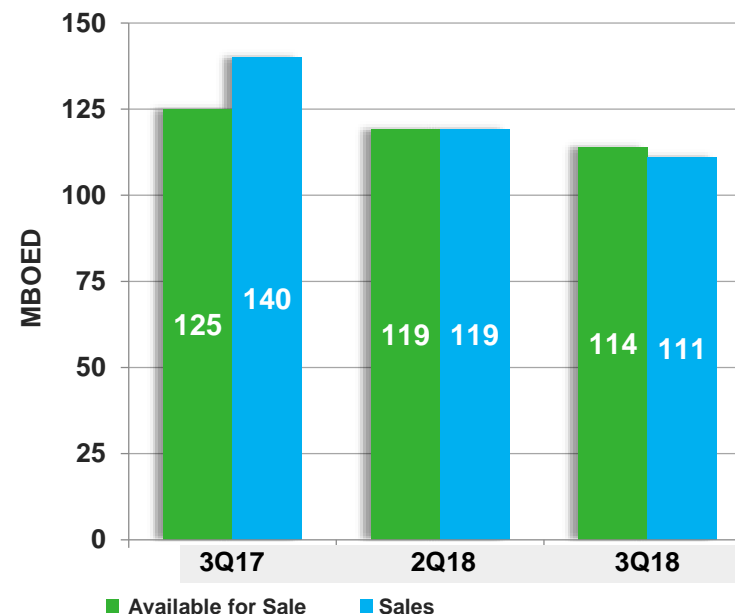
\* Excludes G&A expense; U.S. S&H and other guidance excludes 3Q18 legal settlement of \$15MM.

# Net Sales Volumes and Realizations

## U.S. Divestiture-Adj. Sales Volumes\*



## International Divestiture-Adj. Volumes\*\*



	<u>Excluding Derivatives</u>		
Avg C&C Realizations (\$/BBL)	\$46.65	\$66.03	\$68.51
	<u>Including Derivatives</u>		
	\$49.07	\$58.99	\$62.81

Avg C&C Realizations (\$/BBL)***	\$48.24	\$66.12	\$64.08
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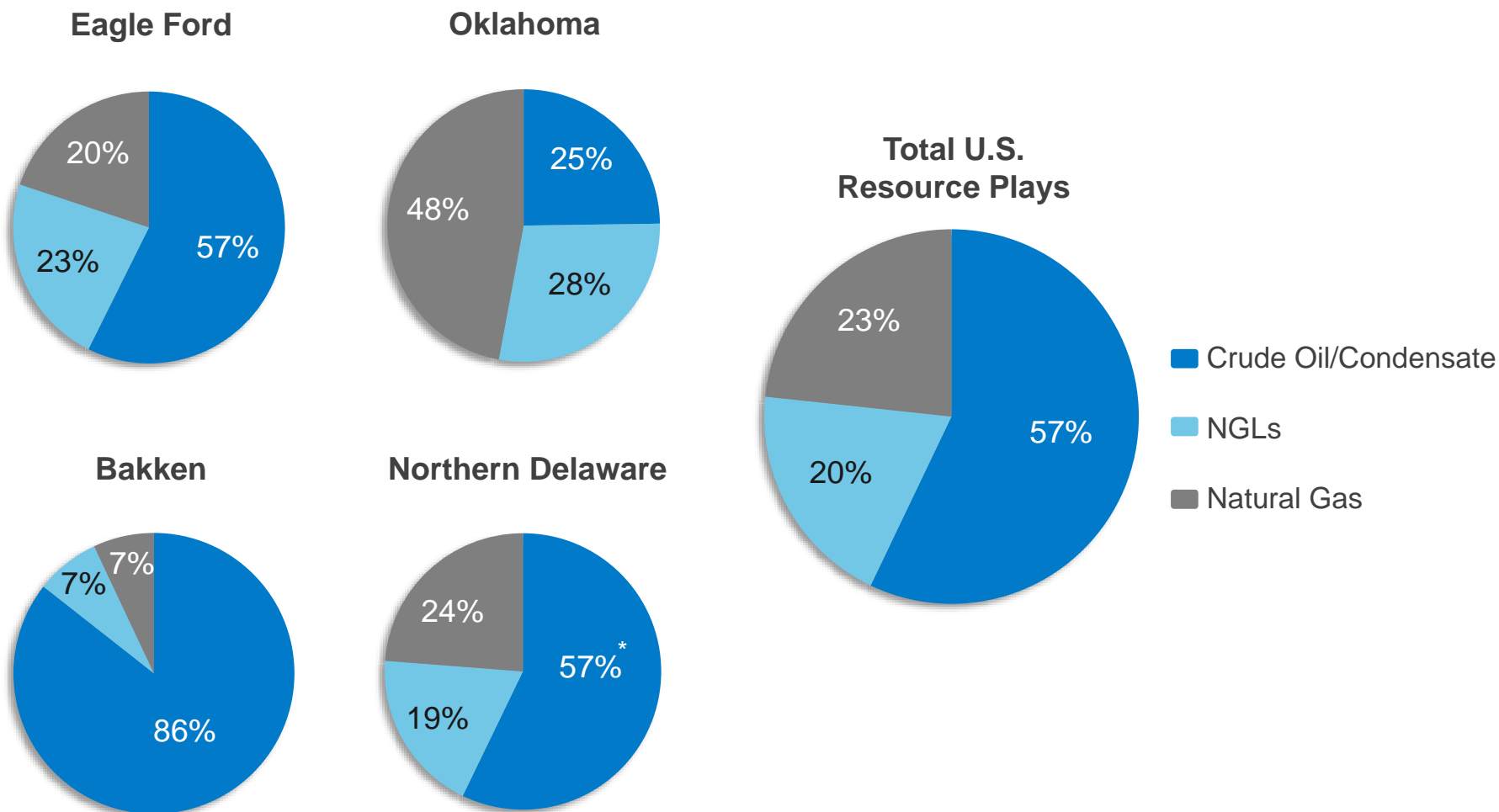
\*U.S. adjusted for divestitures of 8 MBOED in 3Q17 and 4 MBOED in 2Q18

\*\*International available for sale volumes adjusted for divestitures of 24 MBOED in 3Q17, 2 MBOED in 2Q18, and 1 MBOED in 3Q18. Sales volumes adjusted for divestitures of 25 MBOED in 3Q17, 2 MBOED in 2Q18, and 1 MBOED in 3Q18

\*\*\* Adjusted to exclude Libya of \$2.99 in 3Q17

Cumulative underlift of (148) MBOE in E.G., (5) MBOE in Kurdistan, and (249) MBOE in U.K.

# 3Q18 Production Mix



\* 3Q18 oil mix negatively affected by prior period volumetric accounting adjustment; ex this adjustment, 3Q18 oil mix averaged ~60%



# United States Crude Oil Derivatives

As of November 5, 2018

<i>Crude Oil (Benchmark to NYMEX WTI)</i>			
	4Q18	FY 2019	FY 2020
<b>Three-Way Collars</b>			
Volume (BBLs/day)	95,000	60,000	-
<b>Weighted Avg Price per BBL:</b>			
Ceiling	\$57.65	\$73.18	-
Floor	\$52.11	\$56.67	-
Sold put	\$45.21	\$49.59	-
<b>NYMEX Roll Basis Swaps</b>			
Volume (BBLs/day)	-	60,000	-
Weighted Avg Price per BBL	-	\$0.38	-
<b>Midland to Cushing Basis Swaps</b>			
Volume (BBLs/day)	10,000	10,000	15,000
Weighted Avg Price per BBL	\$(0.67)	\$(0.82)	\$(0.94)

# United States Natural Gas Derivatives

As of November 5, 2018

Natural Gas (Benchmark to NYMEX HH)		
	4Q18	1Q19
Three-Way Collars		
Volume (MMBtu/day)	160,000	100,000
Weighted Avg Price per MMBtu:		
Ceiling	\$3.61	\$3.75
Floor	\$3.00	\$3.00
Sold put	\$2.50	\$2.50

# Capital, Investment & Exploration

## 2018 budget reconciliation \$MM

	2018 Budget	2018 YTD Actual
Cash additions to Property, Plant and Equipment		2,069
Working Capital associated with PPE		(81)
Property, Plant and Equipment additions		1,988
M&S Inventory		9
REx expenditures included in capital expenditures		(217)
Exploration costs other than well costs		3
<b>Development Capital</b>	<b>2,300</b>	<b>1,783</b>