



Marathon Oil U.K. Ltd.

**2009 Environmental
Performance Report**



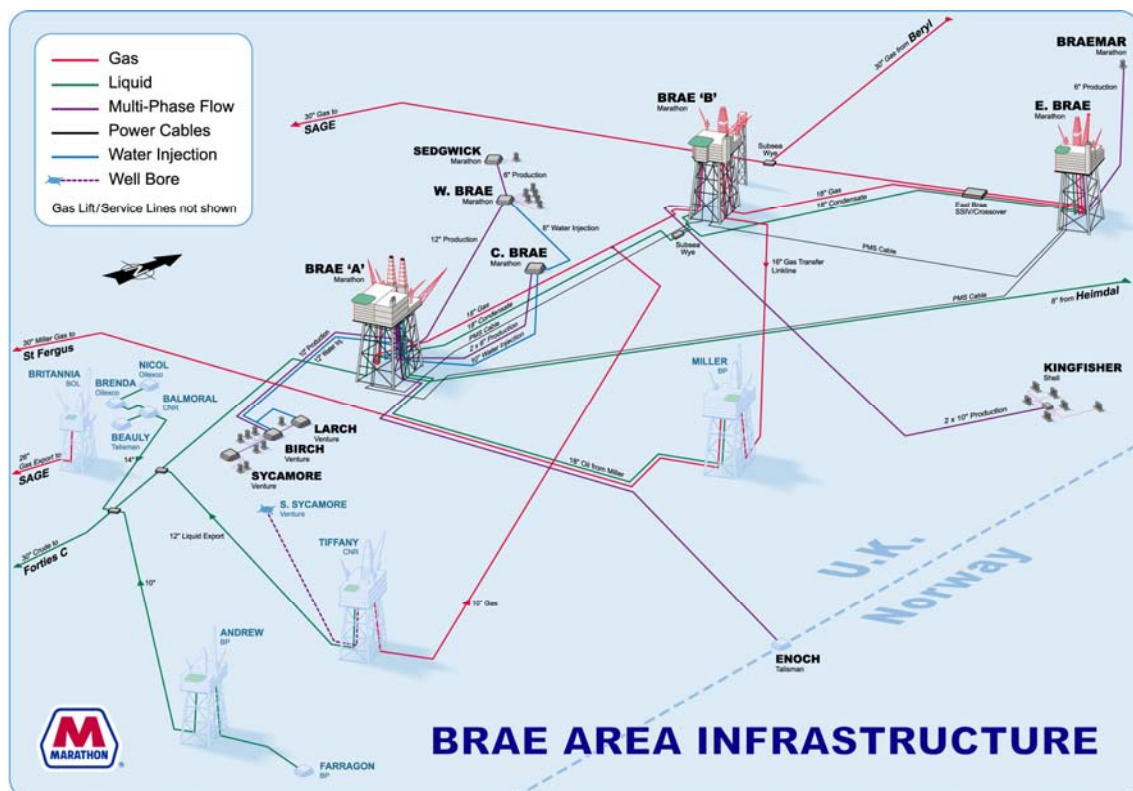
Preface

Marathon Oil U.K. Ltd is committed to environmental protection and places significant emphasis and resources on minimising wastes, emissions and other releases through its operations. Environmental performance indicators are a key part of Marathon's corporate and operational performance commitments with targets designed to drive continuous improvement. This report summarises the 2009 environmental performance for Marathon offshore operations.

Overview of Offshore Installations and Activities

Marathon operate three interconnected platforms in the UK sector of the central North Sea - Brae Alpha, Brae Bravo and East Brae. The Brae platforms lie some 220 km from the UK coast and 8 km west of the median line with Norway. These installations act as a regional hub for oil and gas production and export from various Marathon operated and third party operated fields and subsea tiebacks as illustrated in the figure below. Oil (and natural gas liquids) from these fields is exported through the Marathon operated Brae to Forties pipeline and onwards via the Forties Pipeline System to the Kinneil reception terminal on the Firth of Forth. Gas from the Brae area is piped to the St Fergus gas terminal via a tie-in to the Scottish Area Gas Evacuation (SAGE) pipeline system.

Overview of the Brae Area



Power for the three Brae platforms is distributed via a field ring main and controlled by a Power Management System (PMS). The PMS controls the power generated on the Brae Alpha and Bravo platforms, and enables electricity to be supplied to the East Brae platform which has no main power generation facilities of its own.

Brae Alpha Platform

The Brae Alpha platform located in Block 16/7a, is a single, integrated platform consisting of a drill rig, production, utility and accommodation facilities. Production commenced in July 1983. Brae Alpha topside facilities process produced fluids from the Marathon operated South, Central and West Brae (including Sedgewick) Field reservoirs plus fluids from the Birch, Larch and Sycamore (Trees) Field reservoirs which are operated by Centrica. In 2007 Enoch, operated by Talisman, was tied back to the Brae Alpha platform and brought online increasing production from the Brae Alpha installation.

Brae Bravo Platform

The Brae Bravo platform is a single, integrated platform consisting of drilling rig, production, utility and accommodation facilities and is also located in Block 16/7a, 10km north of Brae Alpha. Production from Brae Bravo commenced in April 1988. Brae Bravo topside facilities process produced fluids from the Marathon operated North Brae, Central Brae, Beinn, Bracken and Crathes Fields plus fluids from the Kingfisher Field which is operated by Shell.

East Brae Platform

East Brae is a single integrated platform consisting of drilling rig, production, utility and accommodation facilities located in Block 16/3a to the north of Brae Bravo. Production from East Brae commenced in December 1993. East Brae topside facilities process produced fluids from the Marathon operated East Brae and Braemar Field reservoirs.

Environmental Management in Marathon

Marathon, as part of the Marathon Oil Corporation's International Production Organisation, has adopted Marathon Oil Corporation's Health, Environment, Safety (HES) and management of social responsibility system, the Global Performance System (GPS), as the framework for the management of its operations.

The Global Performance System is based upon the requirements of internationally accepted standards for Health, Environment and Safety Management Systems and is structured around 16 core elements that are aligned with the basic continuous improvement cycle of Plan-Do-Check/Correct-Review as shown overleaf.

Marathon's Global Performance System Plan-Do-Check/Correct-Review Improvement Cycle



The environmental elements of Marathon's management system have been externally verified and meet the requirements of the BS EN ISO 14001:2004 standard for environmental management systems, and the external verification report was submitted to Department of Energy and Climate Change (DECC) in June 2010. The environmental management system implements the requirements of Marathon's integrated HES policy shown overleaf.

Overall environmental performance is continuously monitored and is subject to regular review at all levels within the organisation. On the Brae platforms, the responsibility for day to day environmental performance lies with the respective Offshore Installation Managers (OIM).

Environmental objectives and targets are developed as part of the annual business review and planning cycle for the Brae Area. Marathon sets key environmental performance indicators at the beginning of each year and progress against these is reviewed on a daily basis, to ensure that no significant deviations from these indicators occur. Annual performance reviews are undertaken and HES improvement plans are developed, progressed and tracked.

Health, Environmental and Safety Policy

Marathon Oil UK is committed to high standards of Health, Environmental and Safety (HES) performance and is supported by the following policy, which consists of 12 principles:

- **Accident Prevention:** Our goal is an accident and injury free workplace, with 100 percent safe work practices and conditions throughout our operations.
- **Prevention of Pollution & Resource Conservation:** We are committed to environmental protection and emphasize practical resource conservation and the minimization of wastes, emissions and releases throughout our operations.
- **Communities:** We are dedicated to being a good neighbour in the communities where we work. We will conduct our operations safely and responsibly and we will consult proactively with stakeholders on issues of mutual interest.
- **Security and Emergency Preparedness:** Security and emergency preparedness are vital functions and the responsibility of management, supervisors and employees at all levels. We will maintain emergency plans to protect everyone in and around our facilities, the environment and our corporate resources.
- **Risk Assessment:** Management of risk is fundamental to safe operations, products and services. We will systematically identify potential hazards, assess their relative significance and develop reduction measures to ensure risks are properly addressed.
- **Legislative and Regulatory Compliance:** We will comply with all applicable HES laws, regulations and other requirements to which the organization subscribes. Within our sphere of influence, we will actively participate in the development of responsible laws, regulations and standards regarding HES issues.
- **Training and Education:** We will ensure that employees understand their HES responsibilities and that they are trained and competent to perform their assignments effectively. We will support education and research on the health, environmental and safety effects of our products and processes.
- **Product Stewardship:** We will provide information to, and work with applicable parties to foster the safe use, handling, transportation, storage, recycling, reuse and disposal of our materials, products and wastes.
- **Contractor Performance:** Recognising that our contractors are pivotal to achieving our HES goals, we will monitor their performance, use the results in the selection process, and work with our contractors to align our common interests and promote HES excellence.
- **Measurement of Performance:** Our HES performance will be measured regularly using key indicators. Our operations will also be monitored for compliance with applicable HES legislative and regulatory requirements through periodic reviews and audits.
- **Continuous Improvement:** Our management systems provide a framework for setting targets, measuring performance and reporting results. We will employ these systems to achieve continual improvement in our overall HES performance.
- **Communication:** We will clearly communicate our HES commitments, responsibilities and performance to our employees, the public and other key stakeholders.

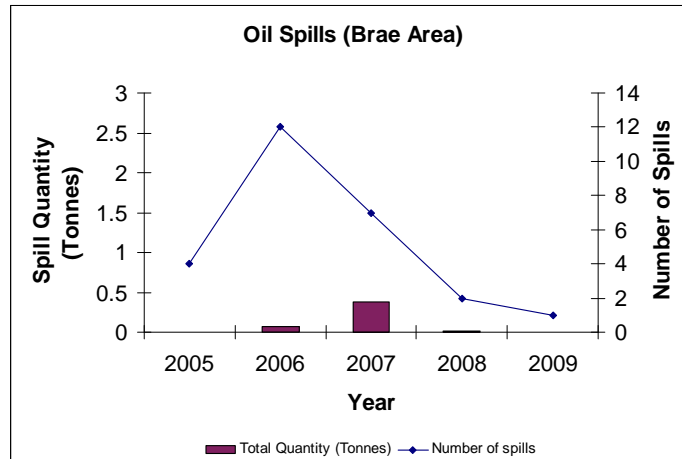
Environmental Performance

The following section summarises Marathon's offshore environmental performance for the period 2005 to 2009.

OIL AND CHEMICAL SPILLS

During 2009, there was 1 accidental release of oil totalling 0.00249 tonnes. This represents a decrease in both the number of oil spills and the total quantity of oil spilled when compared to the years 2007 and 2008.

During 2009 there were two accidental chemical releases reported as 2.3 tonnes. The losses were risk assessed and were deemed to have no significant environmental impact.

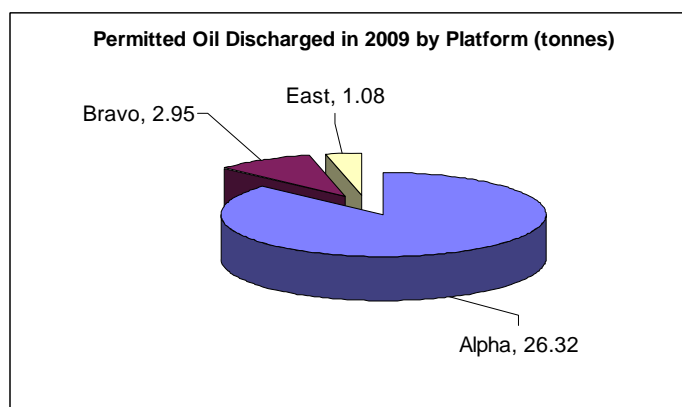
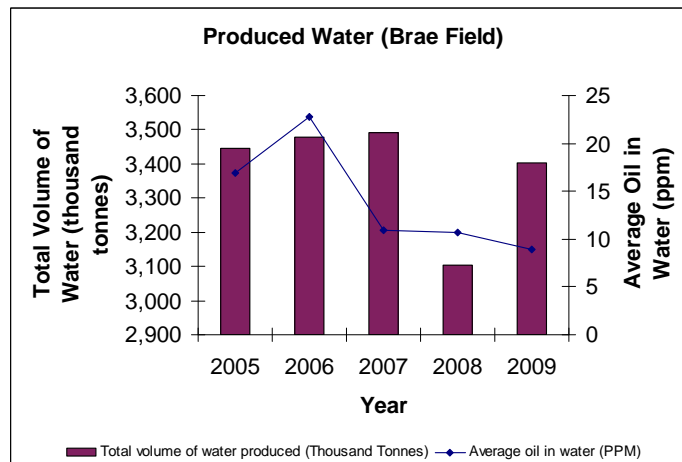


PRODUCED WATER

There was an increase of 298,794 tonnes in total produced water (PW) discharged in 2009 compared to 2008, although a decrease in average ppm oil in water concentration from 11 ppm to 9 ppm over the same period.

Marathon operates well below the legislative 30mg/l limit for concentration of oil in PW. Marathon set internal targets of 15mg/l for each of its UK assets in 2008 which was carried through into 2009. The annual average oil in water figure for the Brae field decreased from 10.64 mg/l in 2008 to 8.92 mg/l in 2009. The sharp decrease in oil concentration between 2006 and 2007 was due to new advanced PW treatment facilities and a change in the oil in water analysis method prescribed by the regulator (DECC).

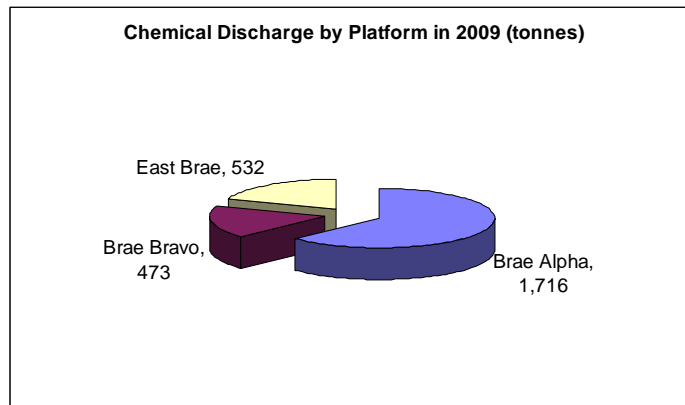
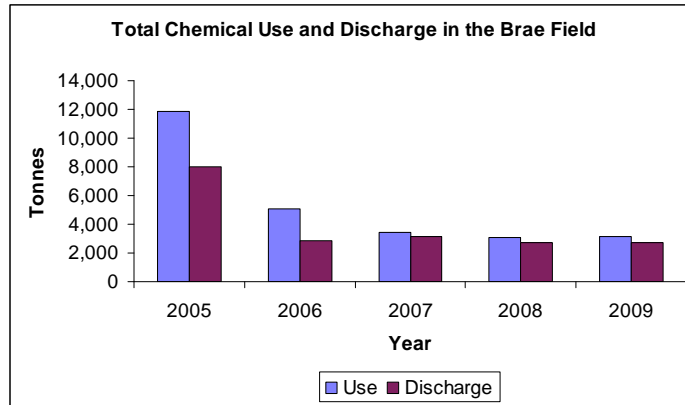
In total 30 tonnes of permitted oil were discharged in 2009, the largest producer being the Brae Alpha. This is due to the higher volume of PW discharged and the complexity of the PW processed.



CHEMICAL USE AND DISCHARGE

The use and discharge of chemicals in the UK is regulated under the Offshore Chemical Regulations 2002 and enforces a number of OSPAR requirements. New OSPAR regulations require the phasing-out of any chemicals which carry substitution warnings, i.e. those chemicals that are considered to be harmful. Marathon Oil UK is committed to a programme of systematic reduction/removal of all chemicals carrying a substitution warning by the end of 2016 unless their use is required on technical and/or safety grounds. The vast majority of chemicals used and discharged in the Brae Field fall within Offshore Chemical Notification Scheme (OCNS) categories Gold, Silver and E which are least hazardous to the environment.

Permitted chemical discharges in the Brae Field remain almost exactly the same in 2009, as the 2008 discharge quantities. The comparative high discharge of chemicals on Brae Alpha is due to the large number of field tie-backs to the platform and the chemicals associated with controlling the high scaling potential.

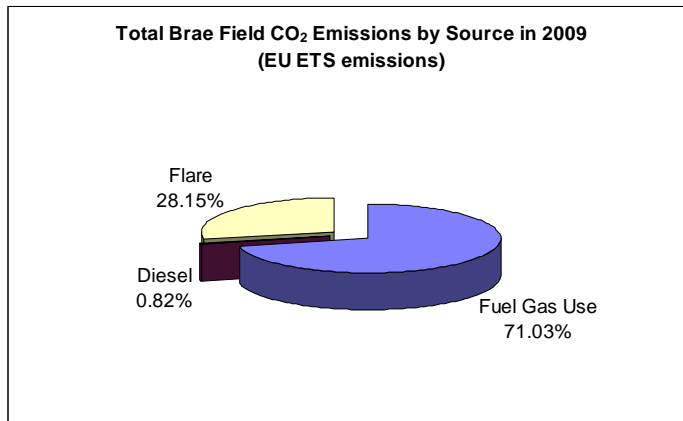
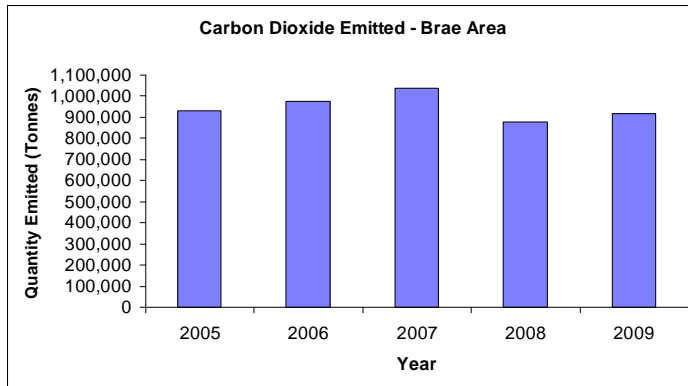


CARBON DIOXIDE EMISSIONS

Carbon dioxide is the largest atmospheric emission from the Brae Field being produced by the combustion of natural gas and diesel. The largest sources of these emissions are the gas turbines followed by the flares and are regulated under The Greenhouse Gas Emission Trading Scheme Regulations 2005.

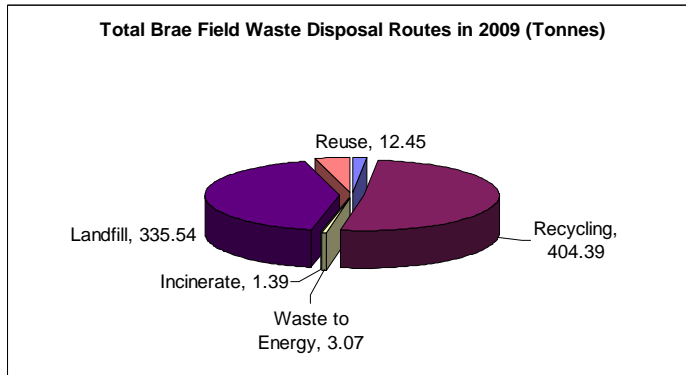
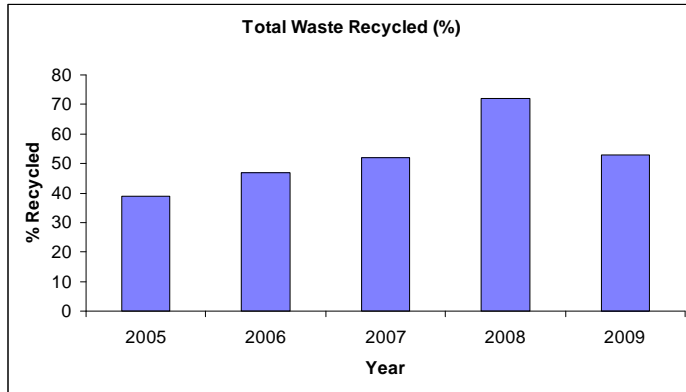
A key energy efficient feature of the Brae field is the power sharing ring main. Alpha and Bravo supply power to East Brae which allows the installation to have no energy generating facilities of its own and increases the energy efficiency of the field.

In 2008 Marathon conducted a desktop energy efficiency study, followed in 2009 by onsite energy efficiency studies for each of the Brae installations. The aim of these studies was to improve energy efficiency and to reduce atmospheric emissions in line with a Marathon world-wide drive to improve energy efficiency.



WASTE DISPOSAL

Recycling is the option most frequently used for the disposal of waste from the Brae field, and the quantities are increasing each year. In line with Marathon's environmental policy, targets are reviewed annually with the aim of reducing the quantities of waste that end up in land-fill and increasing the quantity of waste that is recycled. Marathon is working hard to find new alternative options for waste that, due to its nature, cannot be recycled.



Verification Statement – Marathon Oil U.K., Ltd 2009 Environmental Performance Report

Scope

ERM Certification and Verification Services Limited (ERM CVS) was commissioned by Marathon Oil U.K., Limited to provide independent assurance on environmental information and data contained in the 2009 Environmental Performance Report and supporting data (the Report). The objective of the verification was to provide limited assurance over the data and information presented.

Marathon Oil U.K., Limited is responsible for preparing the Report and the information contained within it.

Verification Approach

Our approach to this verification engagement involved the evaluation of the data management systems and internal checking processes, chain of custody audits for data, selected interrogation of source data and consolidated data and interviews with operational staff at all levels of the organisation. We undertook meetings with staff responsible for collating the data for final representation in the Report.

Opinion

Based on the assurance activities described above, it is our opinion that the environmental information and data contained in this report are a reliable and complete presentation of Marathon Oil U.K., Limited's performance during 2009. We are not aware of any material errors, omissions or misstatements in relation to the information presented.

Our Independence

ERM CVS is an independent member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that the work we undertake with clients is totally free from bias and conflict of interest. Independence was ensured through the selection of an assurance team that have had no other involvement with Marathon Oil UK Limited. Our assurance team has been drawn from staff based in the UK. ERM Certification and Verifications Services Limited and the staff who have undertaken work on this assurance exercise provide no other services to Marathon Oil U.K. Limited in any respect.



Leigh Lloyd – Managing Director
May 2010

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