

Marathon Oil Corporation

2008 Review

Marathon has a strong presence in the global energy industry, with the financial strength to sustain operations and fund profitable growth opportunities amid a volatile business environment. Successful exploration and production operations complement a top-tier refining, marketing and transportation business in the United States, integrated gas projects around the world and oil sands mining in Canada.

Solid financial position. Marathon is focused on delivering increased value to shareholders by investing in value-accretive projects, maintaining financial flexibility and paying a competitive dividend. The Company ended 2008 in a solid financial position, with a cash-adjusted debt-to-capital ratio of 22 percent, a substantial cash balance of \$1.3 billion and a \$3 billion available credit facility capacity.

In 2008, Marathon announced plans to sell between \$2 and \$4 billion in non-core assets as part of an ongoing review of its global portfolio. At the time of publication, the Company had announced asset sales with transaction values totaling \$1.3 billion, and anticipates the remainder of these non-core sales will be announced by the middle of 2009. Assets sold or contracted to be sold to-date include non-operated interests in the Heimdal infrastructure, related producing fields and associated undeveloped acreage offshore Norway; its Kinsale and Seven Heads gas fields in Ireland; and its 50 percent interest in Pilot Travel Centers LLC.

Strong Upstream driving profitable growth. Resource growth from Marathon's Upstream businesses — Exploration and Production, Oil Sands Mining and Integrated Gas — has set the foundation for future reserve additions and production growth. Since 2001, the Company's total risked resource base has more than tripled, growing from 2.1 billion barrels of oil equivalent (boe) to 6.5 billion boe at year-end 2008.

2008 production available for sale from the Upstream businesses was 410 thousand barrels of oil equivalent per day (mboepd), almost a 15 percent increase over 2007. With the Company's large resource base and well defined projects, it anticipates additional significant growth through 2012 and beyond.

Exploration and Production. The Company's core Exploration and Production (E&P) assets are located in the United States, Equatorial Guinea, Libya and the North Sea, with new potential core areas in Angola and Indonesia. In addition, the Company holds certain Canadian oil sands leases that carry significant potential for development utilizing enhanced in-situ extraction processes.

In 2008, Marathon remained focused on executing on major growth programs to drive profitable new production. Production from the E&P segment available for sale during the year averaged 385 mboepd as compared to 353 mboepd for 2007, despite the impact on Gulf of Mexico operations from Hurricanes Gustav and Ike, and the sale of the non-core Heimdal assets.

Successful exploration program. Since 2002, Marathon has been successful with 60 percent of its major exploration wells. This continued in 2008, with a 63 percent exploration success rate from eight significant wells drilled. The Company has a strong exploration program in place with plans to drill from 8 to 17 exploration wells and 30 to 70 exploitation wells per year through 2012.

The Company made two additional deepwater discoveries offshore Angola in 2008, bringing total discoveries to 28 across Blocks 31 and 32. Test results on the Dione and Portia discoveries on Block 31 confirmed the capacity of both wells to flow in excess of 5 thousand gross barrels per day (mbpd) under production conditions.

In the Gulf of Mexico, Marathon was awarded 42 deepwater blocks in the 2007 and 2008 lease sales, helping the Company rebuild its inventory of prospects for future exploration activity. The Company has interests in 24 prospects, with more than four years of drilling opportunities. Marathon participated in deepwater discoveries on the Gunflint well (Mississippi Canyon Block 948: 12.5 percent working interest) in late 2008 and the Shenandoah well (Walker Ridge Block 52: 10 percent working interest) in early 2009. The Stones appraisal well (Walker Ridge Block 508: 25 percent working interest) was also successfully drilled. Stones has a large structural footprint across eight blocks in which the Company holds an interest.

Marathon continues its exploration efforts in Norway, a growing core area. The Volund development in PL 150 continues to make progress toward first production in the second half of 2009 and will be tied back to the Alvheim infrastructure. Marathon serves as operator and has a 65 percent interest in both Volund and Alvheim. In 2009, drilling is expected to commence on other satellite prospects with the potential to be tied back to Alvheim. Following a successful appraisal well in 2006 on the Gudrun prospect, Marathon is working with its partners on additional subsurface studies and a development concept, which includes plans for a new platform in



In the Gulf of Mexico, Marathon sanctioned the Droszky development. The Company has secured the Noble Paul Romano rig to begin drilling in 2009, with first production targeted for 2010.

the North Sea. The platform is to be developed as a fixed processing facility with seven production wells. A final decision on the development is scheduled for 2009. Marathon holds a 28.2 percent working interest in Gudrun.

In Indonesia, on the Pasangkayu Block, the Company completed 3-D seismic acquisition on this high-potential 1.2 million acreage located predominantly offshore the island of Sulawesi in the

Makassar Strait. Marathon holds a 70 percent working interest and is operator of the Pasangkayu Block. Marathon was awarded a 49 percent interest and operatorship in the Bone Bay Block in 2008. Exploration plans call for the acquisition of 2-D seismic starting in 2010, followed by drilling in 2011 on this high-potential, underexplored area. The Bone Bay Block is about 200 miles southeast of Marathon's Pasangkayu Block. Marathon also led a consortium of companies to secure a two-year rig contract for drilling in Indonesia, slated to commence in early 2010.

In addition, the Company continues its active U.S. onshore exploration program in East Texas and Oklahoma.



The Alvheim FPSO offshore Norway achieved first oil in early June 2008. Strong production from Alvheim helped drive production performance for 2008. Additional satellite prospects are planned over the next few years.

Delivering high value impact projects. Production from Marathon's E&P segment increased by more than 8 percent from 2007 to 2008.

Production growth was largely driven by the start-up of the Alvheim/Vilje development in the Norwegian sector of the North Sea. The fields have been developed utilizing a purpose-designed floating production storage and offloading vessel (FPSO) that takes advantage of the latest technology for low emission gas turbines — a first for the Norwegian Continental Shelf. The Alvheim FPSO, with an original design capacity of 120 gross mboepd, demonstrated a proven actual facility capacity of 135 gross mboepd during 2008. Marathon has a 65 percent operated interest in the Alvheim area and a 47 percent outside-operated working interest in the Vilje Field.

The Neptune development in the Gulf of Mexico, in which the Company holds a 30 percent interest, began production mid-year. In 2008, Marathon sanctioned two additional Gulf of Mexico developments, the Droszky and Ozona projects, which are expected to contribute significantly to the Company's production growth upon start-up in the 2010/2011 time frame.

In Angola, Marathon is shifting focus from exploration to a queue of development projects. In 2008, the Company and its partners received approval to proceed with the PSVM deepwater oil development project on Block 31, comprising the Plutao, Saturno, Venus and Marté discoveries.

Slated for first production in the 2011/2012 time frame, PSVM is the first in an anticipated series of deepwater development projects across Blocks 31 and 32, and advances Angola as a new core area.

Marathon's return to Libya in 2005 has provided a strong base for the Company to increase reserves and production. Marathon holds a 16.33 percent working interest in the Waha Concessions that encompass almost 13 million acres in the Sirte Basin and currently produce approximately 344 gross mboepd. This basin is one of the most prolific oil and gas producing areas of Libya, containing sizable undeveloped oil and gas resources. Marathon has four additional development projects within the Concessions in addition to further exploration potential.

The Company has had encouraging results from the evaluation of in-situ oil leases in Canada, where Marathon holds ownership interests in both operated and non-operated leases that have the potential to be developed using in-situ methods of extraction. These leases cover approximately 143,000 gross acres (55,000 net acres) and are located near Fort McMurray, Alberta. Recent drilling results bolstered Marathon's view of the bitumen resource potential in this portfolio, moving from an estimated in-situ resource potential of 600 million barrels net bitumen to what the Company now believes is approximately 1.5 billion barrels. Evaluation on all in-situ properties is continuing, with first production possible in approximately 2015.

Emerging resource plays. Marathon's Bakken Shale leasehold in North Dakota and eastern Montana represents one of the Company's unconventional resource developments. Advances in horizontal drilling technology have made it possible to extract oil and gas from a thin layer of dense rock buried two miles underground. To capitalize on the Bakken opportunities, Marathon drilled 69 wells in 2008. Year-end net production for Bakken was 8.2 mboepd. The Company anticipates drilling up to 225 wells over the next five years, with the potential to bring net production to approximately 15 mboepd by 2015.

The Company is well positioned with significant acreage in the core of the emerging Woodford Shale play in the Anadarko Basin of Oklahoma and the Haynesville Shale resource play in Texas and Louisiana. In 2008, the Company successfully completed its first horizontal well in the Woodford Shale. This well, the Cana No. 1-15H, is one of the world's first totally interventionless well completions using the patented EXcape® Completion Process technology, developed jointly by Marathon and several partners. Plans call for additional drilling in both plays in 2009. Marathon expanded its exploration activity into the Eastern U.S., focusing on



In the Bakken Shale in North Dakota, the Company continues to achieve best-in-class drilling and completion performance, and improved drilling and well costs.

the Marcellus Shale resource play in the Appalachian Basin in Pennsylvania and West Virginia, where the Company holds 65,000 net acres. Marathon plans to begin drilling in this play in 2009.

Marathon has utilized its experience with coal seam gas (CSG) plays to capture an average 50 percent interest in 520,000 gross acres in the United Kingdom — the largest CSG acreage

position in the country, including 11 new blocks awarded in 2008. Testing and exploration on two of the licenses was conducted in 2008.

Oil Sands Mining. Marathon owns a 20 percent outside-operated interest in the Athabasca Oil Sands Project (AOSP), which includes the Muskeg River Mine, the Scotford Upgrader and over 215,000 gross acres of potentially mineable land in Alberta, Canada. The mine currently has the capacity to produce 155 gross mbpd of bitumen, a naturally occurring heavy oil. As of year-end 2008, Marathon

owns or has rights to approximately 2 billion barrels of mineable, risked bitumen resource in the Athabasca region, including 388 million barrels of net proven reserves.

This significant, long-lived asset is expected to increase production through a series of phased expansions. Expansion 1 is currently under construction and will add mining and extraction facilities at the new Jackpine Mine and associated Upgrader. After Expansion 1 is complete in 2011, Marathon will have more than 50 mbpd of net production and upgrading capacity in the Canadian oil sands. In addition, further expansions and debottlenecking opportunities exist.

Integrated Gas. The integrated gas segment complements Marathon's exploration and production operations and accesses a wide range of investment opportunities designed to add sustainable value growth. This business segment improves returns through the value chain by linking stranded natural gas resources with areas experiencing a supply gap.

Equatorial Guinea continues to play a key role in the integrated gas strategy by supplying the feedstock for the liquefied natural gas (LNG) production facility on Bioko Island. Marathon's holdings in Equatorial Guinea include a 63 percent working interest in the Alba Field, a 52 percent working interest in the Alba liquefied petroleum gas plant, a 45 percent working interest in the Atlantic Methanol Production Company LLC and a 60 percent interest in the Equatorial Guinea LNG (EGLNG) production facility.



As of year-end 2008, Marathon had rights to approximately 2 billion barrels of mineable, risked bitumen resource in Canadian oil sands, including 388 million barrels of net proven reserves.

EGLNG, which commenced operations in May 2007, on budget and ahead of schedule, has since delivered increased reliability and demonstrated a track record to produce LNG in excess of the plant's nameplate capacity of 3.7 million metric tonnes per annum. In 2008, operational availability was excellent, with the facility operating near 92 percent of capacity and delivering 54 cargoes during the year.

Potential game-changing technology. Technology remains a critical element in value creation, and in 2008 the Company utilized a three-pronged strategy: deliver technology solutions to maximize the value of existing assets, create technology differentiation in key areas important for access to new resources, and monitor and selectively invest in emerging technologies in areas such as renewable and alternative fuels, energy efficiency, and carbon capture and storage.

Marathon continued to invest in the development of new and potential game-changing technologies to create value and supply new energy sources, spending \$92 million in 2008 on gas commercialization technologies. This included completing the construction of a Gas-to-Fuels (GTF™) demonstration plant, designed to determine the commercial viability of this proprietary technology. In early 2009, Marathon completed the first test run of the facility.

Continued Downstream operating reliability.

Disciplined and competitive, Marathon's top-tier refining, marketing and transportation (RM&T) operations are located primarily in the Midwest, Upper Great Plains, Gulf Coast and Southeast regions of the United States. With a refining capacity of 1.016 million barrels per day (bpd), Marathon is the fifth-largest petroleum refiner in the U.S. The Company supplies petroleum products to independent wholesale customers, approximately 4,600 Marathon brand retail outlets and 1,600 Speedway SuperAmerica (SSA) stores. Marathon owns, operates, leases or has ownership in approximately 10,000 miles of crude oil and refined product pipelines, as well as an extensive inland barge distribution network. Eighty-seven owned and operated light product and asphalt terminals receive product for distribution to market.



Marathon's facility in Equatorial Guinea continued its reliable performance, producing LNG in excess of the plant's nameplate capacity of 3.7 million metric tonnes per annum. In 2008, operational availability was superior, with the facility operating near 92 percent of capacity and delivering 54 cargoes during the year.

Marathon's Downstream strategy emphasizes feedstock flexibility, scale efficiency, operational excellence and commercial advantage. The onset of the recession and extreme volatility in feedstock and refined product prices posed numerous challenges in 2008. Marathon's RM&T segment adjusted to these circumstances, while continuing substantial investment to position the Company for success in the future.



The 180,000 bpd refinery expansion at Garyville was approximately 75 percent complete at year-end 2008, with an on-schedule start-up expected in the fourth quarter of 2009.

Focused, integrated RM&T asset base. Marathon's seven refineries are managed as one integrated system, transferring intermediate stocks among refineries and optimizing feedstock and raw material inputs. This results in economies of scale that reduce capital expenditures and optimize capacity.

When hurricanes shut in important U.S. offshore crude oil production, Marathon kept supplies flowing to crude-short Midwest refineries. At the same time, the Company returned hurricane-stricken Gulf Coast refineries to service quickly. The Garyville, Louisiana, refinery was the first in its area to be back up and running after the passage of Hurricane Gustav.

While Marathon reduced throughput at its refineries, due both to the hurricane effects and lower product demand, refining mechanical availability was a strong 95 percent for the year. Refineries ran an average 944 mbpd of crude oil and 1.151 million bpd of total refinery throughput.

Solid Downstream enhancements. The projected \$3.35 billion (excluding capitalized interest) Garyville refinery major expansion commenced in March 2007 and remains on schedule for a fourth quarter 2009 start-up. This 180,000 bpd expansion project leverages the Company's most efficient and profitable Downstream asset and will take the refinery's crude oil processing capacity from 256,000 bpd to 436,000 bpd, at which time it will rank as the fourth-largest refinery in the country and one of the most efficient in the nation.

The projected \$2.2 billion (excluding capitalized interest) upgrade and expansion at Marathon's Detroit, Michigan, refinery began mid-year 2008. While construction on the project continues, Marathon has deferred its completion until mid-2012 to better align with the timing of anticipated incremental oil sands production.

Through these and other incremental investment projects, the Company expects to more than double its coking capacity by 2012, which will lead to lower feedstock costs and increased margins.

Positioned for ethanol blending growth. By mid-year 2008, Marathon had completed retrofitting its terminals in 100 percent of its markets with rack ethanol blending capability. This investment will help Marathon move ethanol-blended fuel (E-10 gasohol) into new markets. It will support the nation's renewable fuels goals, which increase in phases under the Energy Independence and Security Act of 2007 from nine billion gallons of renewable fuel in 2008 to 36 billion gallons by 2022. Marathon blended approximately 870 million gallons of ethanol in 2008. To meet the Company's commitment to product quality, terminals are equipped with a Marathon-developed system that withholds the bill of lading on any load that fails to meet acceptable tolerances for additives or blend components.

Marathon's ethanol supply strategy includes a combination of spot purchases, term contracts and equity production. In February 2008, a 110 million-gallon-a-year ethanol plant, in which Marathon owns a 50 percent interest, was brought on stream in Ohio. Plant production complements

Marathon's 35 percent interest in an existing 110 million-gallon-a-year ethanol plant in Indiana that Marathon acquired in October 2007. In February 2008, the Company took an equity position in Mascoma Corporation, a company focused on converting cellulosic biomass into low-carbon alternative fuels.

Strong retail position. Marathon's marketing model utilizes wholesale, company-operated stores and independent Marathon Brand channels of distribution. The wholly-owned Speedway SuperAmerica (SSA) component is key to placing ethanol-blended fuel in the market. In addition, SSA allows the Company to balance the volatility of fuel sales with margin earned on merchandise sales inside the store. In 2008, SSA enjoyed record earnings on a per-store basis and increased same-store merchandise sales 2.2 percent. SSA is one of the four largest company-owned and -operated convenience store chains in the U.S.

Because Marathon Brand independent jobbers and dealers reduce the Company's capital intensity, Marathon's Brand component allows the Company to move high volume over a lower investment base. Marathon Brand increased its gasoline sales 5.1 percent in 2008, a remarkable achievement in the face of diminished national demand.



Marathon goes to market with two flagship brands — Marathon and Speedway. In 2008, both brands were rated customer-service standouts by Corporate Research International, a third-party audit firm. Speedway was ranked first among its peers.