

An oil drilling rig stands in a field of tall grass at sunset. The sun is low on the horizon, casting a warm glow over the scene. The sky is filled with wispy clouds, and the rig is silhouetted against the bright light. The text "FIRST QUARTER 2020" is overlaid in large white letters.

# FIRST QUARTER 2020

*May 6, 2020*



Marathon Oil®

# Forward-Looking Statements and Other Matters

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 future capital budgets and allocations (including development capital budget and resource play leasing and exploration spend), future performance, free cash flow, corporate-level cash returns on invested capital, business strategy, asset quality, drilling plans, production, guidance, cash margins, asset sales and acquisitions, oil growth, cost and expense estimates, cash flows, uses of excess cash, return of cash to shareholders, returns, 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”, “future”, “guidance”, “intend”, “may”, “outlook”, “plan”, “potential”, “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 for crude oil and condensate, NGLs and natural gas 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, including changes in foreign currency exchange rates, interest rates, inflation rates; actions taken by the members of the Organization of the Petroleum Exporting Countries (OPEC) and Russia affecting the production and pricing of crude oil; and other global and domestic political, economic or diplomatic developments; capital available for exploration and development; our ability to complete our announced acquisitions on the timeline currently anticipated, if at all; risks related to the Company's hedging activities; voluntary or involuntary curtailments, delays or cancellations of certain drilling activities; well production timing; liability resulting from litigation; drilling and operating risks; lack of, or disruption in, access to storage capacity, pipelines or other transportation methods; 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, a health pandemic (including COVID-19), 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, air emissions, or water management; 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](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 operating cash flow before working capital. 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 1Q20 Investor Packet.

# Maintaining Focus During Unprecedented Times

Employee health and safety comes first

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*“I want to first extend my thanks to our resilient and dedicated employees and contractors, all of whom remain hard at work day in and day out, helping to supply our communities and our nation with the clean and affordable energy we need to power our way of life, as well as our eventual economic recovery.”*

*“While the safety and health of our people remains my top priority, we continue to focus on the financial strength of our Company...We entered this unprecedented downturn on firm financial footing, and we believe we are taking the necessary steps to protect our hard-earned financial strength and flexibility.”*

Chairman, President, and CEO Lee Tillman

# Prioritizing Financial Strength and Flexibility

Responding decisively to market conditions

## Reducing Capital Expenditures

- Capital spending budget of **\$1.3B** or less, a **\$1.1B** reduction from original budget
- 2Q completion activity suspended amid peak oil supply/demand imbalance
- High-grading capital to Eagle Ford and Bakken with focus on capital efficiency

## Managing Cost Structure

- Capturing expected annualized cash cost<sup>1</sup> reductions of **~\$350MM**, or **20%**, relative to initial 2020 budget
- Approximately **40%** of cash cost savings are attributable to fixed cost structure; driving annualized corporate G&A reduction of **~17%** vs. 2019
- Cost savings measures include base salary reduction for CEO and other corporate officers, reduction of Board of Director compensation, and U.S. employee and contractor workforce reductions

## Protecting Balance Sheet and Liquidity

- Temporarily suspending dividend and buybacks due to commodity price and macroeconomic uncertainty
- 2Q20 cash flow protection through **117 mbopd** of hedges utilizing swaps and two-way collars with a weighted average hard floor **>\$30/bbl**
- **\$3.8B** of liquidity, including **\$817MM** of cash and **\$3.0B** undrawn revolver
- Investment grade at all three primary agencies with no significant debt maturities until Nov. 2022

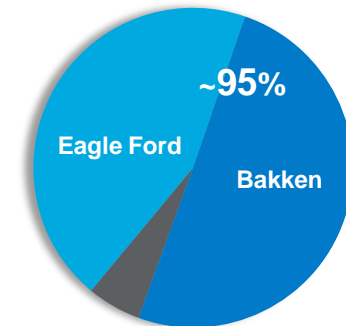
<sup>1</sup> Cash costs include production expense, general and administrative, shipping and handling, and production taxes

# 2020 Capital Program Overview

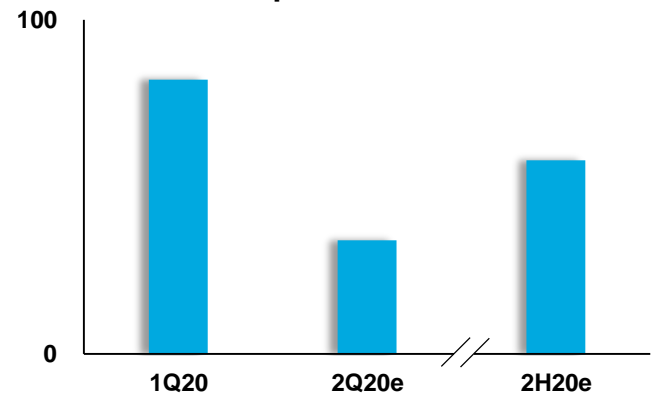
Down ~50% from 2019 capital spending

- Total capital program of **\$1.3B** or less, a **\$1.1B** reduction from original budget
  - 2Q20 completion pause drives immediate, material reduction to capital spending
  - Activity reduced to **~3 rigs** / **~2 completion crews** for 2H20
  - 2020 U.S. oil production to decline by ~8% from 2019 on an underlying basis
- Retain flexibility to further reduce or increase activity as macro conditions warrant
- High-grading capex to most capital efficient Basins
  - Eagle Ford and Bakken receive **~95%** of Resource Play capital allocation over second half of year; relative to **70%** allocation in original budget
  - 2H20 wells to sales weighted to 4Q with Eagle Ford and Bakken production stabilizing at reduced activity levels
- Pausing Resource Play Exploration
  - Concluding 2020 Texas Delaware activity; encouraging results from first **Meramec** exploration well
  - Temporarily suspended activity in Louisiana Austin Chalk

2H20 Resource Play Capital Allocation



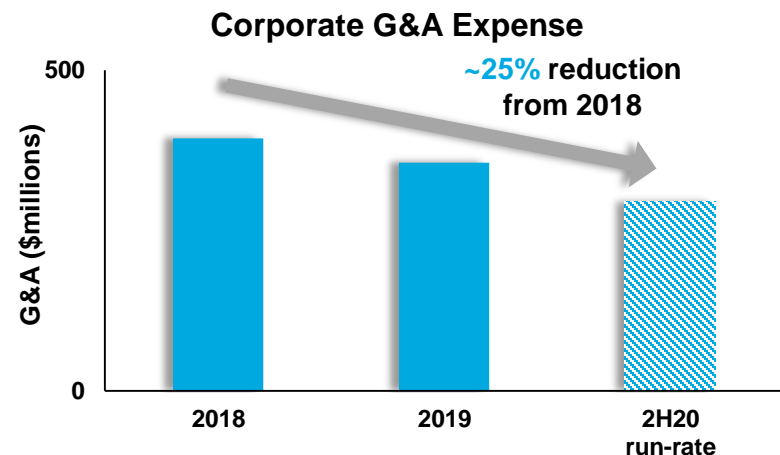
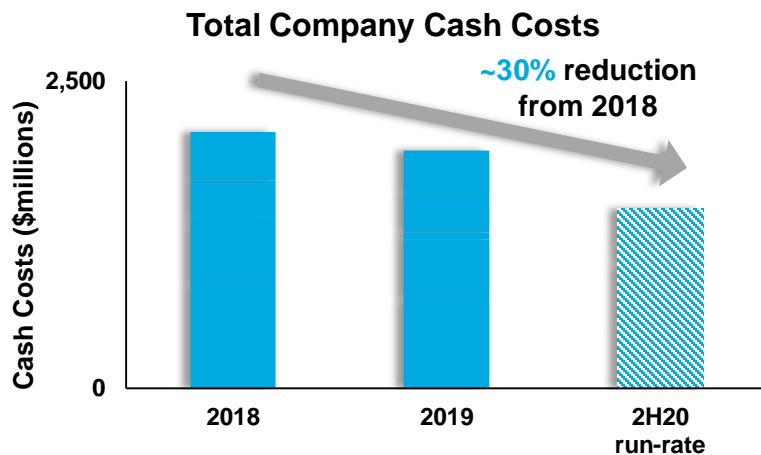
2020 Gross Operated Wells to Sales



# Actively Managing Our Cost Structure

## Proven track record of reducing costs

- Expect to capture **\$350MM** of annualized cash cost<sup>1</sup> reductions vs. initial 2020 budget
  - Annualized savings represent a **20%** reduction vs. initial budget and will be captured by end 2020
  - Approximately **40%** of total cash cost savings are attributable to fixed cost structure
  - Expect to realize total cash cost savings of **\$260MM** in 2020, inclusive of severance and partial year timing impacts
- Broad workforce actions reduced the Company's U.S. employee base by **16%** and contractor base by **70%**
- Base salary reduction for CEO and other corporate officers; reduction of Board of Director compensation
- Driving annualized corporate G&A expense reductions of **25% / 17%** relative to **2018 / 2019**



<sup>1</sup> Cash costs include production expense, general and administrative, shipping and handling, and production taxes

# Protecting Liquidity, Cash Flow, and Balance Sheet

## Prioritizing Liquidity

- Temporarily suspending ~\$40MM quarterly cash dividend and share buyback program
- Ended 1Q20 with cash of \$817MM and undrawn \$3.0B revolver
- Revolver is unsecured, matures in May 2023, and is supported by 18 leading global banks
- No significant debt maturities until November 2022

## Protecting Cash Flow

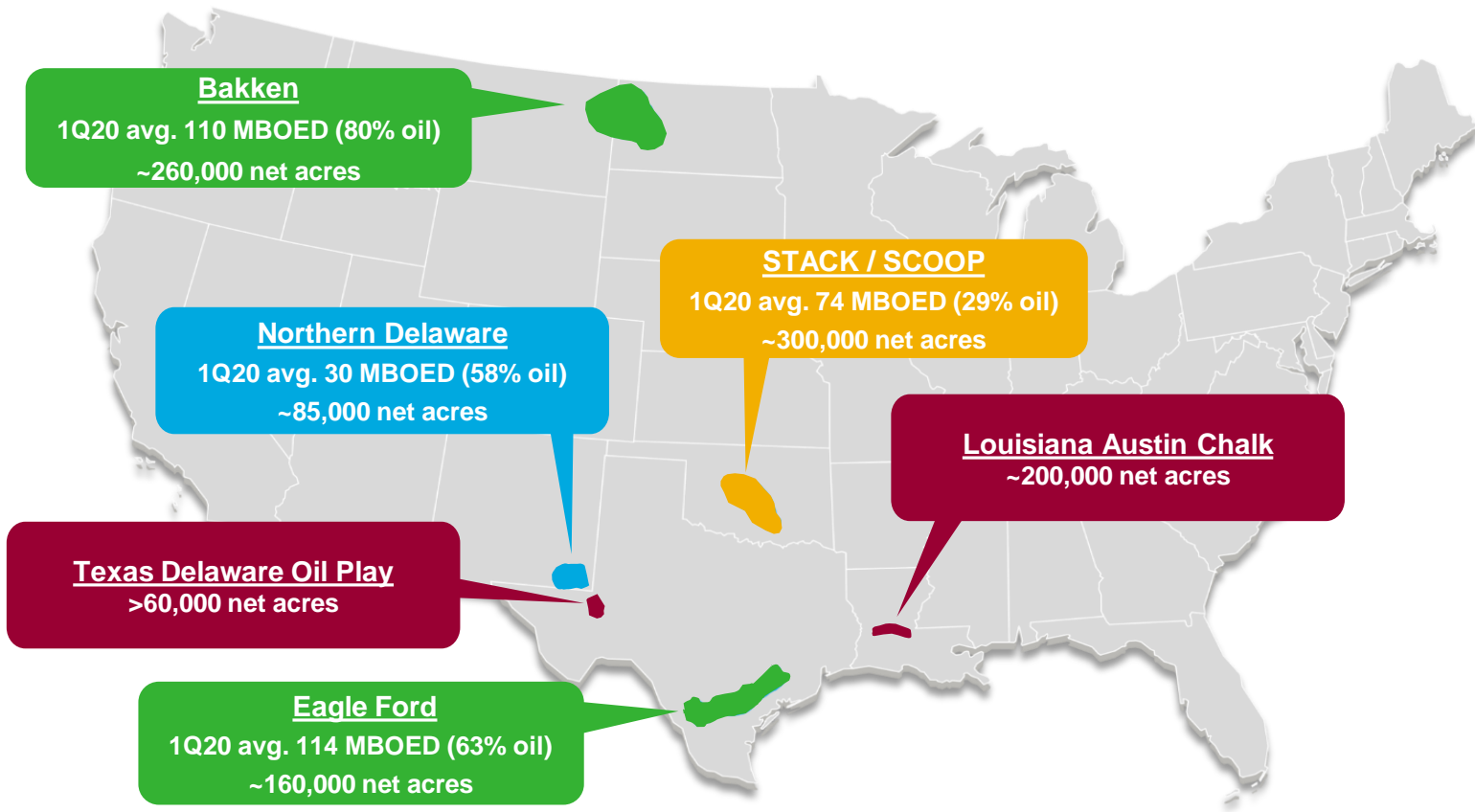
- Added 117 mbopd of 2Q20 fixed price swaps and two-way collars at weighted average floor of >\$30/bbl
- Additional protection to 2Q cash flow through fixed price sales agreements
- Added hedges to protect near-term regional basis differentials and NYMEX trade roll exposure
- Multi-basin model provides broad market access with diversified pricing exposure; over 50% of crude oil exposed to MEH/Brent/LLS pricing

## Defending Investment Grade

- Investment grade rated at all three primary rating agencies
- Recent reviews from Fitch and S&P
- Taking proactive steps to prioritize financial strength: rightsizing activity levels and cost structure for commodity price environment
- Proven history of conservative financial policies

# Competitively Advantaged Multi-Basin Model

Multi-basin portfolio provides flexibility





# 1Q20 Summary

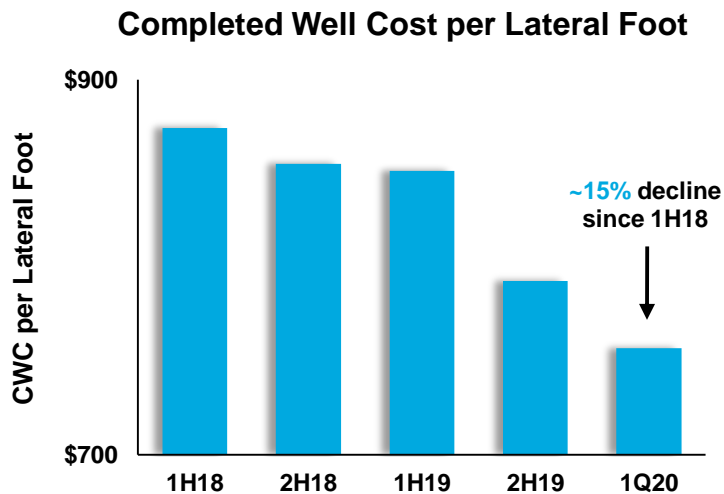
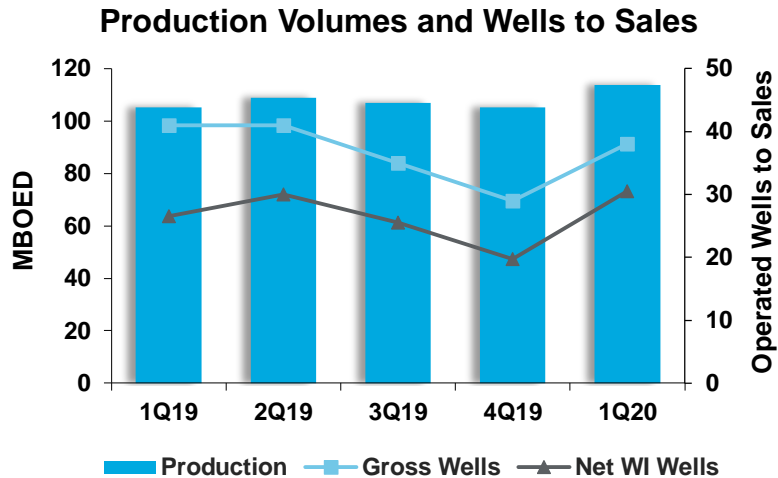
## Continued execution excellence

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- Ended 1Q20 with \$817MM of cash & cash equivalents
- U.S. oil production averaged 207 mbopd vs. guidance of 192 to 202 mbopd
- U.S. unit production costs down ~10% from 2019 average to lowest quarterly average since becoming an independent E&P
- U.S. completed well cost per lateral foot down ~10% from 2019 average
- Eagle Ford delivered most capital efficient quarter in history of asset
  - Oil IP30 per lateral foot up 20% from prior year; completed well cost per lateral foot down 10% from prior year
- Continued execution excellence in Bakken with focus on cost reductions
  - Average completed well cost of \$4.8MM; quarterly record for average completion stages per day

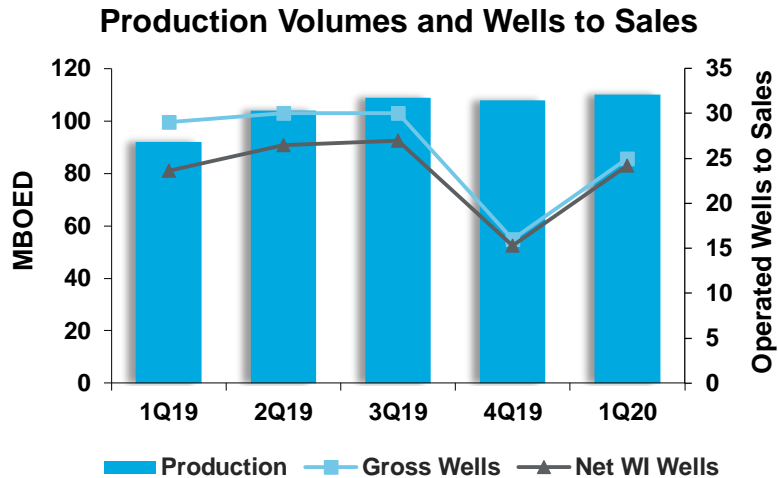


# Eagle Ford Driving Capital Efficiency Improvement



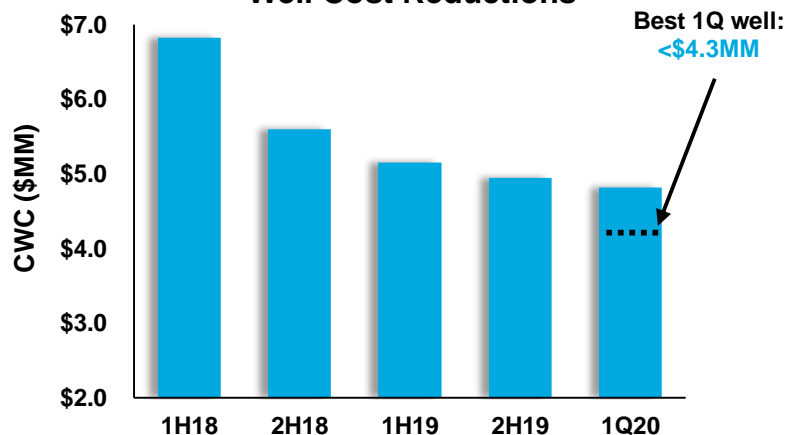
- 1Q20 production averaged **114** net MBOED with **38** gross operated wells to sales
- Plans to transition to **2** rigs and **1** frac crew over 2H20
- Planning **~50** wells to sales for rest of year
  - **~20** wells to sales during 2Q20, weighted to April
  - **~30** wells to sales over 2H20, focused in 4Q
- 1Q20 marked best capital efficiency quarter in history of asset
  - Oil IP30 per lateral foot up **~20%** vs. 2019
  - Completed well cost (CWC) per lateral foot down **~10%** vs. 2019
  - Completions efficiency improved **~10%** from 2019 average to **>7** stages per day

# Bakken Delivering Execution Excellence



- 1Q20 production averaged **110** net MBOED with **25** gross operated wells to sales
- Plans to transition to **1** rig and **1** frac crew over 2H20
- Remaining 2020 wells to sales concentrated in Myrmidon
  - **~8** planned wells to sales during 2Q20
  - **~25** planned wells to sales over 2H20
- Continued execution excellence with focus on capital efficiency and cost reductions
  - 1Q20 average completed well cost of **\$4.8MM**, down **~5%** from 2019 average
  - **8** wells during 1Q20 achieved completed well cost of **\$4.5MM** or less
  - Quarterly completions record of **~10** stages per day during 1Q20

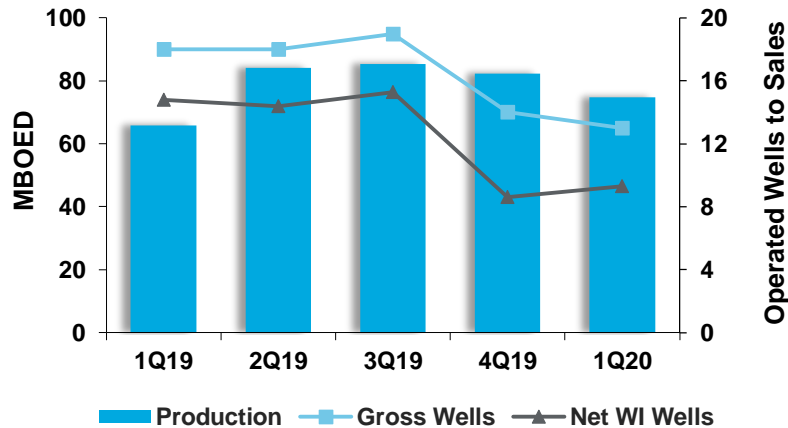
## Improving Capital Efficiency and Returns Through Well Cost Reductions



# Minimal Activity in Oklahoma and Northern Delaware

Oklahoma Activity suspended; Northern Delaware wells protect leasehold

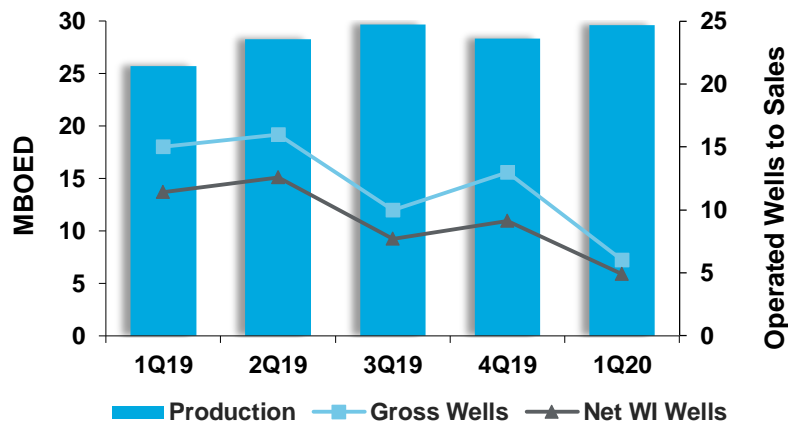
Oklahoma Production Volumes and Wells to Sales



## Oklahoma

- 1Q20 production averaged **74** net MBOED with **13** gross operated wells to sales
- Shut-down drilling and completion activity during 1Q20
- No drilling and completion activity or wells to sales planned for rest of year

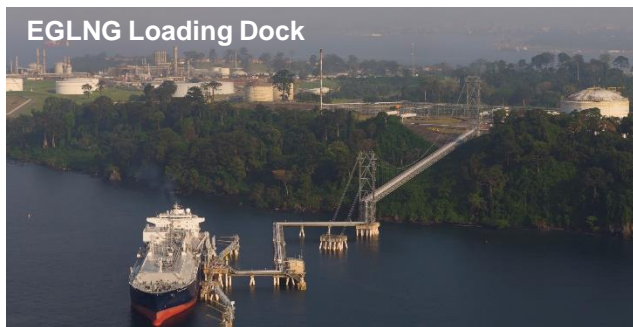
N. Delaware Production Volumes and Wells to Sales



## Northern Delaware

- 1Q20 production averaged **30** net MBOED with **6** gross operated wells to sales
- No drilling activity for rest of year
- Limited wells to sales over balance of year, focused on leasehold protection
  - **6** online in April; **2** planned for remainder of year

# International E&P: Equatorial Guinea



- 1Q20 production of **82** net MBOED with unit production costs of **\$2.35** per boe
- Completed previously disclosed major turnaround at AMPCO methanol facility
  - **\$30MM** of associated maintenance expense negatively impacted 1Q20 equity income
- Third party Alen backfill gas project progressing on schedule with startup expected 1H21
- Technical evaluation and associated mitigations eliminate need for previously disclosed 4Q20 EGLNG maintenance
  - Avoids **~15 MBOED** gas production outage

# Committed to Sustainability

The foundation for long-term financial outperformance

## Environmental & Safety<sup>1</sup>

- 2019 marked **best safety performance**<sup>2</sup> in MRO history
- **2020 starting even stronger**<sup>2</sup>; 16% reduction in Total Recordable Incident Rate during 1Q20
- **96%** total Company gas capture during 1Q20
- **19%** year on year reduction in methane intensity in 2019; **44%** reduction since 2014
- In response to COVID-19, **Business Continuity and Emergency Response Plans** enabled uninterrupted field operations and effective transition to work from home practices

## Social

- Leveraging the **Bioko Island Malaria Elimination Project vaccine lab**, endorsed by the WHO<sup>3</sup> to diagnose COVID-19 in Equatorial Guinea
- Distributed **~8,000** N95 masks to emergency management and healthcare organizations in the U.S.
- Donated more than **\$75,000** in emergency relief to benefit food banks across Texas, Oklahoma, North Dakota and New Mexico
- Donated laptops to assist Houston-area students with remote learning

## Governance

- **7 of 8** directors are independent with lead independent director; **25%** of Board is female
- **~5** year average director tenure; **50%** of directors joined in last 36 months
- **All** committees made up of entirely NYSE independent directors
- **GHG intensity metric** added to 2020 executive compensation scorecard<sup>4</sup>
- Base salary reductions for CEO and other corporate officers and reduction of Board of Director compensation in 2020

<sup>1</sup> Methodology and definitions based on information from online 2018 MRO Sustainability Report

<sup>2</sup> Based on Total Recordable Incident Rate

<sup>4</sup> Metrics impact short-term incentive plan

# Prioritizing Financial Strength and Flexibility

Reducing Capital Expenditures	Managing Cost Structure	Protecting Balance Sheet and Liquidity
<p><b>2020 Capital Budget</b></p> <p><b>~50%</b></p> <p>Reduction vs. 2019 spend</p>	<p><b>Annualized Cash Cost Reduction<sup>1</sup></b></p> <p><b>\$350MM</b></p> <p>Down ~20% vs. original plan</p>	<p><b>Significant Liquidity</b></p> <p><b>\$3.8B</b></p> <p>\$817MM of cash and \$3B undrawn revolver</p>
<p><b>High-Grading Capital Investment</b></p> <p><b>~95%</b></p> <p>of 2H20 capex to <b>Eagle Ford</b> and <b>Bakken</b></p>	<p><b>Annualized G&amp;A Reduction<sup>2</sup></b></p> <p><b>17%</b></p> <p>Relative to 2019</p>	<p><b>Cash Flow Protection</b></p> <p><b>~117 mbopd</b></p> <p>of 2Q20 hedges with weighted average hard floor of <b>&gt;\$30/bbl</b></p>

<sup>1</sup> Cash costs include production expense, general and administrative, shipping and handling, and production taxes

<sup>2</sup> Expected reductions based on revised plan

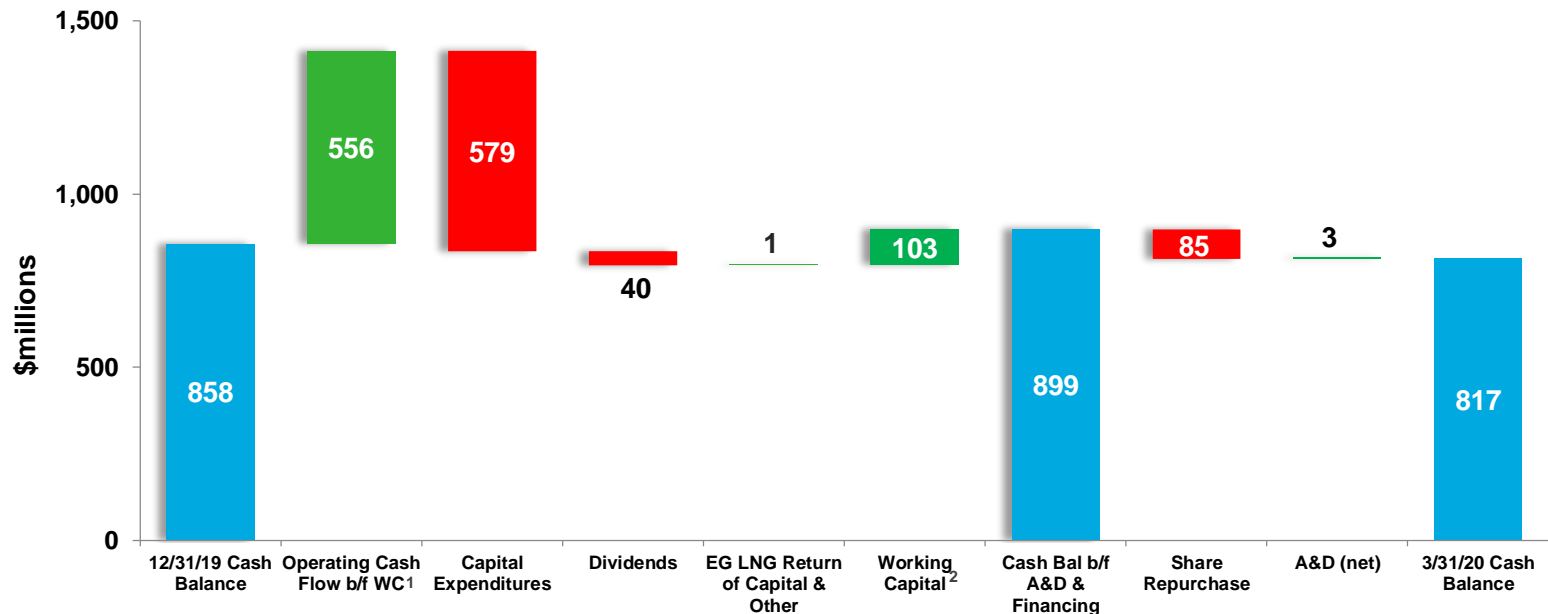


## Appendix



# Total Company Cash Flow for 1Q20

- Ended 1Q20 with **\$817MM** cash balance and undrawn revolving credit facility of **\$3.0B**
- 1Q20 capital spend of **\$579MM** with full year budget of **\$1.3B** or less



<sup>1</sup> Excludes \$6MM of exploration costs other than well costs included within Capital Expenditures

<sup>2</sup> Working capital includes \$151MM and \$(48)MM of working capital changes associated with operating activities and investing activities, respectively

# Guidance Overview

## Previously provided guidance withdrawn

- 2020 underlying U.S. oil production to decline by ~8% on a divestiture-adjusted basis, with a similar percentage decline expected for boe production
- 2020 underlying International oil production to decline by ~7% on a divestiture-adjusted basis, with a similar percentage decline expected for boe production
- Underlying full year production guidance excludes potential impact from production curtailments. The Company will assess the need for curtailments on an ongoing basis in response to market conditions
- On this underlying basis, 2020 U.S. unit production expense is expected to average \$4.25/boe to \$5.25/boe and 2020 International unit production expense is expected to average \$2.25 to \$2.75/boe

	1Q20	4Q19	1Q19	2019
<b>Production Volumes:</b>				
United States	340	328	294*	323*
International	82	85	78*	85*
<b>Total Net Production (mboed)</b>	<b>422</b>	<b>413</b>	<b>372*</b>	<b>408*</b>
United States	207	196	176*	191
International	14	15	15*	15*
<b>Total Net Oil Production (mbopd)</b>	<b>221</b>	<b>211</b>	<b>191*</b>	<b>206*</b>
<b>Production Operating Costs (\$ per BOE):</b>				
United States	\$ 4.63	\$ 5.13	\$ 5.21	\$ 4.98
International	\$ 2.35	\$ 1.82	\$ 6.22	\$ 3.76

\* Divestiture-adjusted

# United States Crude Oil Derivatives

As of May 4, 2020

	2Q20	3Q20	4Q20	FY 2021
<b>NYMEX WTI Three-Way Collars</b>				
Volume (BBLs/day)	-	80,000	80,000	-
Ceiling	-	\$64.40	\$64.40	-
Floor	-	\$55.00	\$55.00	-
Sold put	-	\$48.00	\$48.00	-
<b>NYMEX WTI Two-Way Collars</b>				
Volume (BBLs/day)	40,000	-	-	-
Ceiling	\$40.31	-	-	-
Floor	\$32.89	-	-	-
<b>Fixed Price WTI Swaps</b>				
Volume (BBLs/day)	76,703	10,000	-	-
Weighted Avg Price per BBL	\$28.99	\$32.77	-	-
<b>Basis swaps – Argus WTI Midland <sup>(a)</sup></b>				
Volume (BBLs/day)	15,000	15,000	15,000	-
Weighted Avg Price per BBL	\$(0.94)	\$(0.94)	\$(0.94)	-
<b>Basis Swaps – NYMEX WTI / ICE Brent <sup>(b)</sup></b>				
Volume (BBLs/day)	5,000	5,000	5,000	808
Weighted Avg Price per BBL	\$(7.24)	\$(7.24)	\$(7.24)	\$(7.24)
<b>Basis Swaps – NYMEX WTI / MEH <sup>(c)</sup></b>				
Volume (BBLs/day)	26,813	-	-	-
Weighted Avg Price per BBL	\$(0.75)	-	-	-
<b>NYMEX Roll Basis Swaps</b>				
Volume (BBLs/day)	43,571	60,000	10,000	-
Weighted Avg Price per BBL	\$(1.62)	\$(1.58)	\$(1.94)	-

(a) The basis differential price is indexed against Argus WTI Midland

(b) The basis differential price is indexed against Intercontinental Exchange (“ICE”) Brent and NYMEX WTI

(c) The basis differential price is indexed against Argus WTI Houston

# Capital, Investment & Exploration

## Budget reconciliation (\$MM)

	2020 Budget	1Q20 Actual
Cash additions to Property, Plant and Equipment		620
Working Capital associated with PPE		(52)
Property, Plant and Equipment additions		568
Exploration Costs other than Well Costs		6
M&S Inventory & Other		5
<b>Total Capital Expenditure</b>	<b>&lt;1,300</b>	<b>579</b>