

**Marathon Oil Corporation**  
**Discontinue Buy Recommendation on Lower Reserves**

<i>Symbol</i>	<i>Price</i>		<i>Market Cap</i>	<i>Net Present Value</i>		<i>McDep Ratio</i>	<i>EV/</i>	<i>EV/</i>	<i>P/E</i>	<i>Div'd</i>	<i>PV/</i>
	<i>18-Feb</i>	<i>Shares</i>		<i>Present Value</i>	<i>Debt/ Present Value</i>		<i>Sales</i>	<i>Ebitda</i>			
	<i>2004</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/sh)</i>			<i>2001E</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>	<i>NTM</i>
MRO	33.90	311	10,540	37.00	0.32	0.94	0.4	5.2	10	2.9	5.5

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

EV = Enterprise Value = Market Cap and Debt:

\$mm 16,000

Ebitda = Earnings before interest, tax, depreciation and amortization:

\$mm 3,084

NTM = Next Twelve Months Ended December 31, 2004; P/E = Stock Price to Earnings

PV = Present Value of energy businesses:

\$mm 17,000

Present Value of Equity:

\$mm 11,500

**Summary and Recommendation**

We no longer recommend current purchase of Marathon Oil Corporation common stock because reserves disclosure on February 18 triggers an increase in McDep Ratio to 0.94 from 0.80. Though still cheap, the stock now has a higher McDep Ratio than four buy-recommended producer/refiners. A 19% reduction in proven reserves translates to a lowering of our adjusted reserve life index to 6.7 from 8.7, and assessed cash flow multiple to 5.5 from 6.5. As a result we reduce our estimate of present value to \$37 a share from \$47.

Kurt H. Wulff, CFA