



Rating: Hold
 S&P 500: 1408
 Intraday

Marathon Oil Corporation

Hangover from Last Year's Refining Boom

<i>Symbol</i>	MRO	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i>	10,900
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	11
<i>Price (US\$/sh)</i>	47.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	70
<i>Pricing Date</i>	5/1/08	<i>Adjusted Reserves/Production NTM</i>	8.3
<i>Shares (mm)</i>	717	<i>EV/Ebitda</i>	4.2
<i>Market Capitalization (US\$m)</i>	34,300	<i>PV/Ebitda</i>	5.5
<i>Debt (US\$m)</i>	11,200	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (US\$m)</i>	45,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	49.70
<i>Present Value (PV) (US\$m)</i>	59,900	<i>Present Value Proven Reserves(US\$/boe)</i>	28.90
<i>Net Present Value (US\$/share)</i>	68	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.82
<i>Debt/Present Value</i>	0.19	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.46
<i>McDep Ratio - EV/PV</i>	0.76	<i>Price/Earnings Next Twelve Months</i>	7
<i>Dividend Yield (%/year)</i>	2.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.96
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$80 a barrel and natural gas, \$11 a million btu.			
For historical research on Marathon since 2001 see http://www.mcdep.com/3mro.htm			

Summary and Recommendation

Net Present Value (NPV) of \$68 a share for Hold-rated **Marathon Oil Corporation (MRO)** may be getting less attention from investors than conditions in the volatile refined products business. Indeed results for the first quarter reported today included sharply lower cash flow for that segment. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). Last year's acquisition of oil sands boosts oil and gas reserves by 20% (see table Production and Reserves, 2007). The timeliness of that deal is borne out by a continued trend upward in oil price (see chart Six-Year Commodity Price Meter).

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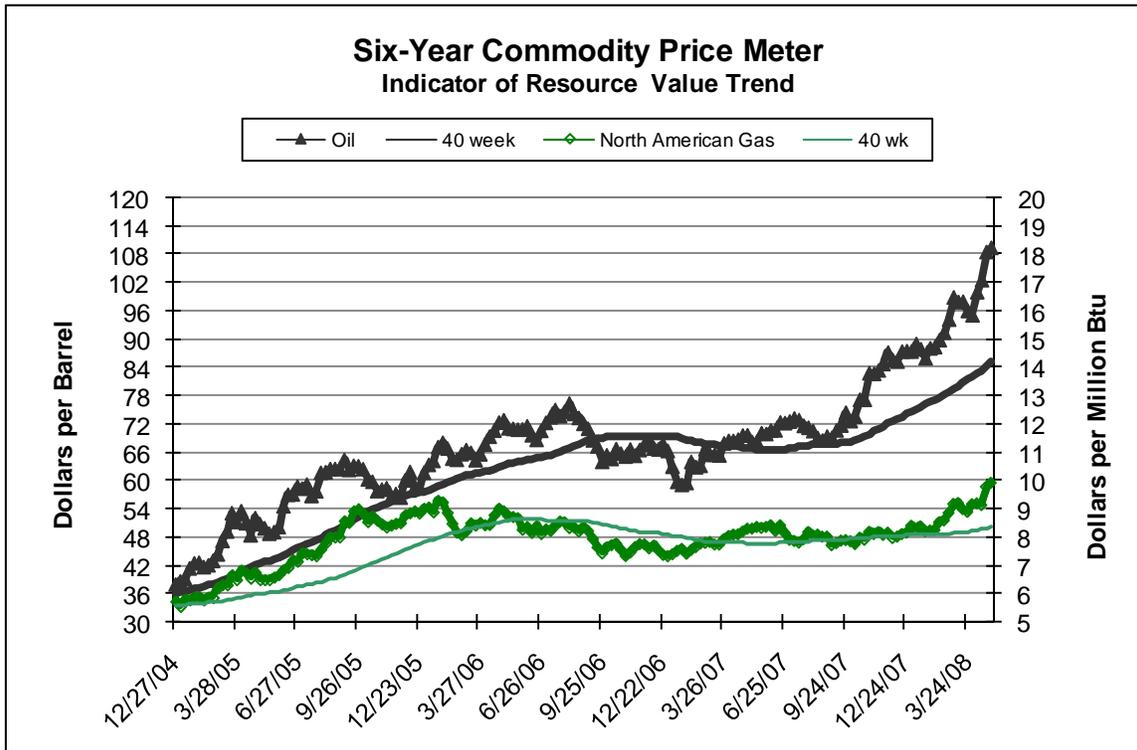


Marathon Oil Corporation									
Next Twelve Months Operating and Financial Estimates									
									Next
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Twelve
	3/31/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	2008E	Months
									3/31/09
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	512	474	477	482	482	482	482	483	482
Overseas (or Int'l)	337	510	448	647	647	647	647	649	647
Total	849	984	925	1,129	1,129	1,129	1,129	1,132	1,129
Days	90	92	365	91	91	92	92	366	365
Oil (mbd)	198	205	200	230	230	230	230	230	230
Total gas & oil (bcf)	183	204	776	228	228	231	231	918	916
Total gas & oil (mbd)	340	369	354	418	418	418	418	419	418
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.97	6.87	8.02	10.75	11.49	11.85	10.52	11.58
U.S. (or North America)	5.91	5.70	5.73	6.83	9.16	9.79	10.09	8.97	9.86
Overseas (or Int'l)	4.91	3.96	3.28	3.19	2.27	3.96	3.96	3.35	3.35
Total	5.51	4.80	4.54	4.74	5.21	6.45	6.58	5.75	6.13
Oil (\$/bbl)									
WTI Cushing	58.08	90.67	72.28	97.94	116.85	116.98	115.03	111.70	115.57
Worldwide	51.07	80.58	64.97	88.75	105.87	105.99	104.23	101.23	104.72
Total gas & oil (\$/mcf)	7.26	9.59	8.09	10.27	12.05	12.62	12.51	11.87	12.36
NY Harbor 3-2-1 (\$/bbl)	11.68	8.19	14.37	7.57	13.66	12.76	9.80	10.95	12.07
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	272	249	998	300	402	434	448	1,583	1,736
Overseas (or Int'l)	149	186	536	188	134	236	236	793	791
Total	421	434	1,534	487	535	670	683	2,376	2,526
Oil	910	1,520	4,749	1,857	2,216	2,243	2,205	8,522	8,792
Other	11,671	16,410	58,924	15,755	15,755	15,755	15,755	63,021	63,021
Total	13,002	18,364	65,207	18,100	18,506	18,668	18,644	73,918	74,338
Expense	11,459	16,891	57,242	16,240	14,784	15,825	16,421	63,269	63,447
Ebitda (\$mm)									
Exploration and Production	904	1,185	4,268	1,610	1,843	1,951	1,935	7,340	7,583
Other	639	288	3,697	250	1,879	891	288	3,309	3,309
Total Ebitda	1,543	1,473	7,965	1,860	3,723	2,843	2,223	10,649	10,892
Exploration	61	190	454	129	129	129	129	516	537
Deprec., Deplet., & Amort.	393	415	1,613	451	457	462	462	1,831	1,832
Other non cash					1,000				
Ebit	1,089	868	5,898	1,280	2,137	2,252	1,633	7,302	7,523
Interest		100	100	100	100	100	100	400	400
Ebt	1,089	768	5,798	1,180	2,037	2,152	1,533	6,902	7,123
Income Tax	381	269	2,029	413	713	753	536	2,416	2,493
Net Income (\$mm)									
Exploration and Production	385	402	1,666	711					
Other	364	53	2,209	24					
Unallocated	(41)	44	(106)	32					
Total	708	499	3,769	767	1,324	1,399	996	4,486	4,630
Shares (millions)									
Per share (\$)	1.02	0.70	5.45	1.07	1.85	1.95	1.39	6.26	6.46
Ebitda Margin (E&P)	68%	61%	68%	69%	67%	67%	67%	67%	67%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Marathon Oil Corporation					
Functional Cash Flow and Present Value					
	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	1,160	5.0	3.6	4,200	7%
Rest of World Natural Gas	530	8.7	6.6	3,500	6%
Oil	5,890	9.3	5.5	32,300	54%
Downstream	3,310		6.0	20,000	33%
	10,890	8.3	5.5	60,000	100%
Debt					11,200
Net Present Value (\$mm)					48,800
Shares					717
Net Present Value - Standard Estimate (US\$/sh)					68
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					64

Marathon Oil								
Production and Reserves, 2007								
								<i>NTM</i>
				<i>12/31/2007 Proven Reserves</i>			<i>Weighted</i>	<i>Adjusted</i>
		<i>2007 Production</i>	<i>Developed</i>	<i>Undeveloped</i>	<i>Weighted</i>	<i>Life Index</i>	<i>R/P</i>	
		<i>(daily)</i>	<i>(annual)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(years)</i>	<i>(years)</i>
U.S. Natural Gas		477	174	761	246	884	5.1	5.0
Rest of World Natural Gas								
	Europe	167	61	173	209	278	4.5	
	Africa	230	84	1,515	546	1,788	21.3	
	Total	397	145	1,688	755	2,066	14.2	8.7
Oil								
	U.S.	63	23	135	31	151	6.5	
	Canada	4	1	219		219	150	
	Europe	36	13	32	83	73	5.6	
	Africa	99	36	304	65	337	9.3	
		201	73	690	179	780	10.6	9.3
Total Oil Equivalent		347	127	1,098	346	1,271	10.0	8.3



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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