

**Remarks By
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“The Bakken: Creating a New Reality for America’s Energy Future”**

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It's a pleasure to be here to address this conference – a conference that started with humble beginnings but has grown into a major event for North Dakota and our industry. I'm told more than 4,000 people are in attendance at this year's conference. More than 500 exhibitors. People are here from eight countries.

There's no question: "Bakken Strong" is an entirely appropriate theme for this year's event.

I don't think anyone would have imagined 22 years ago at the *first* Williston Basin Petroleum Conference that we would be here today talking about a North American energy renaissance – a renaissance led by the world-class Bakken resource play.

This conference is a testament to the massive growth within our industry – particularly here in North Dakota – and the potential for even more.

It's also a testament to the efforts of the North Dakota Petroleum Council and its members working collaboratively and cooperatively for the benefit of us all.

Ron Ness and his team do incredible work. I'm confident everyone here agrees with that. So, thank you, Ron.

As Attorney General (Wayne) Stenehjem mentioned, I'm relatively new to Marathon Oil, having joined the Company last summer. But I'm certainly not new to this industry.

Like so many of you, I've built a career in the oil and gas industry. And I can say without a doubt that there has never been a more exciting time to be a part of it.

The excitement you and I feel is being felt by others too.

In December, in conjunction with our Analyst Day in New York, I was a guest on Jim Cramer's *Mad Money* program on CNBC.

If you happen to be a fan of the show, or know anything about Jim Cramer, you know he's a pretty intense and high-energy host. Some of you may recall that he visited North Dakota and reported from here back in 2011.

As he was introducing me, he highlighted a few items from the update we'd just provided to investors during our analyst day presentations.

In particular, he noted that we were accelerating our rig activity in the Eagle Ford, the Oklahoma resource basins and the Bakken and had doubled our resource estimates in these plays since 2011.

Finally, he turned to me and said, "Wow, you're bullish on America."

My response to him was that I was bullish on profitability – and today, thanks to plays like the Bakken, profitability and energy production in America go hand in hand.

It's no surprise to anyone in this room: The growth we've seen in our industry – driven in large part by what's going on right here in North Dakota – is nothing short of historic.

People used to say that America's energy resources had been tapped. That there was nothing else to find. That producing areas like the Williston Basin were winding down. That our economy had better look for growth elsewhere.

They're not saying that anymore.

Last year the oil and natural gas industry in this country supported more than 9.8 million jobs.

We delivered more than \$86 billion in revenue every day to the federal government.

And, we represented 8 percent of the total U.S. economy.

You're all familiar with these figures.

And a bit closer to home, the impact is no less compelling:

In North Dakota, our industry has created more than 75,000 jobs over the past few years.

Statewide, the unemployment rate is 2.6 percent – far lower than the national average. For much of western North Dakota, the unemployment rate is at or below 2 percent.

Salaries in oil and gas in North Dakota are much higher than the national average. The typical oil field worker in North Dakota makes \$112,000 per year; new entrants start at \$66,000.

And in 2013, for the fourth time in the last six years, North Dakota had the fastest personal income growth of all 50 states.

Since 2006, personal incomes in North Dakota have grown at a compound annual rate of nearly 10 percent, substantially outpacing the 3.1 percent growth rate across the rest of the country.

This industry is also generating billions in taxes for the state and tribal governments.

More than half of the \$5.78 billion in tax revenues collected in North Dakota last year came from oil and gas -- more than \$1.3 billion from the gross production tax and about \$1.6 billion from the oil extraction tax. Together, that's more than \$2.9 billion.

It's all pretty remarkable.

At the heart of this oil and gas supply renaissance is a spirit of technological innovation that has changed the game entirely.

The resource plays that are now accessible, like the Bakken, the Oklahoma resource basins and the Eagle Ford, represent a step-change for our industry and for our economy.

But our ability to *continue* to grow – our ability to *continue* to shape America's and the world's energy future – depends on two things: capitalizing on opportunities and navigating the challenges.

I'd like to spend our time together this afternoon talking about both. First, the opportunities...

The Opportunities Ahead

Marathon Oil is very proud to be part of the Bakken success story. And our shareholders are equally pleased with the profitable growth we're generating.

Greater than 60 percent of our \$5.9 billion capital, investment and exploration budget this year is going toward investments in our three high-quality U.S. resource plays, including over \$1 billion in the Bakken.

We've accelerated our rig activity in the Bakken by 20 percent -- a key priority of our Company's 2014 agenda. In the first quarter of this year, we increased average net production 16 percent compared to the year-ago quarter.

We've employed best-in-class drilling techniques across our operations, improving cycle times every year. Capital efficiency in both drilling and completions is being driven by our exceptional asset team based in Dickinson.

It's a team led by Terry Kovacevich, our regional vice president for the Bakken asset. Like all of us, Terry's team sees the tremendous potential for North Dakota to remain a key driver of our industry's growth.

Remarkably, crude oil output from North Dakota will reach 1 million barrels per day this year. North Dakota is the second-largest oil producing state in the nation, second only to Texas.

Production in the Bakken is consistently increasing by 15,000 to 20,000 barrels per day every month.

And this production is sustainable for the long-term. With more than 10,000 wells producing in North Dakota, state figures cite the potential for 40,000 more development wells. That's a 15- to 20-year inventory at the current rig count.

Accessing these reserves is critical to America's economic growth and energy security. It also could have a profound effect on global markets, and growth and security around the world.

From Europe to Asia we're seeing growing awareness of the need for supply diversity. We can and should find a way to play a greater role contributing to that diversity by finding new ways to bring American crude oil to global markets.

We are a nation with a history built on free trade, and I am of the very strong belief that America is well positioned to compete in the global commodity market.

I know you agree -- because you've seen the same data I've seen.

We continue to produce record or near-record amounts of refined petroleum products -- even though American demand has declined in recent years. As a result, we are becoming net exporters of these petroleum products.

In fact, 2013 was a record year for U.S. trade overall.

The total U.S. trade deficit shrank by more than \$38 billion, while the trade deficit in petroleum products dropped by over \$56 billion, due to lower energy imports and increased exports.

However, while refined petroleum products already function in a global market, U.S. policy limits access to that market for crude oil and, by doing so, limits our opportunity for further growth. Lifting today's crude oil export restrictions would help strengthen the U.S. economy, foster job creation and promote the efficient development of the domestic energy sector. And doing so would have no negative impact on the U.S. consumer; in fact, recent studies indicate that crude exports would actually lower gasoline prices at the pump.

Additionally, the ban on crude exports runs the risk of dampening U.S. production, as demand for light, sweet crudes produced from shale plays may be limited by the capacity of domestic refiners to process that type of oil. Alternatively, allowing U.S. producers to export light, sweet crude to global markets further helps our balance of trade because we're exporting higher-value crudes, while U.S. refiners, to the extent necessary, would be importing lower-cost heavy crudes for which their refineries are designed.

Clearly, allowing producers to sell crude on the global market is a win-win for the U.S. economy. It will provide greater incentives for drilling, benefit the consumer, encourage further investments in oil and gas production and create more jobs and other economic benefits – in North Dakota and elsewhere.

So -- more production in the Bakken means: more exports, less imports, greater energy security, greater economic security...

These are the opportunities. These are the stakes.

The potential is there if we can navigate the challenges we face. And there are many.

The Challenges to Address

In fact, several key issues continue to dominate the conversation around the development of oil and gas resources.

We must address these issues in the right way, and with a sense of urgency. We must put them into context, to engage openly and honestly with those who are voicing concerns, and to demonstrate our ongoing commitment to safe and responsible operations.

But perhaps most important: We must *talk about* what we're doing in a meaningful, credible way. Often. To our friends and supporters, but also to our skeptics and opponents.

And for those of us who are engineers, geoscientists, technicians ... that's not something that always comes naturally.

We're getting better at it, though.

And the data shows, by and large, that people understand that developing our abundant oil and gas energy resources doesn't have to come at the expense of things like clean water, clean air or safety on the road or on the rail.

Let's address each of those.

First, water.

At Marathon Oil, we're leveraging our learnings and employing best practices while managing water use across all our U.S. resource plays.

For example, in our Eagle Ford operations in Texas, we've reduced water use per well by 45 percent during hydraulic fracturing operations by switching to a polymer gel mix to produce a thicker, more viscous fluid that also can handle more sand in the process.

Additionally, more than 50 percent of the water we used in the Eagle Ford during 2013 was either restricted or unsuitable for drinking, agriculture or livestock – meaning we're using water that otherwise wouldn't be used elsewhere.

In North Dakota, we're leaning toward gels to help us use less water too. In the Bakken, produced water has a high salinity that makes recycling difficult and requires large amounts of fresh water for dilution. However, we're evaluating the use of gels that would allow us to recycle produced water.

We're also exploring a second option that uses a proprietary treatment process that results in clean, reusable brine for drilling as well as fresh water for hydraulic fracturing.

Field piloting for both of these conservation methods is planned for this year.

Speaking of hydraulic fracturing ... we think it's important for companies like us to disclose fracturing fluid components, and we have voiced our support for state policies that encourage that.

We participate in the chemical disclosure registry, FracFocus.

We've also worked with other operators and trade organizations to develop and implement the registry and to enter all of our wells drilled and hydraulically fractured in the U.S.

We encourage service companies that work with us to disclose their fracturing fluid components, too.

Now, let's talk about clean air.

As an industry, we recognize the global concern about the potential impact of greenhouse gases and other air emissions on the environment. At Marathon Oil, we constantly strive to respond to these concerns.

For example, to reduce flaring in high-growth areas like the Eagle Ford and here in the Bakken, we invest in and build gas-gathering facilities.

Again I thank Ron and the North Dakota Petroleum Council for their work to create a Flaring Task Force – a group spearheading the industry’s efforts to significantly reduce natural gas flaring in the Bakken.

Their efforts are already proving successful.

Earlier this year, the task force announced that individual member companies had developed a comprehensive plan to increase natural gas capture to 85 percent within two years and to 90 percent within six years with the full engagement of industry, state agencies, the Legislature, landowners and others stakeholders.

And that point is important: This will take a lot of work and a lot of investment. It won’t be easy. But it’s the right thing to do. And it depends on all of us. The industry is expected to invest an estimated \$1.7 billion in the next couple of years for additional pipelines and other infrastructure to capture natural gas – and that’s on top of the \$6 billion already invested on related projects.

The task force’s recommendations include asking upstream and midstream companies to develop specific gas-capture plans – like we have at Marathon Oil – to regulate both currently flaring wells and future wells. Companies failing to comply could face real consequences, such as denied or suspended drilling permits.

The recommendations also include planning and tracking projects that allow companies to report their progress to the North Dakota Industrial Commission, as well as a “pipeline hotline” that would give landowners an easy way to flag problems or concerns.

The task force also recommended creating and implementing policies and legislation to enhance Right of Way (ROW) access and greater support for infrastructure and technology projects.

As we look ahead, the 2015 legislative session will be critical and we’re eager to work with the state’s elected leaders in Bismarck. We need the support of the legislature for critical infrastructure projects. State funding to provide Western counties with the hospitals, law enforcement and schools they need is vital.

We need workforce training that gives North Dakotans who want to make a career in our industry every opportunity to do so.

On the issue of roads, we know that creating additional pipeline infrastructure will reduce the strain – and the traffic – on the roadways surrounding our operations.

According to the North Dakota Pipeline Authority, the Williston Basin will have an oil pipeline capacity of more than 780,000 barrels per day by the end of this year, and approximately 1.2 million barrels per day by 2016.

That’s one important step forward.

Rail transport is another way to alleviate traffic and infrastructure concerns within communities that neighbor our operations. But rail transport risks must be managed by both producers and the rail providers.

North Dakota is well aware of the critical need to employ strict safety measures that help avoid rail accidents, and to mitigate the impact should one occur.

The U.S. Department of Transportation (DOT), through the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Federal Railroad Administration (FRA), is taking a renewed focus on the safe transportation of bulk hazardous materials.

They're looking specifically at flammable liquids transported either by rail or by truck.

The approach focuses on making improvements to rail operations, ensuring proper classification of hazardous materials and improving tank car survivability.

We support their objectives and remain committed to partnering with all reasonable entities who share our commitment to safely and responsibly developing America's energy resources.

Marathon Oil was pleased to participate in the Bakken Crude Quality Assurance study commissioned by the North Dakota Petroleum Council. This comprehensive study was performed by an internationally recognized refining consultant in conjunction with a world leading testing and inspection company. With more than 150 samples and a broad slate of tests conducted, the study is perhaps the most comprehensive of its kind in a U.S. oil field. It focused on those parameters relevant to DOT hazardous material compliance and confirmed that Bakken crude is a light, sweet crude with low corrosivity and one that may be transported safely under current federal specifications.

As a whole, our industry continues to support holistic efforts to prevent, mitigate and respond to incidents involving our products as they travel by rail through communities.

We take pride in working closely and collaboratively with the regulators and the railroad industry to make rail transport of our products as safe as it can possibly be.

This is why we're undertaking projects on everything from tank car design ... to crude oil testing and classification ... to reviewing emergency response training and communications.

As an industry, we certainly don't have all the answers, but we're working hard to tackle the most pressing issues. We're fully leveraging industry associations such as the North Dakota Petroleum Council and API to drive improvements based on sound risk management principles.

And we're addressing these challenges in collaboration with anyone willing to work alongside us in the interest of American energy security. We welcome solution-driven input and engagement.

Of course, our ability to deliver that kind of progress depends on successful execution of our business plans and our ability to operate.

And in many ways, that depends on getting the *right* public policies in place that enable us to achieve our goals.

"Right" means providing a certainty of the rules, so we can move forward with confidence and transparency.

It means paving the way for new investments and technologies.

And it means allowing us to achieve our shared vision of creating jobs and economic growth, *while* generating revenues and building a more secure energy future.

Improving the drilling permitting process and reducing the backlog of federal permit applications is critical to our ability to do that.

The industry is very much engaged in addressing this issue, and we appreciate the efforts of North Dakota's federal Congressional delegation.

As Congress considers the role of federal policies and regulations, we hope they will take cues from North Dakota. This state has a history of successful state-led regulations on oil and natural gas production.

The tax-sharing agreement between the Three Affiliated Tribes and the state is a prime example of what can be accomplished when everyone works together in a collaborative spirit in the best interests of all parties. This alignment of interests has been a key success factor in the shale revolution.

Earning Our License to Operate

As an industry, we must be mindful of the communities in which we operate ... of the people who allow us into their cities and towns, who work in our fields and who share in our success.

We must be responsible corporate neighbors and never lose sight of the fact that we're guests in these communities and that we'll be judged by our individual and collective behaviors.

The North Dakota Energy Forum's "Sporting and Oil Industry Forum" is a great example.

It encourages sporting, wildlife and conservation groups and energy companies to share information and discuss energy development, wildlife and habitat preservation in North Dakota.

Addressing shared issues is important, but so is community service...

In North Dakota, Marathon Oil is proud to serve our communities in a number of ways.

Terry and his team have worked together for the past eight years with policy makers, industry groups and communities to support a variety of volunteer and philanthropic causes throughout western North Dakota.

I'm particularly proud of one ongoing commitment that's expected to come to fruition this year.

In 2011, we became the lead supporter of a fundraising effort for construction of a new hospital in Dickinson, working closely with the St. Joseph's Hospital Foundation.

We committed \$1 million to help lead the fundraising campaign that is advancing ever closer to its goal of \$15 million.

I'm happy to report that this new facility is expected to open in November and will greatly improve services and access to health care for the region's rapidly growing population.

There are examples like this throughout our company and our industry, and I'd like to encourage everyone in this audience to continue those efforts. As I've noted in my remarks, there's a lot of work still to be done, and we all share a role in the outcome.

In fact, the revenues generated from this conference will contribute to the geological exhibits at the North Dakota Heritage Center, support nonprofit organizations in western North Dakota, and support scholarships for North Dakotan students.

We should all be very proud of the ways in which our industry is giving back.

And we should look for ways to do even more – ensuring our efforts in this area grow in sync with our business success.

Closing

It wasn't long ago that America looked mainly with pessimism to our future as it related to oil and gas production and energy security.

Twenty years ago, plays like the Bakken were thought to be finished – or nearly finished. That's been proven false.

Ten years ago it was unthinkable that America could once again become an energy *exporter*. Now, we're poised to do just that. The application of hydraulic fracturing and other technologies has returned America to "energy superpower" status.

And as recently as **five** years ago, estimates of the recoverable shale resources in North Dakota were half of what they are today.

Our industry is a dynamic one. And it's one that's built on solving tough challenges.

We see tough problems and we solve them – despite the obstacles. The challenges we face today are *entirely* surmountable and we look forward to working side-by-side with all stakeholders to achieve just that.

The shale revolution in North America – and in North Dakota in particular – is giving our industry the opportunity to *yet again* prove ourselves and remind the world of our value, and our role on the global energy stage.

We welcome this opportunity.

To deliver greater energy security for America and the world...

To develop the energy resources that society will need to thrive...

To create jobs and economic opportunity today and for future generations...

And to do it all in a manner that is safe and responsible.

It's a tall order. But I have no doubt we will deliver. We always have. And I'm confident we will continue to do so.

That's why I'm bullish on America – and bullish on North Dakota.

Thank you very much.

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