



**Resource Development Council
Cook Inlet 2004:
The Search For New Gas**

Marathon Update
John A. Barnes
November 20, 2003


Marathon

Forward Looking Statement

Except for historical information, the enclosed presentation materials contain forward-looking information with respect to additional production and drilling activity. This forward-looking information is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied from such information. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Marathon Oil Corporation has included in its Annual Report on Form 10-K for the year ended December 31, 2002, and in subsequent Forms 10-Q and 8-K, cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in the forward-looking statements.

Discussion Topics

- ◆ 2003 Accomplishments
- ◆ Outlook: 2004 and Beyond
- ◆ The “TOP 10 CHALLENGES TO DEVELOPMENT”

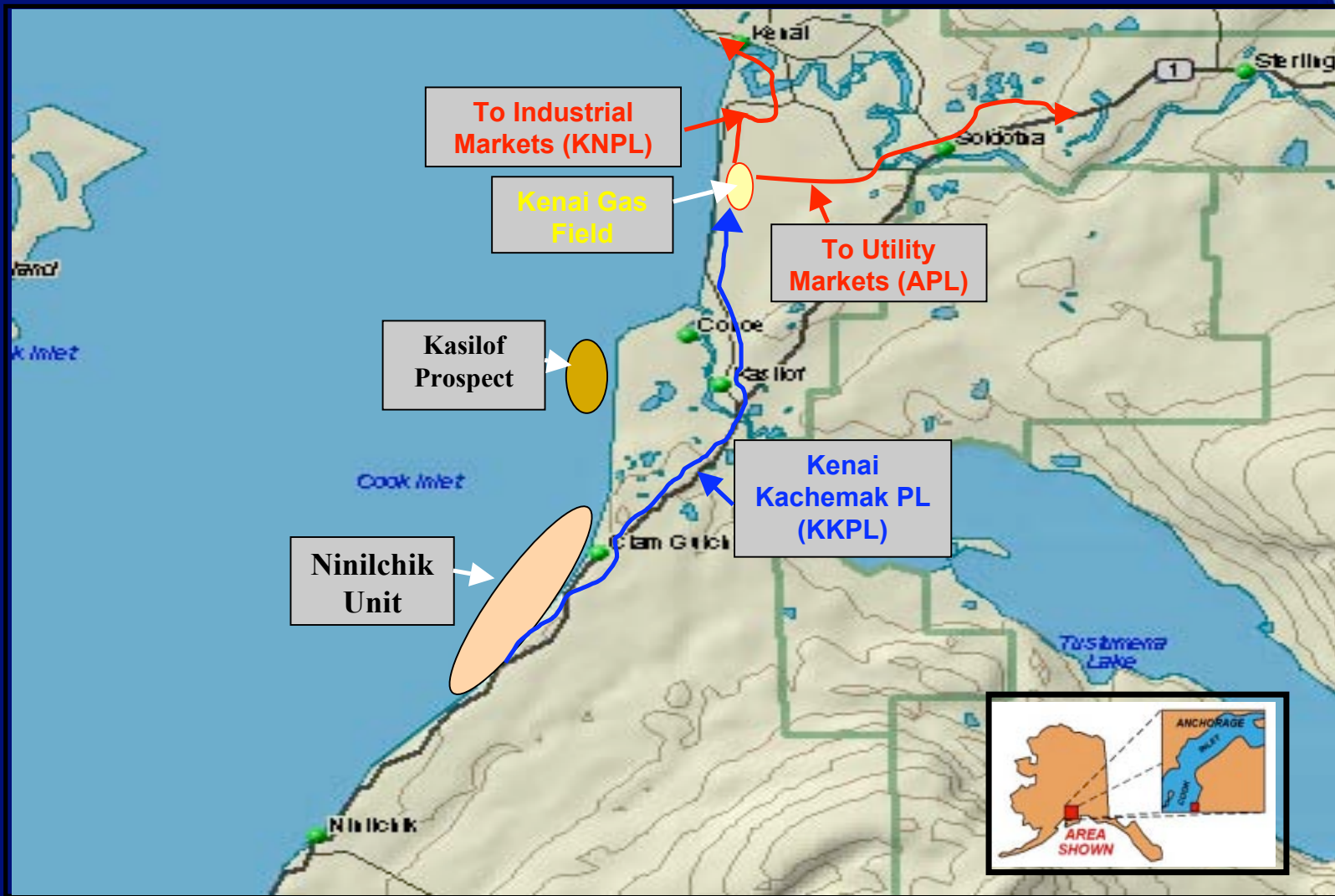


Ninilchik Development

- ◆ First production achieved September 2, 2003
- ◆ Currently producing over 25 mmscfd from 4 wells.
- ◆ Expect 40 mmscfd production by year-end
- ◆ Production is owned 60/40 by Marathon and Unocal. Marathon is the Operator and directs the field work.
- ◆ Kenai Kachemak Pipeline LLC installed the Pipeline (KKPL). This new company is owned 60/40 by Marathon & Unocal.



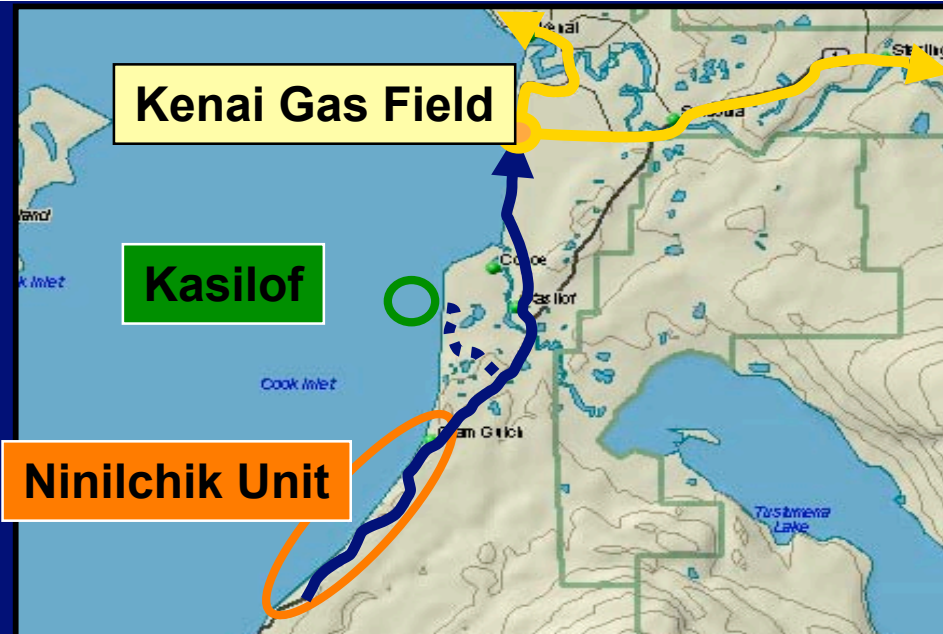
Ninilchik Development Location Map



Ninilchik Drilling & Completion



- ◆ 5 wells drilled to date (two this year)
- ◆ 4 pad locations so far; as many as 2 more?
- ◆ Plan on 2 – 3 wells annually for the next several years
- ◆ ~ 50 days to drill & complete average well



KKPL

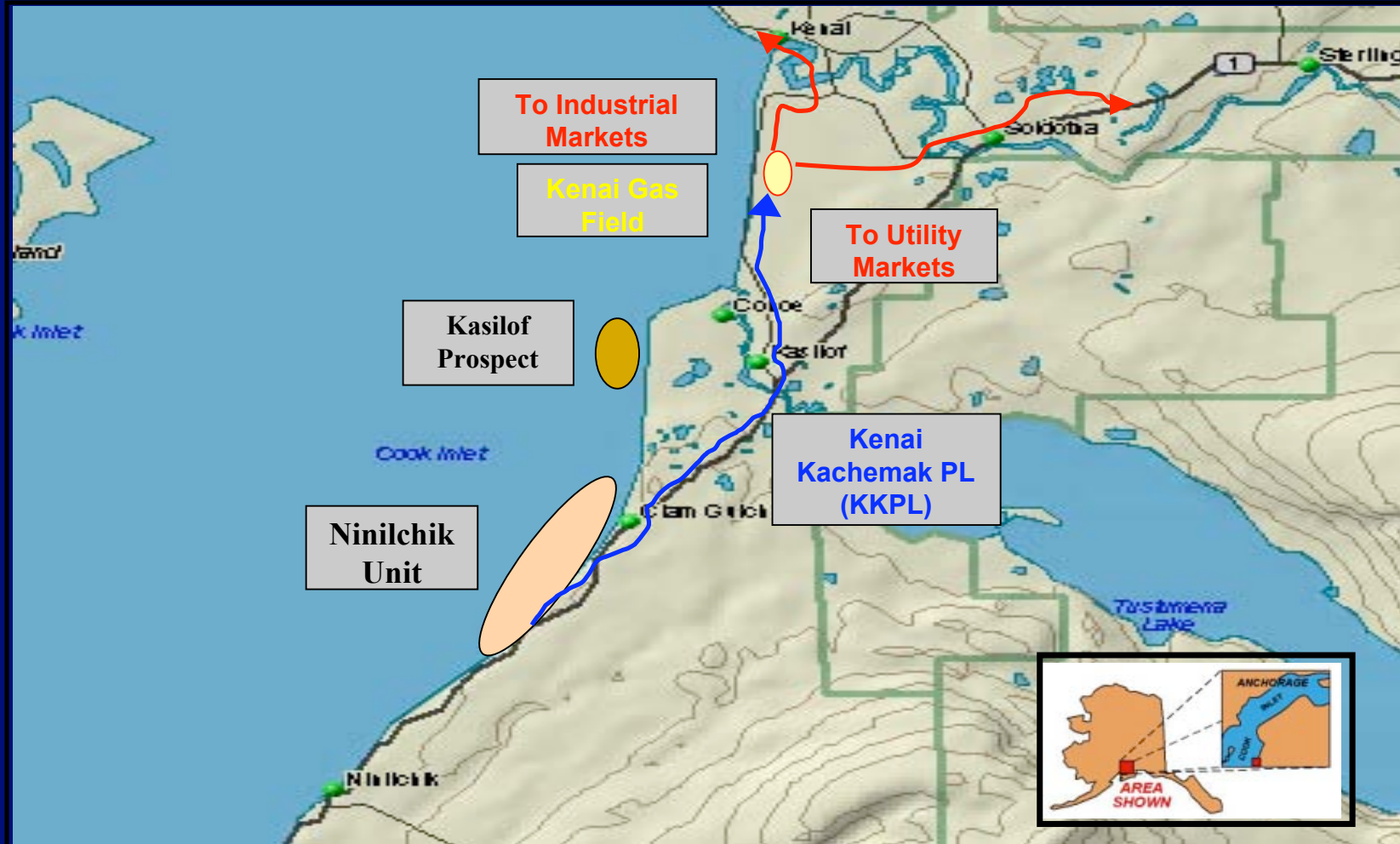
- 33 miles
- 12" diameter
- 120+ MMCFPD Capacity (90 MMCFPD peak commitment from MOC/UCL)
- Deliveries to KNPL (LNG & Agrium) & APL (Enstar) from Ninilchik Unit
- Would serve Kasilof with a 4.1 mile lateral



Other 2003 Accomplishments

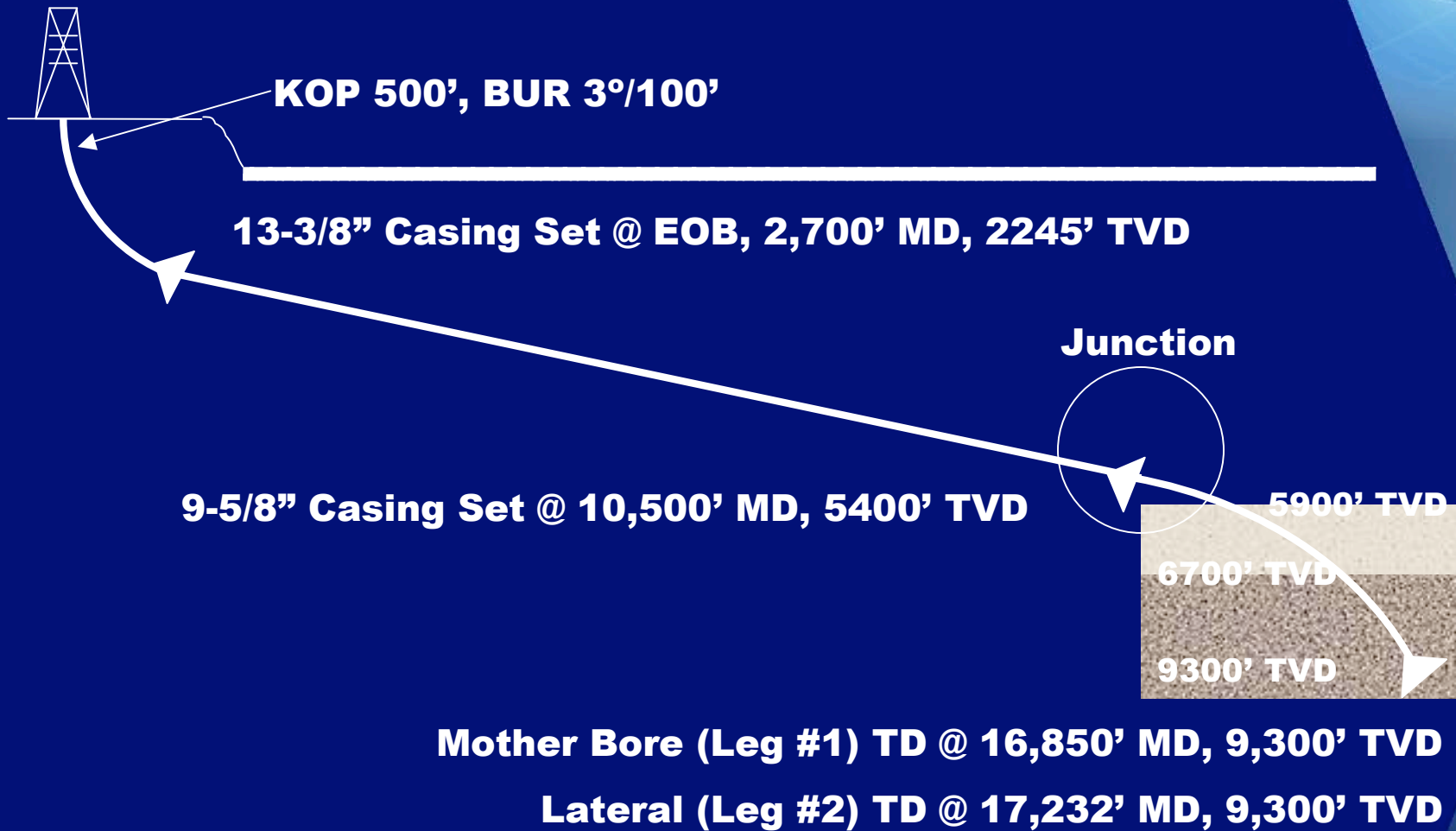
- ◆ Marathon received Kenai Peninsula Borough 2003 Oil and Gas Company of the Year
- ◆ Marathon received Director's Corporate Wildlife Stewardship Award for activities on the Kenai National Wildlife Refuge (KNWR).
- ◆ Completed EIS for East Swanson Prospect on KNWR.
- ◆ Marathon EXCAPE™ Technology receives World Oil Award as best drilling/completions technology.
- ◆ And well activity...

2004 and Beyond: Kasilof Prospect

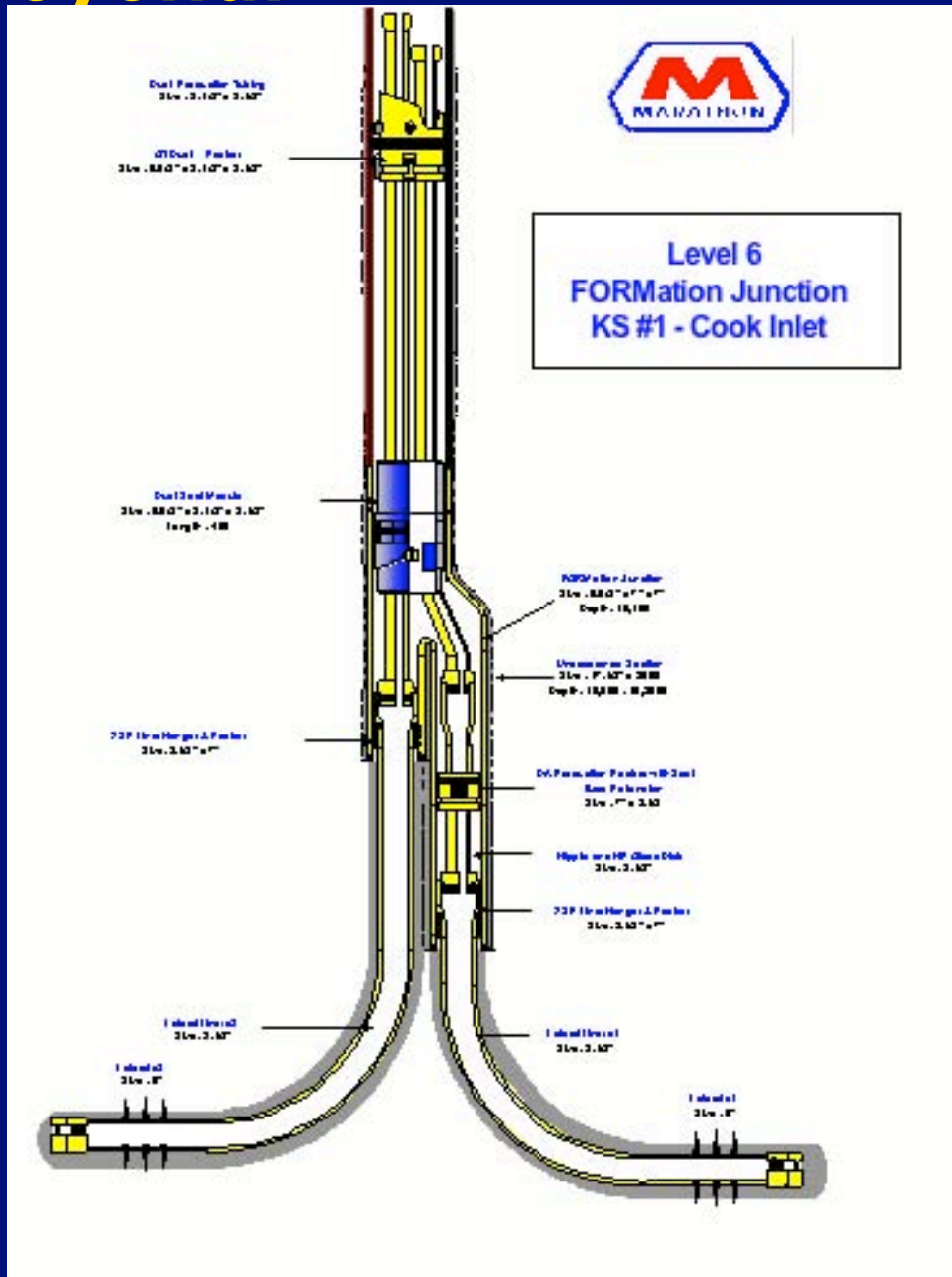


2004 and Beyond:

Drillers Cartoon of Kasilof South #1



2004 and Beyond:



2004 Expectations

- ◆ Marathon will be running three onshore drilling rigs.
- ◆ Marathon may drill up to 8-12 wells, including finishing the Kasilof well.
- ◆ Other Exploration Opportunities Include:
 - West Fork Area (Near Sterling)
 - East Swanson River



The Top 10 Challenges to Development

 Permitting



Permitting Challenge – Drill Wells



Permits/Permissions/Plans/Reports Required

	Native Exploration	Native Develop.	State Exploration	State Develop.	Federal Exploration	Federal Develop.
Federal	19	11	7	4	17	10
Alaska	8	8	8	8	8	8
AOGCC	14	14	14	14	14	14
DNR	6	3	6	3	6	3
Ak Misc.	3	3	3	3	3	3
City & Borough	7	7	7	7	7	7
TOTAL	57	44	45	39	55	45



The Top 10 Challenges to Development

 Permitting

 Pipeline Regulatory Environment



Pipeline Regulatory Challenges

- ◆ KKPL Permitting and Regulatory Costs
 - ~13 Percent of \$25 Million Pipeline Spend
- ◆ KKPL Final Tariff Set
 - Expected to be set about one year after first gas.
 - ~36 Months after process started.



The Top 10 Challenges to Development

 Permitting

 Pipeline Regulatory Environment

 My Lawyers Advised Against Discussing This

 Services and Infrastructure

Services and Infrastructure

- ◆ Cook Inlet Service Industry Distressed
- ◆ Alaska becoming more remote, not less.
 - (Especially the Cook Inlet)



The Top 10 Challenges to Development

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 Pipeline Regulatory Environment

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 Services and Infrastructure

 To 10., not enough time to discuss



Thank you!

