

MARATHON OIL CORP
Form DEF 14A
March 13, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Marathon Oil Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Notice of Annual Meeting of Stockholders and Proxy Statement

2007

Wednesday, April 25, 2007

10:00 A.M. Central Time

Conference Center Auditorium

Marathon Oil Tower

5555 San Felipe Road

Houston, Texas 77056

Please vote promptly either by:

- telephone,
 - the Internet, or
 - marking, signing and returning your proxy or voting instruction card.
-

Marathon Oil Corporation
5555 San Felipe Road
Houston, TX 77056

Clarence P. Cazalot, Jr.
President and Chief Executive
Officer

March 13, 2007

Dear Marathon Stockholder,

On behalf of your board of directors and management, you are cordially invited to attend our 2007 annual meeting of stockholders to be held in the Conference Center Auditorium of the Marathon Oil Tower, 5555 San Felipe Road, Houston, Texas, on Wednesday, April 25, 2007 at 10:00 a.m. Central Time.

If your shares are held of record with National City Bank, our transfer agent and registrar, we have enclosed a proxy card for your use. You may vote these shares by completing and returning the proxy card, or alternatively, calling a toll-free telephone number or using the Internet as described on the proxy card. If your shares are held by a broker or other nominee (i.e., in street name), enclosed is a voting instruction card, which you should use to vote those shares. You also have the option of voting by mail, or through the use of the telephone or Internet.

You will find information regarding the matters to be voted on at the meeting in the enclosed proxy statement. Our 2006 Annual Report to stockholders is also enclosed with these materials.

Your vote is important. We hope you will vote either by telephone, over the Internet or by marking, signing and returning your proxy or voting instruction card as soon as possible, whether or not you plan to attend the meeting.

Sincerely,

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Notice of Annual Meeting of Stockholders

on April 25, 2007

We will hold our 2007 annual meeting of stockholders in the Conference Center Auditorium of the Marathon Oil Tower, 5555 San Felipe Road, Houston, Texas 77056 on Wednesday, April 25, 2007 at 10:00 a.m. Central Time, in order to:

- elect five directors;
- ratify the selection of PricewaterhouseCoopers LLP as our independent auditor for 2007;
- approve the 2007 Incentive Compensation Plan;
- consider a proposal of the Board to amend our Restated Certificate of Incorporation and by-laws to eliminate the supermajority vote provision by stockholders;
- consider a proposal of the Board to amend our Restated Certificate of Incorporation to increase the number of authorized shares of common stock; and
- transact any other business that properly comes before the meeting.

You are entitled to vote at the meeting if you were an owner of record of Marathon Oil Corporation common stock at the close of business on February 26, 2007. If your ownership is through a broker or other intermediary, you will need to have proof of your stockholdings in order to be admitted to the meeting. A recent account statement, letter or proxy from your broker or other intermediary will suffice.

We have enclosed a copy of the Company's 2006 Annual Report to stockholders with this notice and proxy statement.

By order of the Board of Directors,

William F. Schwind, Jr.

Secretary

Dated: March 13, 2007

Marathon Oil Corporation
5555 San Felipe Road
Houston, TX 77056

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Proxy Statement

We have sent you this proxy statement because the Board of Directors is asking you to give your proxy (that is, the authority to vote your shares) to our proxy committee so they may vote your shares on your behalf at our annual meeting of stockholders. The members of the proxy committee are Thomas J. Usher, Clarence P. Cazalot, Jr. and Janet F. Clark. They will vote your shares as you instruct.

We will hold the meeting on April 25, 2007 in the Conference Center Auditorium of the Marathon Oil Tower, 5555 San Felipe Road, Houston, Texas. The proxy statement contains information about the matters being voted on and other information that may be helpful to you.

We began the mailing of the proxy statement, the proxy card and the 2006 Annual Report on or about March 16, 2007.

Questions and Answers

- Who may vote?

You may vote if you were a holder of Marathon Oil Corporation (Marathon or the Company) common stock at the close of business on February 26, 2007, which is the record date of the meeting. Each share of common stock is entitled to one vote.

- What may I vote on?

You may vote on:

- the election of five nominees to serve as directors;
- the ratification of the selection of PricewaterhouseCoopers LLP as our independent auditor for 2007;
- the approval of our 2007 Incentive Compensation Plan;
- a proposal to amend our Restated Certificate of Incorporation and by-laws to eliminate the supermajority vote provision by stockholders; and
- a proposal to amend our Restated Certificate of Incorporation to increase the number of authorized shares of common stock.

- How does the Board recommend I vote?

The Board recommends that you vote:

- **FOR** each of the nominees for director;
 - **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the independent auditor for 2007;
 - **FOR** the approval of the 2007 Incentive Compensation Plan;
 - **FOR** the proposal to amend our Restated Certificate of Incorporation and by-laws to eliminate the supermajority vote provision by stockholders; and
 - **FOR** the proposal to amend our Restated Certificate of Incorporation to increase the number of authorized shares of common stock.
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- How do I vote?

You may vote by telephone or over the Internet by following the instructions on the enclosed proxy card (or, if you own your shares through a broker or other intermediary, on the enclosed voting instruction card). You may also vote by marking, signing and dating the enclosed proxy card or voting instruction card, and returning it in the prepaid envelope. The proxy committee will vote your shares in accordance with your directions. If you return a proxy card but do not mark the boxes showing how you wish to vote, the proxy committee will vote your shares in accordance with the Board's recommendation on each proposal, but only if you have signed and dated the card. Unsigned proxy cards will not be voted at all. If you are a stockholder of record (that is, if you are registered on the books of our transfer agent), you may also vote in person by attending the meeting.

- May I change my vote?

If you are a stockholder of record, you may change your vote or revoke your proxy at any time before your shares are voted at the meeting by:

- voting again by telephone or over the Internet;
- sending us a proxy card dated later than your last vote;
- notifying the Secretary of Marathon in writing; or
- voting at the meeting.

- How many outstanding shares are there?

At the close of business on February 26, 2007, which is the record date for the meeting, there were 344,294,436 shares of Marathon common stock outstanding.

- How big a vote do the proposals need in order to be approved?

Directors are elected by a majority of the votes cast. For a director to be elected, this means that the number of shares voted for a director must exceed the number of votes cast against that director. Abstentions will not be taken into account in director elections. Each of the proposed amendments to the Restated Certificate of Incorporation will be approved if it receives the vote of a majority of the shares of common stock outstanding and entitled to vote. Each of the other proposals will be approved if it receives a majority of the votes of the shares present in person at the meeting and those represented by proxy and entitled to vote. Except as otherwise provided above, abstentions are counted as votes present and entitled to vote and have the same effect as votes against a proposal. Broker non-votes are not counted as either votes for or votes against a proposal. Both abstentions and broker non-votes are counted in determining that a quorum is present for the meeting.

- What are broker non-votes?

The New York Stock Exchange permits brokers to vote their customers' shares on routine matters when the brokers have not received voting instructions from their customers. The election of directors, the ratification of the independent auditor, and the proposals of the Board to amend our Restated Certificate of Incorporation are examples of routine matters on which brokers may vote in this way. Brokers may not vote their customers' shares on non-routine matters such as the proposal to approve the 2007 Incentive Compensation Plan, unless they have received voting instructions from their customers. Non-voted shares on non-routine matters are broker non-votes.

- What constitutes a quorum?

Under our by-laws, a quorum is one-third of the voting power of the outstanding shares of stock entitled to vote.

- Will my vote be confidential?

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All voting records which identify stockholders are kept permanently confidential except as necessary to meet legal requirements and in other limited circumstances such as proxy contests. The vote tabulators and the inspector of elections are required to execute confidentiality agreements.

- How will voting be conducted on other matters raised at the meeting?

If any matters are presented at the meeting other than the proposals on the proxy card, the proxy committee will vote on them using their best judgment. Your signed proxy card, or your telephone or Internet vote, gives them the authority to do this. Under our by-laws, notice of any matter to be presented by a stockholder for a vote at the meeting must have been received by our corporate Secretary on or after December 28, 2006 and no later than January 28, 2007, and it must have been accompanied by certain information about the stockholder presenting it. We have not received notice of any matter to be presented other than those on the proxy card.

- When must stockholder proposals be submitted for the 2008 annual meeting?

Stockholder proposals submitted for inclusion in our 2008 proxy statement must be received in writing by our corporate Secretary no later than the close of business on November 17, 2007. Stockholder proposals submitted outside the process for inclusion in the proxy statement must be received from stockholders of record on or after January 1, 2008 and no later than January 31, 2008 and must be accompanied by certain information about the stockholders making the proposals, in accordance with our by-laws.

The Board of Directors and Governance Matters

Under our by-laws and the laws of Delaware, Marathon's state of incorporation, the business and affairs of Marathon are managed under the direction of the Board of Directors. The Board met ten times in 2006. Their attendance averaged approximately 96 percent for the aggregate of the total number of Board and committee meetings held in 2006. Under our Corporate Governance Principles, directors are expected to attend the annual meeting of stockholders, and in 2006 all of our directors attended the meeting. Mr. Snow did not attend because he was not elected to the Board until September 27, 2006.

With respect to a lead or presiding director, the chairman of the Board presides at all meetings of stockholders and of the Board of Directors. In circumstances where the outside directors meet without the chairman or in circumstances where the chairman is unavailable, the chairman of the Corporate Governance and Nominating Committee presides at any such meeting, unless the Board determines that another director should lead the discussion due to the particular subject matter being discussed.

Our Corporate Governance Principles also require non-management directors of the Company to meet at regularly scheduled executive sessions. To comply with this directive, an offer of an executive session is extended to non-management directors at each regularly scheduled Board meeting. The chairman of the Board presides at these executive sessions, which serve as an efficient check on management. In 2006, non-management directors of the Company held seven executive sessions.

The Board has four principal committees, all the members of which are independent, non-employee directors. These committees are described on this and the following pages. The table below shows the current committee memberships of each director and the number of meetings that each corresponding committee held in 2006.

Board Committee Memberships

Director	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee	Committee on Financial Policy
Charles F. Bolden, Jr.	X		X	X
David A. Daberko	X		X	X*
William L. Davis	X	X		X
Shirley Ann Jackson	X*	X	X	
Philip Lader		X	X	X
Charles R. Lee	X		X	X
Dennis H. Reilley	X	X	X*	
Seth E. Schofield		X	X	X
John W. Snow		X	X	X
Douglas C. Yearley	X	X*		X
Number of Meetings in 2006 of Corresponding Committee	5	4	4	4

* Chair

Board and Committee Independence

The principal committee structure of the Board includes audit, compensation, corporate governance and nominating, and financial policy. These committees are comprised entirely of independent directors.

In determining independence, the Board affirmatively determines whether directors have no material relationship with the Company. When assessing materiality, the Board considers all relevant facts and circumstances including, without limitation, transactions between the Company and the director directly or organizations with which the director is affiliated, and the frequency and dollar amounts associated with these transactions. The Board further considers whether the transactions were at arm's length in the ordinary course of business and whether the transactions were consummated on terms and conditions similar to those of unrelated parties. In addition, the Board uses the following categorical standards to determine director independence: (1) not being a present or former employee, or having an immediate family member as an executive officer, of the Company within the past three years; (2) not personally receiving, or having an immediate family member receive, any direct compensation from the Company in excess of \$100,000 during any twelve-month period within the last three years, other than compensation for board or committee service, pension or other forms of deferred compensation for prior service, or compensation paid to an immediate family member who is a non-executive employee of the Company; (3) with respect to the Company's external auditor, (a) not being engaged, or having an immediate family member engaged, as a current partner by the Company's external auditor, (b) not being a current employee of the Company's external auditor, (c) not having an immediate family member who is a current employee of the Company's external auditor and who participates in such firm's audit, assurance or tax compliance (but not tax planning) practice, or (d) not being engaged or employed or having an immediate family member engaged or employed, within the past three years (but is no longer) a partner or employee of such firm and personally worked on the Company's audit within that time; (4) not being employed, or having an immediate family member employed, within the past three years as an executive officer of another company where now or at any time during the past three years any of the Company's present executive officers serve or served on the other company's compensation committee; (5) not being a current employee, or having an immediate family member who is a current executive officer, of a company that makes or made payments to, or receives or received payments from, the Company for property or services in an amount which, in any of the three preceding fiscal years, exceeded the greater of \$1 million, or 2% of the other company's consolidated gross revenues; and (6) not being an executive officer of a tax-exempt organization of which the Company has within the three preceding fiscal years made any contributions to that organization in any single fiscal year that exceeded the greater of \$1 million, or 2% of the tax-exempt organization's consolidated gross revenues.

Applying these categorical standards, the Board determined that the following directors qualify as independent: Charles F. Bolden, Jr.; David A. Daberko; William L. Davis; Shirley Ann Jackson; Philip Lader; Charles R. Lee; Dennis H. Reilley; Seth E. Schofield; John W. Snow; Thomas J. Usher; and Douglas C. Yearley.

In determining the independence of David Daberko, the Board further considered the stock transfer agent and banking services provided by National City Bank to the Company. The Board determined that Mr. Daberko had no material interest in any such transaction.

Audit Committee

The Audit Committee has a written charter adopted by the Board, which is available on the Company's website at http://www.marathon.com/Audit_Committee_Charter/. The charter requires the committee to reassess and report to the Board on the adequacy of the charter on an annual basis, which the committee did in 2006. All the members of the Audit Committee are independent (as independence is defined in Exchange Act Rule 10A-3, as well as the general independence requirements of NYSE Rule 303A.02).

This committee is, among other things, responsible for:

- appointing, replacing, compensating and overseeing the work of the independent auditor;

- reviewing the fees proposed by the independent auditor for the coming year and approving in advance all audit, audit-related, tax and permissible non-audit services to be performed by the independent auditor;

- separately meeting with the independent auditors, the internal auditors and management with respect to the status and results of their activities;

- reviewing with the chief executive officer, the chief financial officer, and the general counsel the Company's disclosure controls and procedures and management's conclusions about the efficacy of such disclosure controls and procedures;

- reviewing, approving and discussing with management and the independent auditors the annual and quarterly financial statements, reports of internal control over financial reporting, the annual report to stockholders, and the Form 10-K;

- reviewing earnings press releases, as well as financial information and earnings guidance issued publicly or provided to analysts and rating agencies;

- discussing with management guidelines and policies to govern the process by which risk assessment and management is undertaken by the Company; and

- completing an annual performance evaluation of this committee.

The Audit Committee has the authority to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company, and to retain outside legal, accounting or other consultants.

Audit Committee Policy for Pre-Approval of Audit, Audit-Related, Tax and Permissible Non-Audit Services

The Audit Committee adopted the Audit Committee Policy for Pre-Approval of Audit, Audit-Related, Tax and Permissible Non-Audit Services. This policy is attached as Appendix II to this proxy statement and is also available on the Company's website at http://www.marathon.com/Policy_PreAppAudit_Tax_NonAudit/. Among other things, this policy sets forth the procedure for the committee to pre-approve all audit, audit-related, tax and permissible non-audit services, other than as provided under the de minimus exception. Notwithstanding the de minimus exception, it is the intent of the committee that standard practice will be to pre-approve all permissible non-audit services. The committee delegated pre-approval authority of up to \$500,000 to the Audit Committee Chair for unbudgeted items.

Audit Committee Financial Expert

Based on the attributes, education and experience requirements set forth in Section 407 of the Sarbanes-Oxley Act of 2002 and associated regulations, the Board of Directors has determined that David A. Daberko, Charles R. Lee, and Dennis H. Reilley each qualify as an Audit Committee Financial Expert.

- Mr. Daberko is currently the chairman of the board and chief executive officer of National City Corporation. In addition to certifying the effectiveness of internal controls and procedures required by his position as CEO, Mr. Daberko's previous positions with National City required him to oversee internal accounting controls and set internal control policy. As head of bank investments, he was responsible for overseeing accounting for that area. Mr. Daberko holds a MBA in finance from Case Western Reserve University.
- Mr. Lee held positions as senior vice president-finance for Penn Central Corp. and Columbia Pictures Industries Inc., and senior vice president of finance with GTE Corporation. He received a MBA with distinction from the Harvard Graduate School of Business Administration.
- Mr. Reilley is the chairman of the board of Praxair, Inc. He also served as chief executive officer of Praxair from 2000 through 2006. In addition to certifying the effectiveness of internal controls and procedures required by his position as CEO, Mr. Reilley's experience included serving as former chair of Entergy Corporation's audit committee. He holds a Bachelor of Science in finance from Oklahoma State University.

Guidelines for Hiring of Employees or Former Employees of the Independent Auditor

The Audit Committee adopted guidelines for hiring of employees or former employees of the independent auditor. In summary, these guidelines provide that the Company shall not hire any employee or former employee of its independent auditor for a position in a financial reporting oversight role if such employee or former employee was the lead or concurring partner, or any other member of the audit engagement team who provides more than ten hours of audit, review or attest services during the one-year period preceding the date of the initiation of the audit. A complete set of these guidelines is available on the Company's website at http://www.marathon.com/Guide_Hire_Employees_Indep_Auditor/.

Policy for Whistleblowing Procedures

The Audit Committee adopted and approved the Company's Policy for Whistleblowing Procedures. This policy establishes procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees to the Company of concerns regarding questionable accounting or auditing matters. The Policy for Whistleblowing Procedures is available on the Company's website at http://www.marathon.com/Policy_Whistleblowing_Procedures/.

Compensation Committee

The Compensation Committee is composed solely of directors who satisfy all criteria for independence under applicable law and the rules of the New York Stock Exchange and who, in the opinion of the Board, are free of any relationship that would interfere with their exercise of independent judgment as members of the committee.

The Compensation Committee has a written charter adopted by the Board, which is available on the Company's website at http://www.marathon.com/Charter_Comp_Committee/. The charter requires the committee to reassess and report to the Board on the adequacy

of the charter on an annual basis, which the committee did in 2006.

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The committee is, among other things, responsible for:

- making recommendations to the Board and to the boards of subsidiaries on all matters of policy and procedures relating to executive compensation;
- reviewing and approving corporate goals and objectives relevant to the chief executive officer's compensation, and determining and approving the chief executive officer's compensation level based on the Board's performance evaluation of the chief executive officer;
- determining and approving the compensation of the other executive officers, and reviewing the succession plan relating to positions held by the other executive officers;
- recommending to the Board and administering the incentive compensation plans and equity-based plans of the Company;
- confirming the achievement of performance levels under the Company's incentive compensation plans;
- reviewing, recommending, and discussing with management the compensation discussion and analysis section included in the Company's annual proxy statement; and
- evaluating its performance on an annual basis.

The committee may delegate its responsibilities to a subcommittee comprised of one or more members of the committee.

The committee has hired Towers Perrin, a global professional services firm, to serve as its compensation consultant, and Towers Perrin reports directly to the committee. The consultant provides the committee with comparative data on executive compensation and expert advice on the design and implementation of the Company's annual and long-term compensation programs.

The committee seeks input from the CEO on compensation decisions and performance appraisals for all other officers. However, all officer compensation matters are approved by the committee.

The committee meets at least four times a year and is given the opportunity to meet in executive session at each of its meetings. With input from the compensation consultant, the CEO, and the Vice President of Human Resources, the chairman of the committee approves the agendas for committee meetings. When possible, the committee previews and discusses significant compensation decisions at one meeting before giving formal approval at a subsequent meeting.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Douglas Yearley (Chairman), William Davis, Shirley Ann Jackson, Philip Lader, Dennis Reilly, Seth Schofield and John Snow. Each person qualifies as an independent non-employee director, and no member has served as an officer or employee of the Company. During 2006, none of the Company's executive officers served as a member of a compensation committee or board of directors of any other entity, which has an executive officer serving as a member of our Compensation Committee or Board of Directors.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is composed solely of independent directors in accordance with the rules of the New York Stock Exchange. The committee's primary purpose is to discharge the Board's responsibility related to public policy matters, the development and implementation of a set of corporate governance principles, the identification of individuals qualified to become board members, and the review of the qualifications and make-up of the Board membership.

The committee is, among other things, responsible for:

- reviewing and making recommendations to the Board concerning the appropriate size and composition of the Board, including candidates for election or re-election as directors, the criteria to be used for the selection of candidates for election as directors, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board, the composition and functions of the Board committees, and all matters relating to the development and effective functioning of the Board;
- considering and recruiting candidates to fill positions on the Board;
- considering nominees recommended by stockholders for election as directors;
- reviewing and making recommendations to the Board of each Board committee's membership and committee chairpersons including, without limitation, a determination of whether one or more Audit Committee members qualifies as an audit committee financial expert in accordance with applicable law;
- assessing and recommending overall corporate governance practices;
- establishing the process and overseeing the evaluation of the Board;
- reviewing public issues identified by management and the Company's efforts in addressing these public issues through research, analysis, lobbying efforts and participation in business and government programs;
- reviewing and approving codes of conduct applicable to directors, officers and employees;
- reviewing the Company's policy statement on stockholders' rights plans and reporting any recommendations to the Board; and
- evaluating its performance on an annual basis.

A current copy of the Corporate Governance and Nominating Committee's charter is available on the Company's website at http://www.marathon.com/Charter_CorpGovNom_Committee/.

Director Identification and Selection

The process for director selection and director qualifications is set forth in Article III, Section (a) of the Company's Corporate Governance Principles which are available on the Company's website at http://www.marathon.com/Corporate_Governance_Principles/. In summary, the chairman of the Corporate Governance and Nominating Committee and the chief executive officer should work with a third party professional search firm to review director candidates and their credentials. At least one member of the committee, the chairman of the board, and the chief executive officer should meet with the director candidate. This screening process applies to nominating committee recommended nominees, as well as nominees recommended by the stockholders in accordance with the Company's by-laws. The criteria for selecting new directors include their independence, as defined by applicable law, stock exchange listing standards and the categorical standards listed in the Company's Corporate Governance Principles, their business or professional experience, their integrity and judgment, their record of public service, their ability to devote sufficient time to the affairs of the Company, the diversity of backgrounds and experience they will bring to the Board, and the needs of the Company from time to time. Directors should also be individuals of substantial accomplishment with demonstrated leadership capabilities, and they should represent all stockholders and not any special interest group or constituency. The committee's charter also gives the committee the sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms.

Code of Ethics for Senior Financial Officers

The Corporate Governance and Nominating Committee approved and adopted a Code of Ethics for Senior Financial Officers which is available on the Company's website at http://www.marathon.com/Code_Ethics_Sr_Finan_Off/. This code applies to the Company's principal executive officer, the principal financial officer, the principal accounting officer or controller, or persons performing similar functions, and mandates that these officers, among other things:

- act with honesty and integrity, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- provide full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company;
- comply with applicable governmental laws, rules and regulations; and
- promote the prompt internal reporting of violations of this Code of Ethics to the chair of the Audit Committee of the Board of Directors and to the appropriate person or persons identified in the Company's Code of Business Conduct.

The code further provides that any violation will be subject to appropriate discipline, up to and including dismissal from the Company and prosecution under the law.

Committee on Financial Policy

The Committee on Financial Policy provides oversight with respect to the appropriate capital structure and financial policies of the Company. Its key responsibility in that role is to make recommendations to the Board concerning dividends. A copy of the current committee charter is available on the Company's website at http://www.marathon.com/Charter_Comm_FinanPolicy/.

The committee is, among other things, responsible for:

- approving financings by the Company (except financings which involve the issuance of common stock), including the recommendation of action to subsidiaries, partnerships and joint ventures;
- authorizing loans to outside entities, guarantees by the Company of the credit of others, and other uses of Company credit; and
- evaluating its performance on an annual basis and developing criteria for the evaluation.

Corporate Governance Principles

The Board of Directors adopted the Company's Corporate Governance Principles, which are available on the Company's website at http://www.marathon.com/Corporate_Governance_Principles/. In summary, the Corporate Governance Principles address the general functioning of the Board, including its responsibilities, the Board size, director elections and limits on the number of Board memberships. These principles also address Board independence, committee composition, the lead director position, the process for director selection and director qualifications, the Board's performance review, the Board's planning and oversight functions, director compensation and director retirement and resignation.

Communications from Interested Parties

Interested parties, including security holders, may send communications to the Board through the Secretary of the Company. You may communicate with the Chair of our Audit, Compensation, Corporate Governance and Nominating, and Financial Policy Committees by sending an e-mail to auditchair@marathonoil.com, compchair@marathonoil.com, corpgovchair@marathonoil.com, or finpolicychair@marathonoil.com, respectively. You may communicate with our outside directors, individually or as a group, by sending an e-mail to non-managedirectors@marathonoil.com.

The Secretary will forward to the directors all communications that, in his or her judgment, are appropriate for consideration by the directors. Examples of communications that would not be considered appropriate for consideration by the directors include commercial solicitations and matters not relevant to the affairs of the Company.

Code of Business Conduct

The Company has approved and adopted a Code of Business Conduct, which is available on our website at http://www.marathon.com/Code_of_Business_Conduct/. The Code of Business Conduct applies to our directors, officers and employees.

Availability of Governance Documents

Stockholders may obtain a print copy of the Company's corporate governance documents, including the Corporate Governance Principles, committee charters, and Code of Business Conduct, by contacting our Investor Relations office.

Compensation of Directors

The Board determines annual retainers, attendance fees, and other compensation for non-employee directors. Directors who are employees of the Company receive no compensation for their service on the Board.

2006 Director Compensation Table

Name (1)	Fees Earned or Paid in Cash (2) (\$)	Stock Awards (3) (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (4) (\$)	Total (\$)
Charles F. Bolden, Jr.	92,000	125,000	0	0	0	0	217,000
David A. Daberko	98,000	125,000	0	0	0	10,000	233,000
William L. Davis	92,000	125,000	0	0	0	5,000	222,000
Shirley Ann Jackson	96,250	125,000	0	0	0	10,000	231,250
Philip Lader	88,000	125,000	0	0	0	15,000	228,000
Charles R. Lee	92,000	125,000	0	0	0	10,000	227,000
Dennis H. Reilley	98,000	125,000	0	0	0	0	223,000
Seth E. Schofield	80,000	125,000	0	0	0	0	205,000
John W. Snow(5)	12,500	31,250	0	0	0	0	43,750
Thomas J. Usher(6)	300,000	0	0	0	0	10,000	310,000
Douglas C. Yearley	94,000	125,000	0	0	0	10,000	229,000

(1) The aggregate number of stock awards outstanding as of December 31, 2006, for each director was as follows: Mr. Bolden, 8,182; Mr. Daberko, 11,550; Mr. Davis, 10,633; Dr. Jackson, 11,993; Mr. Lader, 10,633; Mr. Lee, 24,845; Mr. Reilley, 11,550; Mr. Schofield, 18,901; Mr. Snow, 415; Mr. Usher, 4,499; and Mr. Yearley, 18,409.

(2) Directors are eligible to defer up to 100% of their \$50,000 annual retainer fees.

(3) The amounts shown reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with FAS 123(R) for the annual non-retainer common stock unit awards. These amounts are also equal to the grant date fair value of the awards.

(4) The amounts shown represent contributions made on behalf of the directors under our matching gifts program. Under the program, directors may have up to \$10,000 of their contributions to certain tax-exempt educational institutions matched each year. The annual limit is applied based on the date of the director's gift to the institution. Due to processing delays, the actual amount paid out on behalf of a director may exceed \$10,000 in a given year.

(5) Mr. Snow was elected to the Company's Board effective September 2006. His annual retainer and stock award for 2006 were pro-rated accordingly.

(6) The amounts shown for Mr. Usher reflect the \$50,000 annual retainer plus a chairman's fee of \$250,000 in 2006. The chairman does not receive meeting fees for his attendance.

In 2006, we paid our non-employee directors as follows:

Annual Retainer	\$50,000	
Annual Non-Retainer Common Stock Unit Award	\$125,000	
Committee Chair Retainer	\$6,000	
	\$12,250	for audit committee chair
Meeting Fee (for Board or committee meeting attendance)	\$2,000	

In addition to the \$50,000 annual retainer, we also paid Mr. Usher, our chairman, a chairman's fee of \$250,000 in 2006. The chairman does not receive meeting fees for his attendance.

Non-employee directors, other than the chairman, also received an annual non-retainer common stock unit award in 2006 valued at \$125,000. These awards were credited to an unfunded account based on the closing stock price on the grant date. When dividends are paid on our common stock, directors receive dividend equivalents in the form of common stock units. The awards are payable in shares of common stock upon the director's departure from the Board.

In 2004, the Board established stock ownership guidelines for non-employee directors of five times the annual retainer fee. Each director has until 2009 to achieve this ownership level, unless his or her appointment was after 2004, in which case the director has five years from that appointment date to achieve this level.

Directors have the opportunity to defer 100 percent of their annual retainers into an unfunded account. This deferred account may be invested in certain phantom investment options that mirror the investment options offered to employees under our Thrift Plan, with the exception of the Marathon common stock fund. When a director leaves the Board, he or she receives cash either in a lump sum or in installments.

Proposals of the Board

The Board will present the following proposals at the meeting:

Proposal No. 1

Election of Directors

As approved by the stockholders at our annual meeting on April 26, 2006, Marathon's Restated Certificate of Incorporation was amended to declassify our Board over a three year period. With respect to the election of directors, our Restated Certificate of Incorporation provides that at the 2007 annual meeting of stockholders, the successors of the directors whose terms expire at that meeting shall be elected for a term expiring at the 2008 annual meeting of stockholders. At the 2008 annual meeting of stockholders, the successors of the directors whose terms expire at that meeting shall be elected for a term expiring at the 2009 annual meeting of stockholders. And at each annual meeting of stockholders thereafter, the directors shall be elected for terms expiring at the next succeeding annual meeting of stockholders. Accordingly, we have four nominees for director whose terms expire in 2007. In addition, Mr. John W. Snow is a nominee for director due to his recent appointment to the Board.

Our by-laws require the Board to fix the number of directors, and under our Corporate Governance Principles, the Board is charged with endeavoring to maintain between ten and fourteen members. The director nominees for election are for a one-year term expiring at the 2008 annual meeting. All directors have previously been elected by the stockholders, except for Mr. Snow, who became a member of the Board in September 2006. Of the twelve current directors, one is an officer of Marathon, eight have top executive experience with a wide variety of businesses, one has a distinguished career in academia, business and government, one has a distinguished career as an international business leader and diplomat, one has a distinguished career with the military and the National Aeronautics and Space Administration, and one served as Secretary of the Treasury. A brief statement about the background of each nominee and each continuing director is given on the following pages. If any nominee for whom you have voted becomes unable to serve, your proxy may be voted for another person designated by the Board.

Our by-laws describe the procedures that must be used in order for someone nominated by a stockholder of record to be eligible for election as a director. They require that notice be received by the Secretary at least 45 days, but not more than 75 days, before the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting of stockholders. The notice must contain certain information about the nominee, including his or her age, address, occupation and share ownership, as well as the name, address and share ownership of the stockholder giving the notice.

As explained earlier in the question and answer section of this proxy statement, directors are elected by a majority of votes cast. For a director to be elected, this means that the number of shares voted for a director must exceed the number of votes cast against that director. Abstentions will not be taken into account in director elections. Under our by-laws, if an incumbent director who is nominated for re-election to the Board does not receive sufficient votes to be elected, the director is required to promptly tender his or her resignation to the Board. Our Corporate Governance and Nominating Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Corporate Governance and Nominating Committee's recommendation, and publicly disclose its decision regarding the tendered resignation within 90 days from the date of the certification of the election results. In the event of a vacancy, the Board may fill the position or decrease the size of the Board.

Nominees for Director

Terms Expire 2008

Charles F. Bolden, Jr.**Director since 2003****Age 60****Chief Executive Officer of JackandPanther LLC, a privately-held military and aerospace consulting firm**

Mr. Charles F. Bolden, Jr. received a bachelor's of science degree from the U.S. Naval Academy, a master of science degree in systems management from the University of Southern California, and is a graduate of the U.S. Naval Test Pilot School at Patuxent River, Maryland. He has received Honorary Doctorates from several distinguished universities. He was a space shuttle pilot astronaut for the National Aeronautics and Space Administration (NASA) for 13 years, flying four space missions. From April 1992 to June 1993 Mr. Bolden served as Assistant Deputy Administrator for NASA. He was assigned Deputy Commanding General, 1MEF, Marine Forces, Pacific in 1997. Mr. Bolden served as Commanding General, 1 MEF (FWD) for Operation Desert Thunder in Kuwait from February to June 1998. In July 1998, he was promoted to Major General serving as the Commanding General of the Third Marine Aircraft Wing. Mr. Bolden retired from the United States Marine Corps on January 1, 2003 after serving 34 and a half years. He has been awarded a number of military and NASA decorations. Mr. Bolden was the President and Chief Operating Officer of American PureTex Water Corporation and PureTex Water Works from January to April 2003. He was Senior Vice President at TechTrans International, Inc. from April 2003 until January 1, 2005. Mr. Bolden is currently Chief Executive Officer of JackandPanther LLC, a privately-held military and aerospace consulting small business firm. He is a director of Bristow Group Inc., GenCorp Inc. and Palmetto GBA, a subsidiary of BlueCross BlueShield of South Carolina. Mr. Bolden is a trustee for the University of Southern California, and is also a director of the Military Child Education Coalition, the Family Literacy Foundation, and the Tailhook Education Foundation.

Charles R. Lee**Director since 1991****Age 66****Retired Chairman of the Board, Verizon Communications Inc.**

Mr. Lee received his bachelor's degree in metallurgical engineering from Cornell University and an MBA with distinction from the Harvard Graduate School of Business Administration. He served in various financial and management positions before becoming Senior Vice President-Finance for Penn Central Corp. and then Columbia Pictures Industries Inc. In 1983, Mr. Lee joined GTE Corporation (which merged with Bell Atlantic Corporation to form Verizon Communications in 2000) as Senior Vice President of Finance and in 1986 was named Senior Vice President of Finance and Planning. He was elected President, Chief Operating Officer and a director in December 1988 and was elected Chairman of the Board and Chief Executive Officer of GTE in 1992. Mr. Lee served as Chairman of the Board and Co-CEO of Verizon Communications from June 30, 2000 through March 31, 2002, and served as non-executive Chairman of the Board from April 2002 to December 2003. He is a director of United States Steel Corporation, The Proctor & Gamble Company, United Technologies Corporation, DIRECTV Group, Inc., American Institutes for Research, and Project GRAD USA. Mr. Lee is a member of the Board of Overseers of Weill Cornell Medical College. He is a member of The Business Council. Mr. Lee is also a Trustee Emeritus and Presidential Councilor of Cornell University.

Dennis H. Reilley**Director since 2002****Age 53****Chairman, Praxair, Inc.**

Mr. Reilley graduated from Oklahoma State University with a BS in finance in 1975. He began working at Conoco, Inc. in 1975 as a pipeline engineer and in 1979 was promoted to Executive Assistant to the Chairman. Mr. Reilley held many key positions at E. I. Du Pont de Nemours & Company which purchased Conoco in 1981. He held senior management positions in DuPont's Chemicals and Specialties business including Vice President and General Manager of Special Chemicals. In May 1999 he was appointed Executive Vice President and Chief Operating Officer of DuPont with responsibility for pigments and chemicals, specialty polymers, nylon and polyester. Mr. Reilley became Chairman, President and Chief Executive Officer of Praxair, Inc. in 2000. From March 1, 2006 through December 2006, he held the positions of Chairman and Chief Executive Officer and is

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currently the Chairman. Mr. Reilly is a director of H. J. Heinz Co. and the Conservation Fund. Mr. Reilly is former Chairman of the American Chemistry Council.

Nominees for Director (continued)

Terms Expire 2008

John W. Snow **Director since September 2006** **Age 67**

Chairman, Cerberus Capital Management LP and Former Secretary of the Treasury

Mr. Snow graduated from the University of Toledo in 1962 with a BA degree. He also holds a master's degree from Johns Hopkins University and a doctorate in economics from the University of Virginia. Mr. Snow graduated with a law degree from George Washington University in 1967. He joined Cerberus Capital Management LP as Chairman in October 2006. Mr. Snow was sworn into office as Secretary of the Treasury in February 2003, where he served until leaving office in June 2006. Prior to becoming Secretary of the Treasury, he was Chairman and Chief Executive Officer of CSX Corporation. He also held several high-ranking positions in the Department of Transportation during the Ford Administration. Mr. Snow is a director of Verizon Communications, Inc. He is a former co-chairman of the Conference Board's Blue-Ribbon Commission on Public Trust and Private Enterprise. He also served as co-chairman of the National Commission on Financial Institution Reform, Recovery and Enforcement. Prior to serving as Secretary of the Treasury, Mr. Snow served on various corporate and nonprofit boards, including the American Enterprise Institute and Johns Hopkins University. He previously served as a member of USX Corporation's Board of Directors from March 1995 through December 2001.

Thomas J. Usher **Director since 1991** **Age 64**

Non-executive Chairman of the Board, Marathon Oil Corporation

Mr. Usher graduated from the University of Pittsburgh with a BS degree in industrial engineering, an MS degree in operations research and a Ph.D. in systems engineering. He joined United States Steel Corporation (later renamed USX Corporation) in 1965 and held various positions in industrial engineering. From 1975 through 1979, he held a number of management positions at U.S. Steel's South and Gary Works. Mr. Usher was elected Executive Vice President-Heavy Products in 1986, President-U.S. Steel Group and director of USX in 1991, President and Chief Operating Officer of USX in 1994 and Chairman of the Board and Chief Executive Officer effective July 1, 1995. He retired from United States Steel Corporation as Chief Executive Officer in September 2004, and as non-executive Chairman of the Board on February 1, 2006. Mr. Usher is a director of H. J. Heinz Co., The PNC Financial Services Group, Inc., and PPG Industries, Inc. He is a trustee of the University of Pittsburgh, and a director of the Extra Mile Education Foundation and the Boy Scouts of America. Mr. Usher is a member of The Business Council.

Continuing Directors

Terms Expire 2008

Shirley Ann Jackson **Director since 2000** **Age 60**

President, Rensselaer Polytechnic Institute

Dr. Jackson received a BS degree in physics in 1968, and a Ph.D. in theoretical elementary particle physics in 1973, from the Massachusetts Institute of Technology. She was a research associate at the Fermi National Accelerator Laboratory, a visiting scientist at the European Center for Nuclear Research and, from 1976 to 1991, a theoretical physicist at the former AT&T Bell Laboratories. Dr. Jackson was a professor of theoretical physics at Rutgers University from 1991 to 1995. She was Chairman of the U.S. Nuclear Regulatory Commission from 1995 to 1999. Dr. Jackson was named President of Rensselaer Polytechnic Institute in 1999. She is a director of FedEx Corporation, International Business Machines Corporation, Medtronic, Inc., and Public Service Enterprise Group Incorporated. Dr. Jackson is also a director of NYSE Group, Inc. and is chairman of NYSE Regulation, Inc. She is a member of the Board of Regents of the Smithsonian Institution, a member of the MIT Corporation, and a trustee of Georgetown University, The Brookings Institution, and the Emma Willard School. Dr. Jackson holds 40 honorary degrees, was awarded the New Jersey Governor's Award in Science in 1993, was inducted into the National Women's Hall of Fame in 1998, and named a fellow of the Association for Women in Science in 2004. In 2005, she chaired the American Association for the Advancement of Science. Dr. Jackson is a member of the National Academy of Engineering, a fellow of the American Academy of Arts and Science and of the American Physical Society, and is a member of the Council on Foreign Relations.

Philip Lader **Director since 2002** **Age 60**

Non-executive Chairman of WPP Group plc

Ambassador Lader received a Bachelor's degree from Duke University (Phi Beta Kappa), a master's degree from the University of Michigan and a juris doctor degree from Harvard Law School, with subsequent graduate studies in law at Oxford University. Awarded honorary doctorates by 14 universities and colleges, he served as U.S. Ambassador to the Court of St. James's from 1997 through 2001 and was White House Deputy Chief of Staff, Deputy Director of the Office of Management and Budget, and Administrator of the U.S. Small Business Administration. Formerly President of Sea Pines Company and Executive Vice President of Sir James Goldsmith's U.S. holding company, he currently is non-executive Chairman of WPP Group plc, the global advertising/communications services company, which includes J. Walter Thompson, Ogilvy & Mather, and Young & Rubicam. Ambassador Lader is also Senior Advisor to Morgan Stanley, and a partner in the law firm of Nelson, Mullins, Riley & Scarborough. He also serves on the Boards of Directors of RAND and AES Corporations, Songbird Estates plc (Canary Wharf) and Lloyd's (of London), and is a trustee of the Smithsonian Museum of American History and St. Paul's Cathedral.

Seth E. Schofield **Director since 1994** **Age 67**

Retired Chairman and Chief Executive Officer, USAir Group

Mr. Schofield graduated from the Harvard Business School Program for Management Development in 1975. He served in various corporate staff positions after joining USAir in 1957 and became Executive Vice President-Operations in 1981. Mr. Schofield served as President and Chief Operating Officer from 1990 until 1991. He was elected President and Chief Executive Officer in 1991 and became Chairman of the boards of USAir Group and USAir, Inc. in 1992. He retired in January 1996. Mr. Schofield is a director of United States Steel Corporation and Calgon Carbon Corp. He also is a member of the Advisory Board and Investment Committee of Desai Capital Management.

Douglas C. Yearley **Director since 1992** **Age 71**

Chairman Emeritus, Phelps Dodge Corporation

Mr. Yearley graduated from Cornell University with a Bachelor's degree in metallurgical engineering and attended the Program for Management Development at Harvard Business School. He joined Phelps Dodge in 1960 in project development. He held several key positions before being elected Executive Vice President and a director in 1987, Chairman and Chief Executive Officer in 1989 and President in 1991. He retired in May 2000. He is a director of United States Steel Corporation, Lockheed Martin Corporation, and Heidrick & Struggles International, Inc.

Continuing Directors

Terms Expire 2009

Clarence P. Cazalot, Jr. Director since 2000 Age 56

President and Chief Executive Officer, Marathon Oil Corporation

Mr. Cazalot graduated from Louisiana State University in 1972 with a BS degree in geology, and joined Texaco Inc. that same year as a geophysicist. After holding a number of increasingly responsible management positions, Mr. Cazalot was elected a Vice President of Texaco Inc. and President of Texaco's Latin America/West Africa Division in 1992. In 1994, he was named President of Texaco Exploration and Production Inc. Mr. Cazalot was appointed President of Texaco International Marketing and Manufacturing in 1997, and in 1998 he was named President - International Production and Chairman of London-based Texaco Ltd. He was elected President of Texaco's worldwide production operations in 1999. Mr. Cazalot joined USX Corporation as Vice Chairman and Marathon Oil Company as President in March 2000. Effective upon the separation of USX's steel and energy businesses on January 1, 2002, Mr. Cazalot was named President and Chief Executive Officer of Marathon Oil Corporation. Mr. Cazalot serves on the Boards of Directors of Baker Hughes Incorporated, the US-Saudi Arabian Business Council, the American Petroleum Institute and the Greater Houston Partnership. He is a member of The Business Council.

David A. Daberko Director since 2002 Age 61

Chairman of the Board and Chief Executive Officer, National City Corporation

Mr. Daberko graduated from Denison University with a BA degree and from Case Western Reserve University with an MBA. He joined National City Bank in 1968 as a management trainee and held a number of management positions within the company. In 1985, he led the assimilation of the former BancOhio National Bank into National City Bank, Columbus. In 1987, Mr. Daberko was elected Deputy Chairman of the corporation and President of National City Bank in Cleveland. He served as President and Chief Operating Officer from 1993 until 1995 when he was named Chairman and Chief Executive Officer. Mr. Daberko is a director of OMNOVA Solutions, Inc. He is a trustee of Case Western Reserve University, University Hospitals Health System, Hawken School, and the Greater Cleveland Partnership.

William L. Davis Director since 2002 Age 63

Retired Chairman, President and Chief Executive Officer, R.R. Donnelley & Sons Company

Mr. Davis graduated from Princeton University in 1965 with a BA degree. From 1977 through 1997 he held a variety of positions with Emerson Electric Company, including the position of President of two of its subsidiaries, Appleton Electric Company and Skil Corporation, and Senior Executive Vice President for the Emerson Tool Group, the Industrial Motors and Drives Group and the Process Control Group. Mr. Davis joined R.R. Donnelley & Sons Company in 1997 as the Chairman and Chief Executive Officer. In 2001, he accepted the responsibility as President of the company. Mr. Davis retired as Chairman, President and Chief Executive Officer of R.R. Donnelley & Sons Company in February 2004. He is a director of Air Products and Chemicals, Inc. Mr. Davis is also Past Chairman of the Board of Evanston Northwestern Healthcare and a former director of Mallinckrodt. Mr. Davis is a trustee of Northwestern University.

Proposal No. 2

Ratification of Independent Auditor for 2007

The Audit Committee has selected PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditor to audit the Company's books and accounts for the year ending December 31, 2007. PricewaterhouseCoopers served as our independent auditor in 2006 and for many years prior thereto. While the Audit Committee is responsible for appointing, replacing, compensating and overseeing the work of the independent auditor, we are requesting, as a matter of good corporate governance, that the stockholders ratify the appointment of PricewaterhouseCoopers as our independent auditor for 2007. If the stockholders fail to ratify this appointment, the Audit Committee will reconsider whether to retain PricewaterhouseCoopers and may retain that firm or another firm without resubmitting the matter to our stockholders. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent auditor at anytime during the year if it determines that such change would be in the Company's best interests and in the best interests of our stockholders.

We expect representatives of PricewaterhouseCoopers to be present at the meeting with an opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions from our stockholders.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE SELECTION OF
PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT AUDITOR FOR 2007.**

Proposal No. 3

Approval of 2007 Incentive Compensation Plan

On February 28, 2007, our Board approved the 2007 Incentive Compensation Plan (the Plan) and its submission to the stockholders for their approval. The Plan is intended to reward participants by providing cash benefits and opportunities to acquire our common stock. The Plan is designed to attract and retain officers, employees and directors, to strengthen the alignment of their interests with stockholder interests, and to reward outstanding contributions to our development and financial success.

The Plan is intended to replace, on a prospective basis, our 2003 Incentive Compensation Plan (the 2003 Plan). Although a sufficient number of shares remain available for grant under the 2003 Plan, our Board believes it is appropriate to propose a replacement Plan at this time in order to optimize the Company's tax deduction under Section 162(m) of the Internal Revenue Code, which requires periodic stockholder approval of incentive compensation plans. If the new Plan is approved by the stockholders, all granting authority under the 2003 Plan will be revoked and no new grants will be made from the 2003 Plan following the date of stockholder approval.

The Plan authorizes the granting of awards, including shares of our common stock, in any combination of the following:

- stock options, including incentive stock options and nonqualified stock options;
- stock appreciation rights (SARs);
- stock awards, restricted stock awards and other awards denominated or paid in common stock;
- restricted stock units (which may include dividend equivalents);
- cash awards; and
- performance awards.

The following summary of our 2007 Incentive Compensation Plan is qualified by reference to the full text of the Plan, which is attached as Appendix I to this proxy statement. The Plan is not tax-qualified under Section 401(a) of the Internal Revenue Code and is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Eligibility

Employees eligible for awards under the Plan are employees of our Company and subsidiaries who are selected by the committee appointed by our Board to administer the Plan. All of our non-employee directors are also eligible for awards under the Plan.

Authorized Shares and Limits

Subject to stockholder approval, we have reserved a total of 17,000,000 shares of our common stock for issuance in connection with the Plan. No more than 6,000,000 shares may be used for awards other than stock options or SARs. The number of shares authorized to be issued under the Plan, as well as individual limits and exercise prices, are subject to adjustment for stock dividends, stock splits, recapitalizations, mergers, or similar corporate events.

The following limitations apply to any awards made under the Plan:

- no employee may be granted, during any calendar year, stock options or SARs that are exercisable for or relate to more than 3,000,000 shares of common stock;

- no employee may be granted, during any calendar year, stock awards or restricted stock unit awards covering or relating to more than 1,000,000 shares of common stock; and
- no employee may be granted performance awards consisting of cash for any calendar year having a maximum value determined on the date of grant in excess of \$20,000,000.

Historical Burn Rates

Our burn rate represents the number of equity awards granted in a given year relative to common shares outstanding. Our burn rates for 2006, 2005 and 2004 were 0.79%, 0.95% and 0.88%, respectively. Our three-year average burn rate of 0.87% is below average for our industry.

Potential Dilution

The maximum number of shares that may be issued under the Plan represents approximately five percent of the total number of shares of our common stock outstanding on February 28, 2007, excluding treasury shares. The closing price per share of our common stock on February 28, 2007 as reported on the New York Stock Exchange was \$90.72.

Administration of the Plan

Our Board will designate an independent committee to determine the types of employee awards made under the Plan and to designate the employees who are to be the recipients of the awards. The committee will administer the Plan with respect to employee awards. The committee has full and exclusive power to administer and interpret the Plan. The committee may adopt guidelines for administering the Plan as it deems necessary or proper.

The committee may also correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any award. Any decision of the committee in the interpretation and administration of the Plan is within its sole and absolute discretion and is final, conclusive, and binding on all parties concerned.

The committee may, in its discretion, extend or accelerate the exercisability of, accelerate the vesting of, or eliminate or make less restrictive any restrictions contained in any award, waive any restriction or other provision of the Plan or in any award, or otherwise amend or modify any award in a manner that either is not adverse to the participant or is consented to by the participant.

With respect to director awards, our Board determines the types of director awards made under the Plan, and has the same powers, duties and authority as the committee has with respect to employee awards.

The committee and our Board may delegate to our chief executive officer and other senior officers their authority under the Plan. Either may engage third-party administrators to carry out administrative functions under the Plan.

Awards that are stock options or SARs may not be repriced, replaced, or regranted through cancellation or modified without stockholder approval (except if in connection with a change in our capitalization) if the effect would be to reduce the underlying grant price.

Employee Award Terms

All awards to employees under the Plan are subject to the terms, conditions, and limitations as determined by the committee. Awards may be made in combination with, in replacement of, or as alternatives to, grants under the Plan or other plans of our Company or subsidiaries, including plans of an acquired entity.

A stock option granted to an employee under the Plan may consist of either an incentive stock option that complies with the requirements of Section 422 of the Internal Revenue Code or a nonqualified stock option that does not comply with those requirements. Incentive stock options and nonqualified stock options must have an exercise price per share that is not less than the fair market value of the common stock on the date of grant and, subject to certain adjustment provisions of the Plan that apply only on specified corporate events, the exercise price of an option granted under the Plan may not be decreased. The term of a stock option may not extend more than ten years after the date of grant.

A stock appreciation right may be granted under the Plan with respect to all or a portion of the shares of common stock subject to a stock option or may be granted separately. The exercise price of an SAR may not be less than the fair market value of the common stock on the date of grant and its term shall extend no more than ten years from the date of grant.

Stock awards consist of restricted and non-restricted grants of common stock. Rights to dividends may be extended to and made part of any stock award at the discretion of the committee. The committee may also establish rules and procedures for the crediting of interest or other earnings on deferred cash payments. Subject to earlier vesting upon death, disability, retirement or change in control, stock awards settled in stock that are not performance-based will vest over a minimum period of three years, and stock awards settled in stock that are performance-based will vest over a minimum period of one year.

Restricted stock unit awards consist of awards of units denominated in common stock. Rights to dividend equivalents may be extended to and made part of any restricted stock unit award at the discretion of the committee. The committee may also establish rules and procedures for the crediting of interest or other earnings on deferred cash payments. Subject to earlier vesting upon death, disability, retirement or change in control, restricted stock unit awards settled in stock that are not performance-based will vest over a minimum period of three years, and restricted stock unit awards settled in stock that are performance-based will vest over a minimum period of one year.

Cash awards, which consist of grants denominated in cash, may also be granted to employees under the Plan.

Performance awards consist of grants made subject to the attainment of one or more performance goals and may be intended to meet the requirements of qualified performance-based compensation under Section 162(m) of the Internal Revenue Code. The goals intended to satisfy Section 162(m) of the Internal Revenue Code must be established by the committee prior to the earlier of:

- 90 days after the commencement of the period of service to which the performance goals relate, and
- the lapse of 25% of the period of service.

A performance goal intended to meet the requirements of Section 162(m) of the Internal Revenue Code may be based upon one or more business criteria that apply to the employee, one or more business units of the Company, or the Company as a whole, and may include any of the following: stock price measures (including but not limited to growth measures and total stockholder return); earnings per share (actual or targeted growth); earnings before interest, taxes, depreciation, and amortization (EBITDA); economic value added (EVA); net income measures (including but not limited to income after capital costs and income before or after taxes); operating income; cash flow measures; return measures (including but not limited to return on capital employed); operating measures (including but not limited to refinery throughput, oil and gas reserves, and production); expense targets (including but not limited to finding and development costs and general and administrative expenses); margins; reserve replacement ratio, reserve additions, or other reserve level measures; refined product measures; and corporate values measures (including but not limited to diversity commitment, ethics compliance, environmental, and safety). Prior to the payment of any performance award based on the achievement of performance goals pursuant to Section 162(m) of the Internal Revenue Code, the committee must certify in writing that the applicable performance goals and any material terms were, in fact, satisfied.

Non-Employee Director Award Terms

All awards to our non-employee directors under the Plan are subject to the terms, conditions, and limitations as determined by our Board. Awards may be made in combination with, in replacement of, or as alternatives to, grants under the Plan or other plans of our Company or subsidiaries, including plans of an acquired entity.

A stock option granted to a director under the Plan may consist of a nonqualified stock option that does not comply with the requirements of Section 422 of the Internal Revenue Code. Nonqualified stock options must have an exercise price per share that is not less than the fair market value of the common stock on the date of grant and, subject to certain adjustment provisions of the Plan that apply only on specified corporate events, the exercise price of an option granted under the Plan may not be decreased. The term of a stock option may not extend more than ten years after the date of grant.

A stock appreciation right may be granted under the Plan with respect to all or a portion of the shares of common stock subject to a stock option or may be granted separately. The exercise price of an SAR may not be less the fair market value of the common stock on the date of grant and its term shall extend no more than ten years from the date of grant.

Stock awards consist of restricted and non-restricted grants of common stock. Rights to dividends may be extended to and made part of any stock award at the discretion of our Board. Our Board may also establish rules and procedures for the crediting of interest or other earnings on deferred cash payments.

Restricted stock unit awards consist of awards of units denominated in common stock. Rights to dividend equivalents may be extended to and made part of any restricted stock unit award at the discretion of our Board. Our Board may also establish rules and procedures for the crediting of interest or other earnings on deferred cash payments.

Performance awards consist of grants made subject to the attainment of one or more performance goals. Performance awards to non-employee directors are not required to meet the requirements of qualified performance-based compensation under Section 162(m) of the Internal Revenue Code. Our Board determines the terms, conditions, limitations and performance goals with respect to performance awards to our non-employee directors.

Amendment of the Plan

The committee may amend or terminate the Plan in response to any legal requirements or for any other purpose permitted by law; provided, however, that our Board must approve such committee action, no amendment that would adversely affect the rights of a participant may be made without the consent of the participant, and no amendment may be effective prior to its approval by the stockholders of the Company if legally required. Notwithstanding the foregoing, an award may be modified to meet the requirements of Section 409A of the Internal Revenue Code, and a participant is deemed to have consented to any such modification. We intend to make awards under the Plan that comply with the requirements of Section 409A of the Internal Revenue Code.

Federal Income Tax Consequences of the Plan

The following is a discussion of material U.S. federal income tax consequences to participants in the Plan, based on the law as in effect on the date of this proxy statement. This discussion is limited, and does not cover state, local, or foreign tax treatment of participation in the Plan. Differences in participants' financial situations may cause tax consequences of participation in the Plan to vary.

Participants will not realize taxable income upon the grant of a nonqualified stock option or SAR. Upon the exercise of a nonqualified stock option or SAR, the participant will recognize ordinary income. In the case of employees, the ordinary income is subject to tax withholding by the Company, in an amount equal to the excess of the amount of cash and the fair market value of the common stock received on the date of exercise over the exercise price, if any, paid. The participant will generally have a tax basis in any shares of common stock received pursuant to the exercise of an SAR, or pursuant to the cash exercise of a nonqualified stock option, that equals the fair market value of the shares on the date of exercise. Generally, we will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by the participant.

Employees will not have taxable income upon the grant of an incentive stock option. Upon the exercise of an incentive stock option, the employee will not have taxable income, although the excess of the fair market value of the shares of common stock received upon exercise of the incentive stock option over the exercise price will increase the alternative minimum taxable income of the employee, which may cause the employee to incur alternative minimum tax. The payment of any alternative minimum tax due to the exercise of an incentive stock option is allowed as a credit against the employee's regular tax liability in a later year to the extent the employee's regular tax liability is in excess of the alternative minimum tax for that year.

Upon the disposition of stock received upon exercise of an incentive stock option that has been held for the requisite holding period (generally one year from the date of exercise and two years from the date of grant), the employee will generally recognize capital gain or loss equal to the difference between the amount received in the disposition and the exercise price paid. However, if an employee disposes of stock that has not been held for the requisite holding period, the employee will recognize ordinary income in the year of the disqualifying disposition to the extent that the fair market value of the stock at the time of exercise of the incentive stock option, or, if less, the amount realized in the case of an arm's-length disqualifying disposition to an unrelated party, exceeds the exercise price paid by the employee for the stock. The employee will also recognize capital gain, or, depending on the holding period, additional ordinary income, to the extent the amount realized in the disqualifying disposition exceeds the fair market value of the stock on the exercise date. If the exercise price paid for the stock

exceeds the amount realized in the disqualifying disposition, in the case of an arm's-length disposition to an unrelated party, the excess would ordinarily be a capital loss.

We are generally not entitled to any federal income tax deduction upon the grant or exercise of an incentive stock option, unless the employee makes a disqualifying disposition of the stock. If an employee makes a disqualifying disposition, we will generally be entitled to a tax deduction that corresponds as to timing and amount with the compensation income recognized by the employee.

An employee will recognize ordinary compensation income upon receipt of cash pursuant to a cash award or performance award or, if earlier, at the time the cash is otherwise made available for the employee to draw upon it.

A participant will not have taxable income upon the grant of a stock award in the form of units denominated in common stock but rather will generally recognize ordinary compensation income at the time the participant receives common stock or cash in satisfaction of a stock unit award in an amount equal to the fair market value of the common stock or cash received. In general, a participant will recognize ordinary compensation income as a result of the receipt of common stock pursuant to a stock award or performance award in an amount equal to the fair market value of the common stock when the stock is received; provided, however, that if the stock is not transferable and is subject to a substantial risk of forfeiture when received, the participant will recognize ordinary compensation income in an amount equal to the fair market value of the common stock when it first becomes transferable or is no longer subject to a substantial risk of forfeiture, unless the participant makes an election to be taxed on the fair market value of the common stock when the stock is received.

An employee will be subject to tax withholding for federal, and generally for state and local, income taxes at the time the employee recognizes income with respect to common stock or cash received pursuant to a cash award, performance award, stock award, or stock unit award. Dividends that are received by a participant prior to the time that the common stock is taxed to the participant are taxed as additional compensation, not as dividend income. A participant's tax basis in the common stock received will equal the amount recognized by the participant as compensation income, and the participant's holding period in the shares will commence on the date income is recognized.

Generally, we will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by the participant. Section 162(m) of the Internal Revenue Code provides that certain compensation received in any year by a covered employee in excess of \$1,000,000 is non-deductible by the Company for federal income tax purposes. Section 162(m) provides an exception, however, for performance-based compensation. The Plan permits the committee to structure grants and awards made under the Plan to covered employees as performance-based compensation that is exempt from the limitations of Section 162(m). However, the committee may award compensation that is or may become non-deductible, and expects to consider whether it believes the grants are in the best interest of the Company, balancing tax efficiency with long-term strategic objectives.

Awards Under the Plan

Subject to stockholder approval of the Plan, the Compensation Committee established a performance unit program under the Plan for officers for the 2007-2009 performance cycle. Under the program, officers may receive performance units valued between \$0 and \$2.00. The value of each performance unit is tied to our three-year total stockholder return (TSR) as compared to the three-year TSR for each of the companies that are members of the AMEX Oil Index (XOI) on the last day of the performance period. Actual grants under the 2007-2009 performance unit program will be made following stockholder approval of the Plan, if such approval is obtained.

Subject to and commencing upon stockholder approval of the Plan, each non-employee director will receive an annual non-retainer grant of common stock units valued at \$125,000 under the Plan.

All other awards under the Plan will be granted at the discretion of the Board or the committee, as appropriate. Therefore, the total benefits that will be received by any particular person or group under the Plan are not determinable at this time.

THE BOARD RECOMMENDS A VOTE FOR THE APPROVAL OF THE 2007 INCENTIVE COMPENSATION PLAN.

Equity Compensation Plan Information

The following table provides information as of December 31, 2006, with respect to shares of Marathon's common stock that may be issued under Marathon's existing equity compensation plans, which are as follows:

- 2003 Incentive Compensation Plan (the 2003 Plan) Contingent upon approval of the 2007 Incentive Compensation Plan, no additional awards will be granted under this plan.
- 1990 Stock Plan No additional awards will be granted under this plan.
- Deferred Compensation Plan for Non-Employee Directors No additional awards will be granted under this plan.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	5,911,129	(1) \$49.43	11,722,534 (2)
Equity compensation plans not approved by stockholders (3)	57,243	n/a	0
Total	5,968,372	\$49.43	11,772,534 (2)

(1) This number includes the following:

5,076,185 stock options and SARs outstanding under the 2003 Plan.

419,310 stock options and SARs outstanding under the 1990 Stock Plan.

237,000 performance shares granted to officers under the 2003 Plan but not yet issued as of December 31, 2006. The number of shares, if any, to be issued will be determined based on a formula that measures Marathon's total stockholder return over the applicable performance period relative to the total stockholder return of our industry peers.

68,366 common stock units that have been credited to non-employee directors pursuant to the non-employee director deferred compensation program and the annual director stock award program established under the 2003 Plan. When a non-employee director leaves the Board, he or she will be issued actual shares of Marathon common stock in place of the common stock units.

110,268 restricted stock units granted to non-officers under the 2003 Plan and outstanding as of December 31, 2006.

The weighted-average exercise price shown in column (b) does not take the officer performance shares, the common stock units or restricted stock units into account since these awards have no exercise price.

In addition to the awards reported in the table, 510,228 shares of restricted stock and 237,000 performance shares were issued and outstanding as of December 31, 2006, but subject to forfeiture restrictions under the 2003 Plan.

(2) This number reflects the shares available for issuance under the 2003 Plan. No more than 6,792,764 of these shares may be issued for awards other than stock options or stock appreciation rights. In addition, shares related to grants that are forfeited, terminated, cancelled, expire unexercised, or settled in such manner that all or some of the shares are not issued to a participant shall immediately become available for issuance.

(3) This row reflects awards made to non-employee directors under the Deferred Compensation Plan for Non-Employee Directors prior to April 30, 2003. When a non-employee director leaves the Board, he or she will be issued actual shares of Marathon common stock in place of the common stock units.

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As of January 31, 2007, the number of securities to be issued upon exercise of outstanding options, warrants and rights was 5,710,816, including 5,653,573 securities under stockholder-approved plans and 57,243 securities under non-stockholder approved plans. The weighted-average exercise price of outstanding options, warrants and rights was \$49.50. The number of securities remaining available for issuance under the equity compensation plans as of January 31, 2007, was 11,921,500. As noted above, following approval of the 2007 Incentive Compensation Plan no additional awards will be granted under the existing plans.

Non-Stockholder Approved Plan

The Deferred Compensation Plan for Non-Employee Directors is our only non-stockholder approved plan. Marathon's authority to make equity grants under this plan was terminated effective as of April 30, 2003. Under the Deferred Compensation Plan for Non-Employee Directors, all non-employee directors of Marathon were required to defer half of their annual retainers in the form of common stock units. On the date the retainer would have otherwise been payable to the non-employee director, Marathon credited an unfunded bookkeeping account for each non-employee director with a number of common stock units equal to half of his or her annual retainer divided by the fair market value of Marathon's common stock. The ongoing value of each common stock unit equals the market price of Marathon's common stock. When the non-employee director leaves the Board, he or she is issued actual shares of common stock equal to the number of common stock units in his or her account at that time.

Proposal No. 4

Amend our Restated Certificate of Incorporation and By-laws to Eliminate the Supermajority Vote Provision

At our 2006 annual stockholder meeting, a stockholder proposal was submitted to a vote of the stockholders asking the Board of Directors to take each step necessary for a simple majority vote to apply on each issue that can be the subject of a stockholder vote to the greatest extent possible. The stockholders approved this proposal by a majority of the shares of common stock outstanding.

The Company's governing documents contain only one supermajority voting provision. Our Restated Certificate of Incorporation and by-laws require the affirmative vote of two-thirds of the outstanding shares of stock and entitled to vote to adopt, amend and repeal the Company's by-laws at any regular or special meeting of stockholders. There are no other supermajority voting provisions in our governing documents.

Our Corporate Governance and Nominating Committee and the Board of Directors has carefully considered the advantages and disadvantages of maintaining this supermajority voting requirement, and in the past concluded that the greater-than-majority vote requirement for amendments to the by-laws helped to assure that carefully considered corporate governance rules were not replaced without consensus of a substantial majority of stockholders. This year, based on the recommendation of the Corporate Governance and Nominating Committee, the Board of Directors has determined that it is an appropriate time to propose amendments to our Restated Certificate of Incorporation and by-laws to eliminate the supermajority vote provision of stockholders to amend the Company's by-laws.

The Board of Directors has unanimously adopted a resolution approving, subject to stockholder approval, and declaring the advisability of an amendment to Article Eighth of our Restated Certificate of Incorporation to provide that stockholders may adopt, amend and repeal the by-laws at any regular or special meeting of the stockholders by an affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote thereon. Our Board also unanimously adopted a corresponding resolution to amend the by-laws to provide for a majority vote by stockholders to apply to amendments to the by-laws. This amendment to the by-laws will be effective if the stockholders approve the foregoing amendment to the Restated Certificate of Incorporation.

The specific amendments to Article Eighth of our Restated Certificate of Incorporation are proposed as follows:

The second paragraph of Article Eighth is proposed to be deleted in its entirety. This paragraph currently provides that:

Stockholders may adopt, amend and repeal the by-laws at any regular or special meeting of the stockholders by an affirmative vote of two-thirds of the shares outstanding and entitled to vote thereon, provided that notice of intention to adopt, amend or repeal the by-laws in whole or in part shall have been included in the notice of the meeting.

The following paragraph is proposed to be the new second paragraph of Article Eighth:

Stockholders may adopt, amend and repeal the by-laws at any regular or special meeting of the stockholders by an affirmative vote of the majority of shares present in

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person or represented by proxy at the meeting and entitled to vote thereon, provided that notice of intention to adopt, amend or repeal the by-laws in whole or in part shall have been included in the notice of the meeting.

The specific amendments to Article Six of the Company's by-laws are proposed as follows:

The second paragraph of Section 6.1 is proposed to be deleted in its entirety. This paragraph currently provides that:

Stockholders may adopt, amend and repeal the By-laws at any regular or special meeting of the stockholders by an affirmative vote of holders of outstanding shares of the capital stock of the Corporation having two-thirds of the votes entitled to be cast thereon, provided that notice of intention to adopt, amend or repeal the By-laws in whole or in part shall have been included in the notice of the meeting.

The following paragraph is proposed to be the new second paragraph of Section 6.1:

Stockholders may adopt, amend and repeal the By-laws at any regular or special meeting of the stockholders by an affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote thereon, provided that notice of intention to adopt, amend or repeal the By-laws in whole or in part shall have been included in the notice of the meeting.

If approved, the amendment to our Restated Certificate of Incorporation will become effective upon the filing of a certificate of amendment to our Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, which we would do promptly after the annual meeting. The amendment to our by-laws will be effective at this same time.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.

Proposal No. 5

Amend our Restated Certificate of Incorporation to Increase the Number of Authorized Shares of Common Stock

Based on the recommendation of the Committee of Financial Policy, the Board of Directors has determined that it is an appropriate time to propose amendments to our Restated Certificate of Incorporation to increase the number of authorized shares of capital stock from 576 million to 1,126 million and to increase the number of authorized shares of common stock from 550 million to 1,100 million.

Under our Restated Certificate of Incorporation, the total number of shares of capital stock which the Company has the authority to issue is 576 million. Of these authorized shares, common stock comprises 550 million shares and preferred stock comprises 26 million shares. As of December 31, 2006, the number of common shares outstanding was approximately 348 million and 20 million shares of common stock were held in treasury. There are no outstanding shares of preferred stock and the proposed amendment would not increase the authorized number of preferred shares.

The Board of Directors believes that it is advisable and in the best interests of the Company's stockholders to increase the number of authorized shares of common stock to provide a sufficient reserve of shares for future business and financial needs of the Company. These additional authorized shares would provide the Company greater flexibility in the consideration of future stock dividends or stock splits, sales of common stock or convertible securities to enhance capital and liquidity, possible future acquisitions, and other corporate purposes. Because a two-for-one stock split would have the effect of doubling the issued and outstanding shares of common stock, doubling the common share capital from 550 million shares to 1,100 million shares is appropriate to provide for these requirements. Existing holders of shares of common stock would have no preemptive rights under our Restated Certificate of Incorporation to purchase any additional shares of common stock issued by the Company. It is possible that additional shares of common stock may be issued at a time and under circumstances that may dilute the voting power of existing stockholders, decrease earnings per share and decrease the book value per share of shares presently held. The Company has no current plans, written or otherwise, to issue these additional shares of common stock at this time.

The Board of Directors has unanimously adopted a resolution approving, subject to stockholder approval, and declaring the advisability of an amendment to Article Fourth of our Restated Certificate of Incorporation to increase the number of authorized shares of capital stock from 576 million to 1,126 million and to increase the number of authorized shares of common stock from 550 million to 1,100 million.

The specific amendments to Article Fourth are proposed as follows:

The first paragraph of Article Fourth is proposed to be deleted in its entirety. This paragraph currently provides that:

Fourth: The total number of shares of capital stock which the Corporation shall have authority to issue is Five Hundred and Seventy Six Million (576,000,000), of which Five Hundred and Fifty Million (550,000,000) shares shall be Common Stock having a par value of one dollar (\$1.00)

per share and Twenty Six Million (26,000,000) shares shall be shares of Preferred Stock, without par value (hereinafter called Preferred Stock).

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The following paragraph is proposed to be the new first paragraph of Article Fourth:

Fourth: The total number of shares of capital stock which the Corporation shall have authority to issue is One Billion One Hundred Twenty Six Million (1,126,000,000), of which One Billion One Hundred Million (1,100,000,000) shares shall be Common Stock having a par value of one dollar (\$1.00) per share and Twenty Six Million (26,000,000) shares shall be shares of Preferred Stock, without par value (hereinafter called Preferred Stock).

If approved, this amendment will become effective upon the filing of a certificate of amendment to our Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, which we would do promptly after the annual meeting.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.

Audit Committee Report

Our committee has reviewed and discussed Marathon's audited financial statements and its report on internal control over financial reporting for 2006 with Marathon's management. We have discussed with the independent auditors, PricewaterhouseCoopers LLP (PricewaterhouseCoopers), the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as may be modified or supplemented. We have received the written disclosures and the letter from PricewaterhouseCoopers required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as may be modified or supplemented, and we have discussed with PricewaterhouseCoopers its independence. Based on the review and discussions referred to above, we recommended to the Board that the audited financial statements and the report on internal control over financial reporting for Marathon be included in the Company's Annual Report on Form 10-K for 2006 for filing with the Securities and Exchange Commission.

Shirley Ann Jackson, Chair

Charles F. Bolden, Jr.

David A. Daberko

William L. Davis

Charles R. Lee

Dennis H. Reilley

Douglas C. Yearley

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Information Regarding the Independent Registered Public Accounting Firm's Fees, Services and Independence

Independent Auditor Fees and Services

Aggregate fees for professional services rendered for the Company by PricewaterhouseCoopers LLP (PricewaterhouseCoopers) for the years ended December 31, 2006 and 2005 were:

	2006 (in 000 s)	2005 (in 000 s)
Audit(1)	\$ 9,128	\$ 9,033
Audit-Related	368	329
Tax		
Tax Compliance	53	42
Other Tax	39	178
All Other	4	4
Total(2)	\$ 9,592	\$ 9,586

(1) This amount includes \$3.9 million and \$4.0 million for the internal control assessment required by Section 404 of the Sarbanes-Oxley Act of 2002 in 2006 and 2005, respectively.

(2) The Audit Committee adopted the Audit Committee Policy for Pre-Approval of Audit, Audit-Related, Tax and Permissible Non-Audit Services. This policy is attached as Appendix II to this proxy statement. The Audit Committee has pre-approved all the fees and services for 2006 and 2005. The Audit Committee did not utilize the de minimus exception in either year.

The *Audit* fees for the years ended December 31, 2006 and 2005 were for professional services rendered for the audit of the consolidated financial statements and audit of internal control over financial reporting of the Company, statutory and regulatory audits, issuance of comfort letters, consents, and assistance with and review of documents filed with the SEC.

The *Audit-Related* fees for the years ended December 31, 2006 and 2005 were for assurance and related services related to employee benefit plan audits, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

The *Tax* fees for the years ended December 31, 2006 and 2005 were for services related to tax compliance, including the preparation of tax returns and claims for refund, and tax planning and tax advice, including assistance with and representation in tax audits and appeals, preparation of individual income tax returns for expatriates and requests for rulings or technical advice from tax authorities.

The *All Other* fees for the years ended December 31, 2006 and 2005 were for services rendered for accounting research software licenses.

Compatibility of PricewaterhouseCoopers Services with its Independence

The Audit Committee has considered whether PricewaterhouseCoopers is independent for purposes of providing external audit services to the Company, and the committee has determined that it is.

Security Ownership of Certain Beneficial Owners

The following table furnishes information concerning all persons known to Marathon to beneficially own five percent or more of the common stock of Marathon:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Outstanding Shares	
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	35,022,610	(1) 10.00%	(1)
Barclays Global Investors, NA 45 Fremont Street San Francisco, CA 94105	29,816,370	(2) 8.48%	(2)

(1) Based on Schedule 13G dated February 7, 2007 (filed: February 12, 2007) which indicates that Capital Research and Management Company had sole voting power over 9,640,000 shares, shared voting power over no shares, sole dispositive power over 35,022,610 shares and shared dispositive power over no shares.

(2) Based on Schedule 13G dated January 31, 2007 (filed: January 23, 2007) which indicates that Barclays Global Investors, NA is the beneficial owner of shares and had sole voting power over 26,274,586 shares, shared voting power over no shares, sole dispositive power over 29,816,370 shares, and shared dispositive power over no shares. According to such Schedule 13G, (i) Barclays Global Investors, NA is the beneficial owner of 22,859,547 shares and has sole voting power over 19,319,796 shares, shared voting power over no shares, sole dispositive power over 22,859,547 shares, and shared dispositive power over no shares, (ii) Barclays Global Fund Advisors is the beneficial owner of 2,417,416 shares and has sole voting power over 2,415,383 shares, shared voting power over no shares, sole dispositive power over 2,417,416 shares, and shared dispositive power over no shares, (iii) Barclays Global Investors, Ltd. is the beneficial owner of 3,208,627 shares and has sole voting power over 3,208,627 shares, shared voting power over no shares, sole dispositive power over 3,208,627 shares, and shared dispositive power over no shares, (iv) Barclays Global Investors Japan Trust and Banking Company Limited is the beneficial owner of 408,068 shares and has sole voting power over 408,068 shares, shared voting power over no shares, sole dispositive power over 408,068 shares, and shared dispositive power over no shares, and (v) Barclays Global Investors Japan Limited is the beneficial owner of 922,712 shares and has sole voting power over 922,712 shares, shared voting power over no shares, sole dispositive power over 922,712 shares, and shared dispositive power over no shares.

Security Ownership of Directors and Executive Officers

The following table sets forth the number of shares of Marathon common stock beneficially owned as of January 31, 2007 by each director, by each executive officer named in the Summary Compensation Table and by all directors and executive officers as a group. In calculating the percentage of outstanding stock, each listed person's stock options or stock-settled stock appreciation rights that are or may be exercisable within sixty days have been added to the total outstanding shares.

Name	Shares	Restricted Stock(3)	Stock Options/ Stock Settled SARs Exercisable Prior to 04/01/07(4)	Total Shares(6)	% of Total Outstanding(7)
Charles F. Bolden, Jr.	9,613	(1)		9,613	*
Clarence P. Cazalot, Jr.	324,901	22,500	444,525	791,926	*
David A. Daberko	13,981	(1)(2)		13,981	*
William L. Davis	13,064	(1)(2)(5)		13,064	*
Shirley Ann Jackson	14,028	(1)(2)		14,028	*
Philip Lader	13,269	(1)(2)		13,269	*
Charles R. Lee	27,776	(1)(2)		27,776	*
Dennis H. Reilley	14,081	(1)(2)		14,081	*
Seth E. Schofield	21,058	(1)(2)		21,058	*
John W. Snow	1,846	(1)		1,846	*
Thomas J. Usher	16,189	(1)(5)		16,189	*
Douglas C. Yearley	20,340	(1)(2)(5)		20,340	*
Janet F. Clark	51,589	12,200	75,238	139,027	*
Gary R. Heminger	50,911	(2)	10,800	115,412	*
Steven B. Hinchman	39,408	(2)	5,900	139,475	*
Philip G. Behrman	38,836	(2)	5,900	72,857	*
All Directors and Executive Officers as a group (23 persons) (1)(2)(3)(4)(5)				1,657,595	*

(1) Includes deferrals of annual retainers into common stock units under the Deferred Compensation Plan for Non-Employee Directors and the 2003 Plan prior to January 1, 2006, and non-retainer annual director stock awards in common stock units under the 2003 Plan, including their respective dividend equivalent rights allocated in common stock units, as follows:

Name	Annual Retainer Deferred Into Common Stock Units	Non-Retainer Annual Common Stock Units
Charles F. Bolden, Jr	3,285	6,329
David A. Daberko	5,652	6,329
William L. Davis	4,735	6,329
Shirley Ann Jackson	6,595	6,329
Philip Lader	4,735	6,329
Charles R. Lee	19,447	6,329
Dennis H. Reilley	5,652	6,329
Seth E. Schofield	13,503	6,329
John W. Snow	0	1,846
Thomas J. Usher	4,499	0
Douglas C. Yearley	13,011	6,329

(2) Includes shares held under the Marathon Thrift Plan, the United States Steel Savings Fund Plan for Salaried Employees, the Dividend Reinvestment and Direct Stock Purchase Plan, and the Non-Employee Director Stock Plan.

(3) Reflects shares of restricted stock granted under the 2003 Incentive Compensation Plan, which are subject to limits on sale and transfer and can be forfeited under certain conditions.

(4) The number of shares shown includes the shares each person would have received had they exercised their stock-settled SARs based on the fair market value (i.e., closing price) of Marathon's common stock on January 31, 2007.

(5) Includes 11,009 shares indirectly held by Mr. Usher through a Revocable Trust Account governed by a Revocable Trust Agreement, dated July 3, 2001, pursuant to which Mr. Usher is the settlor, co-trustee with his spouse and beneficial owner of the shares held in said account; includes 500 shares indirectly held by Mr. Yearley in a family trust; and includes 1,000 shares indirectly held by Mr. Davis in the William L. Davis III Revocable Trust.

(6) None of the shares are pledged as security.

* (7) The percentage of shares beneficially owned by each director or nominee, or each executive officer does not exceed one percent of the common shares outstanding; and the percentage of shares beneficially owned by all directors and executive officers of the Company, as a group, does not exceed one percent of the common shares outstanding.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, file reports of beneficial ownership on Form 3 and changes in beneficial ownership on Form 4 or Form 5 with the Securities and Exchange Commission. Based solely on the Company's review of the reporting forms and written representations provided to the Company from the individuals required to file reports, the Company believes that each of its executive officers and directors has complied with the applicable reporting requirements for transactions in the Company's securities during the fiscal year ended December 31, 2006, except for Michael K. Stewart who filed one Form 4 report two days late relating to shares-for-tax withholding for a vesting of restricted stock granted to Mr. Stewart prior to his election as an executive officer of the Company.

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Compensation Committee Report

Our committee has reviewed and discussed Marathon's Compensation Discussion and Analysis for 2006 with Marathon's management. Based on the review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2007 annual proxy statement.

Douglas C. Yearley, Chair

William L. Davis

Shirley Ann Jackson

Philip Lader

Dennis H. Reilley

Seth E. Schofield

John W. Snow

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Compensation Discussion and Analysis

At Marathon, we believe that it is important to directly link compensation to our performance and to the value delivered to our stockholders. Accordingly, a key part of our business strategy is executing our pay-for-performance philosophy. This philosophy focuses our employees on the shared strategy and core values that drive our corporate performance.

As a result of our pay-for-performance philosophy, a substantial part of the compensation realized by our executives varies based on corporate performance. The executive compensation reported in this proxy statement reflects our corporate performance for the past several years, including 2006. Over the course of this time period, we have improved our position relative to other oil companies, maintained a high level of downstream performance, grown new upstream core areas and established an integrated gas business. Our performance is reflected in our three-year total stockholder return (TSR) of 212 percent. These accomplishments have been achieved while facing the challenges of heightened competition within our industry for resources and talent.

The report below gives you more information about our compensation philosophy for the named executive officers (Officers), including a detailed description of each component of pay. It also describes the decisions made by the Compensation Committee (the Committee) of our Board for 2006 Officer compensation.

Compensation Philosophy

Our compensation program for Officers is designed to achieve the following objectives:

- **Attract** talented and experienced Officers by providing incentives for them to accept the risks and burdens of Officer positions;
- **Motivate** Officers by rewarding them for individual and collective contributions to our success, including increasing stockholder value; and
- **Retain** the knowledge and experience of Officers who directly impact our current and future success.

The principal elements of our Officers compensation program are:

- Base salary;
- Annual cash incentive bonus;
- Long-term incentive awards (performance awards, stock options and restricted stock);
- Post-termination benefits; and
- Other benefits.

As described in more detail below, these elements are designed to reward corporate and individual performance. Corporate performance is generally measured relative to stockholder return, certain operational metrics and adherence to corporate values. Individual performance is evaluated based on individual expertise, leadership, ethics and achievement of personal performance commitments. We also put a priority on living the Marathon values, which emphasize health and safety, environmental stewardship, business ethics, honesty and integrity.

Compensation Benchmarking

In the energy industry, we currently operate in a competitive environment for talented employees. As a result, in order to attract and retain leadership, we believe it is necessary and appropriate to benchmark our executive compensation against that of our competitors.

Overall, our executive compensation program is designed to provide total compensation opportunities that are within the range of the market median when target level performance is achieved, which we believe is competitive. However, there are variations in pay competitiveness among the Officers based on factors other than market data, such as internal equity, experience and role within Marathon. Actual awards earned under our incentive compensation programs vary based upon both our performance and that of the individual Officer. When performance objectives are exceeded, incentive compensation is intended to be above the median. When performance is below our objectives, incentive compensation, if provided, is intended to be below the median.

To assist with the benchmarking process, the Committee has engaged a compensation consultant to provide consulting services on executive compensation matters. The consultant provides the Committee with comparative data on executive compensation and expert advice on compensation program design and implementation. The comparative data provided by the consultant is only one of several factors considered by the Committee when establishing compensation levels.

With the help of the consultant, the Committee regularly compares the salary, annual bonus, long-term incentive opportunities and total compensation for Officers with those of similar positions at peer companies where we compete for talent. The peer group companies we use for our corporate and upstream compensation comparisons are: Anadarko Petroleum Corporation, Apache Corporation, Chevron Corporation, ConocoPhillips, Devon Energy Corporation, Hess Corporation, Occidental Petroleum Corporation, Sunoco Inc., Tesoro Corporation and Valero Energy Corporation. The companies we use for downstream comparisons are: BP p.l.c., Chevron Corporation, ConocoPhillips, Hess Corporation, Royal Dutch Shell p.l.c., Sunoco Inc., Tesoro Corporation and Valero Energy Corporation.

Stock Ownership Requirements and Anti-Hedging Policy

In 2003, the Committee established stock ownership guidelines for our Officers in order to reinforce the alignment of the Officers and stockholders interests. The share ownership requirements are as follows:

- Chief Executive Officer (CEO) 225,000 shares
- Executive Vice Presidents 60,000 shares
- Senior Vice Presidents 42,000 shares

Officers have until 2008 to achieve this ownership level, unless their appointment was after 2003, in which case they have five years from that appointment date to achieve the designated stockholder ownership level. In general, shares for which the Officers have dividend and voting rights are counted towards the requirement, including unvested time-based restricted shares.

The Committee reviews each Officer s progress towards the guidelines on an annual basis. Officers who have not reached their specified targets and who exercise stock options are

generally expected to hold the shares they receive upon exercise (after taxes) so that they meet their requirement in a timely manner.

In order to ensure that Officers bear the full risks of stock ownership, our corporate policies prohibit Officers from engaging in hedging transactions related to our stock or from pledging or creating a security interest in any Marathon shares they hold.

Base Salary

Base salary is a fundamental component of our total compensation for Officers. The Committee reviews Officer salaries annually based on the following criteria:

- **Officer Performance** Base salary adjustments are primarily determined upon the Officer's performance, including living the Marathon values.
- **Internal Equity** The salary level for each individual Officer and each position in the overall management hierarchy is designed to reflect its relative value to us.
- **External Competitiveness** The salary for each position is designed to be at or near the median level for similar positions at peer companies.

We believe that positioning our base salaries within the range of the market median, coupled with our incentive programs and other benefits, allows us the ability to attract, retain and compete for top talent. Once an Officer's salary approaches or exceeds the median range, increases are given only as necessary to reward performance and retain top talent.

Annual Cash Incentive Bonus

The Officers' bonus program is intended to closely link annual bonus payments to our performance and to each individual Officer's performance. Evaluation of our performance is based on the achievement of pre-established performance goals, as set by the Committee at the beginning of the year. Evaluation of individual performance is based on attainment of personal performance commitments including impact on corporate performance. At the end of the year, overall Marathon and individual Officer performance is then weighed against pre-established bonus targets to determine the actual amount of bonus the Committee authorizes to be paid to each Officer.

The paragraphs below provide more information about the elements of our bonus program as well as the factors that influenced the bonus payments approved by the Committee for 2006.

Bonus Target Opportunities

Each year, the Committee establishes a bonus target amount for each Officer that is expressed as a percentage of his or her year-end base salary. In 2006, the bonus targets for the Officers were as follows:

Name	2006 Bonus Target (as% of Base Salary)
C. P. Cazalot, Jr.	120%
J. F. Clark	75%
G. R. Heminger	80%
S. B. Hinchman	70%
P. G. Behrman	70%

The bonus targets are designed to be competitive with annual bonus targets for similar positions at peer companies and are based on compensation data provided by the Committee's compensation consultant. Actual bonus payments may be above or below the target amount depending upon Marathon and individual performance for the year.

Company Performance Metrics

During the first quarter of each year, the Committee establishes the Company performance metrics for the Officers' bonus program. Overall, the metrics are designed to create stockholder value and to reward performance. To reinforce our pay-for-performance philosophy, each Officer's bonus payment is tied to the performance measures that correspond to the success of his or her respective business segment or, in the case of corporate Officers, Marathon as a whole.

The bonus program includes metrics that are based on measures such as costs, reserves, production and mechanical availability, each of which has a performance target that is competitive for the industry. Other metrics measure our performance relative to our peers. The Committee reserves the right to revise established bonus performance metrics (up or down) when unforeseen business transactions or events significantly impact corporate performance relative to the pre-established performance metrics.

The tables below show the specific performance measures that were used for determination of the 2006 bonus payments. Where appropriate, additional details about certain metrics are given following each table. For each metric where target performance is exceeded, there is an increase in the Officer's bonus opportunity. When performance is below target for a particular metric, there is a decrease in bonus opportunity.

Exploration and Production (Upstream)

Metrics apply to Mr. Hinchman and Mr. Behrman.

Performance Metric	Target Performance	Performance Achieved
Upstream Adjusted Net Income per Barrel of Oil Equivalent as compared to peer companies (a)	6th position out of 9 companies	4th position
Net Proved Reserve Additions (b)	110 million barrels of oil equivalent	143 million barrels of oil equivalent
Net Production	362,000 barrels of oil equivalent per day	377,000 barrels of oil equivalent per day
Upstream Unit Cost per Barrel of Oil Equivalent (c)	\$14.37 or less	\$14.57
Upstream Safety Performance	1.07 OSHA recordable rate or less	1.25 OSHA recordable rate
Upstream Environmental	6 barrels or less per million barrels produced	6.3 barrels per million barrels produced

(a) The comparator companies for the upstream adjusted net income per barrel measure were Hess, BP, Chevron, ConocoPhillips, Exxon Mobil, Murphy, Occidental and Royal Dutch Shell. The original list also included Kerr McGee, but Kerr McGee was excluded from the final calculation since it was acquired by Anadarko in 2006. This metric is calculated as our Exploration and Production segment income, as presented in our audited consolidated financial statements, divided by our worldwide sales volumes from continuing operations measured in barrels of oil equivalent. To ensure consistency of this metric when comparing to our peers, adjustments to peer company segment income, as presented in their audited financial statements, are sometimes necessary to exclude certain unusual items reflected in their results.

(b) This metric is calculated from the Estimated Quantities of Proved Oil and Gas Reserves table in the Supplementary Information on Oil and Gas Producing Activities (Unaudited) section of our Form 10-K. The metric includes the following liquid hydrocarbon and natural gas volumes from that table, as converted into barrels of oil equivalent:

- Revisions of previous estimates;
- Improved recovery; and
- Extensions, discoveries and other additions.

(c) This metric is calculated using specific costs incurred in the operations of the Exploration and Production segment as the numerator and sales volumes of the Exploration and Production segment, measured in barrels of oil equivalent, as the denominator. It incorporates costs of producing hydrocarbons for sale; therefore, certain costs such as asset value impairments, exploration expense and costs impacted by fluctuations in hydrocarbon prices are excluded.

Refining, Marketing and Transportation (Downstream)

Metrics apply to Mr. Heminger.

Performance Metric	Target Performance	Performance Achieved
Return on Capital Employed (d)	9 to 10%	26%
Refining Mechanical Availability	93%	94%
Controllable Operating Expenses (e)	\$1.44 billion or less	\$1.36 billion
General & Administrative Expense (f)	\$65 million or less	\$59.8 million
Product Quality Incident Cost	\$2 million or less	\$100,000
Downstream Safety Performance	1.00 OSHA recordable rate or less	0.73 OSHA recordable rate
Designated Environmental Incidents	100 incidents or less	83 incidents

(d) This metric is the ratio of operating profits to the amount of operating capital invested to generate those profits. It is intended to be a measure of how productively assets are used. The values used in calculating this metric are obtained from records of the Downstream segment.

(e) This metric is calculated using specific costs incurred in the operations of the Downstream segment, including those costs directly attributable to refining, marketing, distribution and transportation operations such as employee expenses, turnaround costs and advertising expense. Costs excluded are those impacted by fluctuations in hydrocarbon prices and volumes such as purchased energy and transportation costs.

(f) This metric includes a portion of the selling, general and administrative expenses reflected in the audited consolidated statement of income. It includes general and administrative expenses incurred by the Downstream segment, but not directly attributable to specific operations, for example the various expenses of maintaining and staffing a central office from which the segment is managed.

Corporate

Metrics apply to Mr. Cazalot and Ms. Clark.

Performance Metric	Target Performance	Performance Achieved

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Results of Upstream and Downstream Performance (as described above)	See above Upstream and Downstream performance tables	See above Upstream and Downstream performance achieved
Annual Stock Price Performance compared to AMEX Oil Index (XOI)(g)	2nd quartile	Top quartile
General and Administrative Expense(h)	\$281 million or less	\$287 million

(g) On December 31, 2006, the following companies were included in the XOI: Anadarko, BP, Chevron, ConocoPhillips, Exxon Mobil, Hess, Occidental, Repsol, Royal Dutch Shell, Sunoco, Total, and Valero.

(h) This metric includes a portion of the selling, general and administrative expenses reflected in the audited consolidated statement of income. It includes general and administrative expenses that are not directly incurred by operating segments, for example corporate office expenses.

Individual Performance

We believe our accountability to stockholders begins with personal performance commitments linked to our Company goals, which in turn are reinforced by our pay-for-performance culture. As a result, in addition to Company performance, each Officer's individual performance is important in determining his or her bonus.

At the beginning of each year, each Officer develops individual performance commitments relative to his or her organizational responsibilities which, for Officers other than the CEO, are then discussed with and approved by the CEO. Similarly, the CEO's individual performance commitments are discussed with and approved by our Chairman and our Board. The performance commitment process is designed to focus Officers on creating stockholder value, and all of the Officers' commitments are directly related to our business objectives that are communicated to the stockholders for the upcoming year.

At the end of each year, each Officer's performance is measured against his or her pre-established performance commitments. In addition, each Officer's leadership skills and demonstrated commitment to living the Marathon values are considered.

2006 Annual Bonus Payments

2006 was a successful year. As summarized in the above bonus metrics tables, our performance exceeded target for most of the approved metrics. Most notably, we were the top performer for stock price growth among the companies in the XO1 for 2006, with stock price growth of 52 percent.

Within the parameters of the bonus program, the Committee exercised its discretion to set individual bonus amounts based on bonus targets, Company performance achieved and assessment of individual performance. Consistent with our pay-for-performance philosophy, Officers were rewarded for their contributions to our outstanding performance with bonus payments at higher levels as compared to the bonus target opportunities established at the beginning of the year.

Grants of Long Term Incentive Awards

Long-term incentive awards are a critical element in the mix of compensation as they provide a direct link to stockholder interests. Our objective in making long-term incentive grants is to provide Officers with opportunities to receive competitive levels of compensation for meeting performance objectives, exceptional rewards for superior performance and reduced or no rewards for performance below our objectives. Since 2003, all of our long-term incentive awards have been granted under the stockholder-approved 2003 Incentive Compensation Plan.

Historically, the Committee has approved all annual long-term incentive grants at its regularly-scheduled May meeting. In addition, when an award requires a pre-established performance goal, the Committee has approved the performance goal and the related compensation formula during the first quarter.

Each year, prior to making grants, the Committee establishes an intended long-term incentive dollar value for each Officer. However, the actual value realized may differ significantly (up or down) from the intended value due to our stock price performance over the life of the awards. When setting these intended values, the Committee considers competitive pay data, individual performance, internal pay equity and total compensation opportunities for each Officer.

The Committee allocates each Officer's intended value among a mix of long-term incentive awards. For 2006, the Committee decided that all of the CEO's long-term incentive pay would be directly tied to the performance of our stock. Therefore, the Committee granted all of his long-term incentive value in the form of performance units and stock options.

The remaining Officers received the following mix of long-term incentive awards: 40 percent performance units, 40 percent stock options and 20 percent restricted stock. The Committee believes this mix of long-term incentive opportunities provides an appropriate balance between the dual objectives of tying compensation to stock performance and providing retention incentives. Furthermore, based on pay data provided by the compensation consultant, the Committee believes the award mix is competitive relative to the incentive pay packages offered by our peers.

To determine the number of awards necessary to deliver the intended value, the Committee uses valuation methodologies provided by its compensation consultant. According to these methodologies, the number of performance units awarded to each Officer is determined by dividing the intended value of the award by the \$1 target value per unit, with a present value factor applied. The number of stock options granted is calculated based on a Black-Scholes value. Similarly, the number of shares of restricted stock awarded is determined by dividing the intended value by our average daily closing price for the one-month period at the end of the prior quarter. For all three award types, a risk of forfeiture factor is also applied.

Each of our long-term incentive award types is discussed in more detail below.

Performance Units

We believe it is important to link executive compensation to our overarching corporate goal of delivering stockholder returns to our investors. Accordingly, the Committee grants a portion of Officers' long-term incentive compensation in the form of performance units tied to our long-term relative total stockholder return. The vesting of each unit is tied to our three-year TSR as compared to the three-year TSR for each of the companies that are members of the XOI on the last day of the performance period.

The Committee favors the design of cash-settled performance units because they have a pre-established maximum payout value that does not vary with stock price. The target value of each performance unit is \$1, with the actual payout varying from \$0 to \$2 based on our relative TSR percentile ranking for the measurement period. The following table illustrates how the performance unit payout is calculated:

Performance Achieved	Maximum	Target	Threshold
MRO TSR Ranking (out of 13 companies)	1	7	10
Payout (% of target)	200%	100%	50%
Value Per Unit	\$2.00	\$1.00	\$0.50

Payouts are prorated when performance falls in between threshold, target and maximum levels. However, there will be no payout if our TSR is in the bottom quartile. In any event, the Committee reserves the right to exercise downward discretion when final vesting is approved. If an Officer separates from service or retires prior to the end of the performance period, the award is forfeited.

Stock Options

As noted above, the Committee grants a portion of Officers' intended long-term incentive value in the form of stock options, which provide a link between Officer pay and the value delivered to stockholders. The Committee believes that all stock options are inherently performance-based as option holders only realize benefits if the value of our stock increases following the date of grant.

Our practice, both historically and currently, is to approve annual stock option grants to Officers on the date of the May meeting of the Committee, which has always coincided with the May meeting of the Board of Directors and is scheduled at least one year in advance. The grant price of our stock options is based on the fair market value of our common stock on the grant date, which is the day of or the next business day following the meeting at which the Committee approves the awards. In 2006, the Committee granted stock options as of June 1, 2006, the day after the Committee met. Stock options granted in 2006 have a three-year pro-rata vesting period and a maximum term of 10 years.

When stock option grants are approved for a newly hired Officer, the Committee grants the options as of a future date, as detailed in the Officer's offer letter, which is a specified number of days following the Officer's first date of employment. Consistent with our standard practice, the grant price of these options is the fair market value of our common stock on the effective date of grant.

Under the terms of our 2003 Incentive Compensation Plan, the grant price of a stock option may not be less than the average of the highest and lowest sales prices of our common stock on the date of grant. In light of the new SEC regulations that require disclosure of the closing market price on the date of an option grant, under the proposed 2007 Incentive Compensation Plan the grant price for a stock option may not be less than the closing market price on the date of grant. Re-pricing is not permitted under our stock plans without prior stockholder approval.

Restricted Stock

The Committee also granted 20 percent of the intended long-term incentive value for Officers, other than Mr. Cazalot, in the form of time-based restricted stock. The Committee chose to grant time-based restricted stock for retention purposes and to diversify the mix of long-term compensation, which is consistent with competitive market practices. The restricted stock grants are also intended to help Officers increase their holdings in our stock.

The restricted stock awards will vest in full on the third anniversary of the date of grant. Prior to vesting, restricted stock recipients have voting rights and receive dividends on the restricted shares. If an Officer separates from service or retires prior to the end of the restriction period, the award is forfeited. In the event of the death of the Officer or upon a change in control, the award will fully vest.

Vesting of 2004 Performance Awards

In 2004, the Committee granted performance shares to Officers with vesting based entirely on our relative TSR for the period January 1, 2004 through December 31, 2006. Per the terms of the grant, our relative TSR was measured against the three-year TSR for each of the member companies within the XOI on December 31, 2006.

In January 2007, the Committee approved the vesting of these performance shares. For the 2004 to 2006 performance period, we ranked second in total stockholder return among the XOI companies with a TSR of 212 percent. As a result of the second place ranking, the Committee vested 183 percent of the target number of shares awarded to each Officer in 2004, in accordance with the pre-established vesting matrix.

Cash Retention Award for Downstream Officers Related to the Ashland Transaction

In June 2005, we acquired Ashland, Inc.'s 38 percent interest in Marathon Ashland Petroleum LLC (now known as Marathon Petroleum Company LLC or MPC). As a result of the acquisition, MPC's officers forfeited Ashland stock appreciation rights (SARs) previously granted to them. As a replacement for these forfeited awards, we established a cash retention program for the affected officers. The value of each officer's cash retention award was a fixed dollar amount equal to the average value of the forfeited Ashland SARs during the month preceding the acquisition. The cash retention award vested on September 18, 2006, which was the original vesting date of the forfeited Ashland SARs. Mr. Heminger was the only Officer who received this award and his payout was \$772,976.

Post Termination Benefits

Retirement

We believe that it is important to help our employees plan for a secure retirement. Accordingly, we sponsor tax-qualified defined benefit and defined contribution retirement plans for all employees that allow both Marathon and the individual to contribute towards retirement savings. We also sponsor retiree medical plans for all of our employees.

In addition, Officers and certain other highly compensated employees are eligible for certain unfunded, nonqualified retirement plans. These plans provide benefits that would have otherwise been paid from our tax-qualified plans but are prohibited by Internal Revenue Code limitations. The defined benefit formula of these nonqualified plans also provides an enhancement for Officers based on the three highest bonuses earned during their last ten years of employment, instead of the consecutive bonus formula used for non-officers. Distributions from these nonqualified plans are made following termination or retirement in the form of a lump sum or three annual installments and are consistent with Section 409A of the Internal Revenue Code to the extent required.

We also sponsor nonqualified deferred compensation plans for Officers. Under the plans, Officers are eligible to defer up to 20 percent of their salary and bonus each year. The investment options available under the plan mirror those available to all employees under the tax-qualified Marathon Thrift Plan, with the exception of Marathon common stock. Distributions from the plan are made following termination or retirement in the form of a lump sum or three annual installments and are consistent with Section 409A of the Internal Revenue Code to the extent required.

In addition, upon retirement, Officers' stock options and stock appreciation rights either continue vesting through their normal vesting schedule (those granted in May 2004) or become immediately exercisable (those granted after 2004). All other long-term incentive awards are forfeited upon retirement.

Our employees are eligible for retirement once they have reached age 50 and have ten or more years of service. The only Officer who is currently retirement-eligible is Mr. Heminger.

Death or Disability

In the event of death or disability, Officers will be entitled to the vested benefits they have accrued under our standard benefits programs. Long-term incentive awards will immediately vest in full upon the death of an Officer, with performance shares and performance units vesting at the target level. In the event of disability, long-term incentive awards will continue to vest as if the Officer remains employed during the period of disability.

Other Termination

No special employment or severance agreements are in place for our Officers. Effective February 1, 2005, we adopted a policy stating that our Board should seek stockholder approval or ratification of severance agreements for senior executive officers that would require payment of cash severance benefits exceeding 2.99 times the officer's salary plus bonus for the prior calendar year.

Change in Control Termination

We believe that if a change in control of Marathon appears possible, our employees should be encouraged to continue their dedication to their assigned duties. For that reason, we have programs in place that provide severance benefits in the event that an employee is terminated following a change in control. We also believe that having a change in control policy encourages the Officers to act in the best interest of the stockholders when a change of control transaction is under consideration.

Immediately upon a change in control, all employees' long-term incentive awards become fully vested and exercisable, which is a competitive practice among our peers. Outstanding performance shares and performance units will vest at the target value.

The potential benefits payable to Officers in the event they are terminated following a change in control are outlined on pages 66-68. The Committee periodically reviews the Officers' change in control benefits.

Other Benefits

A limited perquisite program is also made available to Officers. Under the program, Officers may seek reimbursement for certain tax, estate and financial planning services up to a specified annual maximum each year, including the year following death or retirement. Officers are also offered an enhanced annual physical examination and the use of club memberships, with the majority of Officers limited to one membership. The Committee believes that these programs generally reflect prevailing market practices in the industry and are reasonable supplements to the overall compensation program.

On occasion spouses or other guests will accompany Officers on the aircraft for official business or when space is available on business-related flights. When the spouse or guest's travel does not meet the IRS standard for business use, the cost of that travel is imputed as income to the Officer. If approved by his or her supervisor, the Officer may receive a gross up on the imputed income if the spouse or guest was accompanying the Officer on official business.

Tax and Accounting Considerations

The Committee considers the accounting and tax effects to Marathon when making executive compensation decisions and granting awards.

Because we have been following the fair value method of accounting for stock-based compensation since 2003, recent changes in generally accepted accounting principles for stock-based payments did not have a significant impact on our financial results.

Prior to 2004, Officers received grants of cash-settled stock appreciation rights. We no longer grant this type of incentive award. As previously granted cash settled stock appreciation rights are exercised, stock-based compensation expense is less affected by period-to-period changes in our stock price.

The Committee has a practice of delivering compensation in a tax-deductible manner whenever possible within the context of the compensation objectives it adopts. However, the priority of the Committee is to provide compensation that reflects corporate and individual performance and is competitive within the industry. Accordingly, some of the compensation awarded by the Committee is not deductible by us due to the limitations of Section 162(m) of the Internal Revenue Code. Section 162(m) places a limit of \$1 million on the amount of compensation (excluding certain performance-based compensation) that we may deduct in any one year for each Officer.

The Committee has approved a salary for Mr. Cazalot that exceeds the Section 162(m) limitation and therefore is not deductible in full. In the opinion of the Committee, Mr. Cazalot's salary is appropriate based on the Company's performance under his leadership.

As described above, the Committee has awarded time-based restricted stock awards to Officers. In 2005, Mr. Cazalot also received a restricted stock grant. Upon vesting, these awards will not be deductible in full for an Officer whose compensation exceeds the Section 162(m) limitation. The Committee believes that the restricted stock awards are an important component of long-term compensation because they provide retention incentives and increase Officers' stock holdings.

Most of our performance-based compensation awards are deductible in full regardless of the limitations of Section 162(m) because they have been granted under the stockholder-approved 2003 Incentive Compensation Plan. To comply with Section 162(m), this plan contains maximum limitations on annual award grants, including a \$5,000,000 cap on cash-based awards. When this \$5,000,000 cap was established in 2003, the annual bonus program was the only cash-based incentive program that we sponsored. Since that time, the Committee has opted to award performance units that are paid out in cash instead of performance shares that vest in shares of common stock, as the cash-based units have a pre-established maximum payout value that does not increase with stock price.

Given our recent successes, it is not competitively feasible to administer both the annual bonus program and the performance unit program within the plan's annual cash award limitation for the Officers. Accordingly, the 2006 annual bonus program was not administered under the plan and a portion of some Officers' bonuses may not be deductible in full.

The Committee may also award non-deductible pay in other situations as well, including but not limited to inducement awards, awards warranted by performance, and transaction related awards such as Mr. Heminger's cash retention award described above.

Compensation Committee of Our Board of Directors

The Compensation Committee of our Board is charged with approving all compensation and awards for our Officers. The Committee is comprised only of independent, non-employee directors. The members who currently serve on the Committee are Mr. Yearley, Mr. Davis, Dr. Jackson, Mr. Lader, Mr. Reilley, Mr. Schofield and Mr. Snow.

The Committee meets at least four times a year and usually holds executive sessions at each of its meetings. When possible, the Committee previews and discusses significant compensation decisions at one meeting before giving formal approval at a subsequent meeting. With the help of its compensation consultant and our staff, the Committee keeps abreast of and discusses legal and regulatory developments pertaining to executive compensation throughout the year.

The Committee seeks input from the CEO on compensation decisions and performance appraisals for all other Officers. However, all final Officer compensation decisions are approved by the Committee.

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Executive Compensation Tables and Other Information

The following table summarizes the total compensation awarded to, earned by, or paid to Mr. Cazalot, President and Chief Executive Officer, Ms. Clark, Executive Vice President and Chief Financial Officer, and the other three most highly compensated executive officers of Marathon who were serving as executive officers at the end of 2006, for services rendered in all capacities during 2006.

2006 Summary Compensation Table

Name and Principal Position	Year	Salary(1) (\$)	Bonus(2) (\$)	Stock Awards(3) (\$)	Option Awards(4) (\$)	Non-Equity Incentive Plan Compensa- tion(5) (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(6)	All Other Compensa- tion(7) (\$)	Total (\$)
							(\$)		
C. P. Cazalot, Jr. President and Chief Executive Officer	2006	1,175,000	0	3,162,726	12,463,293	3,200,000	1,131,376	238,980	21,371,375
J. F. Clark Executive Vice President and Chief Financial Officer	2006								