

MARATHON OIL CORP
Form DEF 14A
March 10, 2008
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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))**

x 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)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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Notice of Annual Meeting of Stockholders and Proxy Statement 2008

**Wednesday, April 30, 2008
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.

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Marathon Oil Corporation

Clarence P. Cazalot, Jr.

5555 San Felipe Road

President and Chief Executive Officer

Houston, TX 77056

March 10, 2008

Dear Marathon Stockholder,

On behalf of your Board of Directors and management, you are cordially invited to attend our 2008 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 30, 2008 at 10:00 a.m. Central Time.

We are pleased to take advantage of the new Securities and Exchange Commission rules allowing issuers to furnish proxy materials over the Internet. Please read the proxy statement for more information on this alternative, which we believe will allow us to provide our stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our annual meeting. On March 14, 2008, we plan to commence mailing to our U.S. stockholders a Notice containing instructions on how to access our 2008 Proxy Statement and 2007 Annual Report and vote online. In addition, instructions on how to request a printed copy of these materials may also be found on the Notice. All other stockholders will continue to receive copies of the proxy statement and annual report by mail. The matters to be voted on at the meeting can be found in the 2008 Proxy Statement.

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 30, 2008

We will hold our 2008 annual meeting of stockholders in the Conference Center Auditorium of the Marathon Oil Tower, 5555 San Felipe Road, Houston, Texas 77056 on Wednesday, April 30, 2008 at 10:00 a.m. Central Time, in order to:

- elect nine directors;
- ratify the selection of PricewaterhouseCoopers LLP as our independent auditor for 2008;
- consider a stockholder proposal to amend our by-laws to allow stockholders to call special meetings;
- consider a stockholder proposal to adopt a policy for ratification of executive compensation; 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 March 3, 2008. 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.

Holders of exchangeable shares of 1339971 Alberta Ltd. of record and entitled to vote, at the close of business on March 3, 2008 will be entitled to receive notice of the meeting, attend the meeting and vote by way of the enclosed Voting Instruction Form on matters to come before the meeting. Holders of exchangeable shares may vote by signing the enclosed Voting Instruction Form and remitting it to Valiant Trust Company of Canada, Suite 310, 606 4th Street S.W., Calgary, Alberta T2P 1T1. In order to be valid and acted upon at the meeting, the Voting Instruction Form must be received no later than 10:00 a.m. (Central Time) on Tuesday, April 29, 2008.

Marathon is taking advantage of the new Securities and Exchange Commission rules which allow issuers to furnish proxy materials to their stockholders over the Internet. Marathon believes these new rules allow us to provide our stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our annual meeting.

If you received a printed copy of the materials, we have enclosed a copy of the Company's 2007 Annual Report to stockholders with this notice and proxy statement.

By order of the Board of Directors,

William F. Schwind, Jr.

Secretary

Dated: March 10, 2008

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.

We will hold the meeting on April 30, 2008 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 Notice of Internet Availability of Proxy Materials, the 2008 Proxy Statement, the proxy card and the 2007 Annual Report on or about March 14, 2008.

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 March 3, 2008, which is the record date of the meeting. Each share of common stock entitles its holder to one vote on each matter to be voted on at the meeting. If, as of the close of business on March 3, 2008, you were a holder of exchangeable shares issued by 1339971 Alberta Ltd., one of our subsidiaries, you can exercise your voting rights under the Voting and Exchange Trust Agreement relating to those shares, which effectively provides you with voting rights for each of those shares nearly equivalent to the voting rights applicable to a share of Marathon common stock. The exchangeable shares were issued in connection with our October 2007 acquisition of Western Oil Sands Inc.

☞ What may I vote on?

You may vote on:

the election of nine nominees to serve as directors;

the ratification of the selection of PricewaterhouseCoopers LLP as our independent auditor for 2008;

The Board recommends that you vote:

FOR each of the nominees for director;

FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent auditor for 2008;

AGAINST the stockholder proposal to amend our by-laws to allow stockholders to call special meetings; and

AGAINST the stockholder proposal to adopt a policy for ratification of executive compensation.

☞ If I am a stockholder of record of Marathon shares, how do I cast my vote?

If you are a holder of record of Marathon common stock, you may vote in person at the annual meeting. We will give you a ballot when you arrive.

If you do not wish to vote in person or if you will not be attending the annual meeting, you may vote by proxy. If you received a printed copy of these proxy materials by mail, you may vote by proxy on the Internet, vote by proxy using the enclosed proxy card, or vote by proxy over the telephone. The procedures for voting by proxy are as follows:

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a stockholder proposal to amend our by-laws to allow stockholders to call special meetings; and

a stockholder proposal to adopt a policy for ratification of executive compensation.

To vote by proxy on the Internet, go to <http://www.proxyvote.com> to complete an electronic proxy card. You will need the 12-digit Control Number included on your Notice of Internet Availability and on your proxy card;

To vote by proxy using the enclosed proxy card (if you received a printed copy of these proxy materials by mail), complete, sign and date your proxy card and return it promptly in the envelope provided; or

¢ **How does the Board recommend I vote?**

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To vote by proxy over the telephone (if you received a printed copy of these proxy materials by mail), dial the toll-free phone number listed on your proxy card under the heading **Vote by Phone** using a touch-tone phone and follow the recorded instructions.

If you vote by proxy, your vote must be received by 11:59 p.m., EDT on April 29, 2008 to be counted.

We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

☞ If I am a beneficial owner of Marathon shares, how do I vote?

If you are a beneficial owner of shares of Marathon common stock held in street name and you received a printed copy of these proxy materials by mail, you should have received a voting instruction card with these proxy materials from the organization that is the record owner of your shares rather than from us. If you are a beneficial owner of shares held in street name and you received a notice by mail, you should have received the notice from the organization that is the record owner of your shares rather than from us. Beneficial owners that received a printed copy of these proxy materials by mail from the record owner may complete and mail that voting instruction card or may vote by telephone or over the Internet as instructed by that organization in the voting instruction card. Beneficial owners that received a Notice by mail from the record owner should follow the instructions included in the Notice to view the proxy statement and transmit their voting instructions. A beneficial owner planning to vote in person at the annual meeting must obtain a valid proxy from the record owner. To request the requisite proxy form, follow the instructions provided by your broker or contact your broker.

☞ Why did I receive a Notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

Pursuant to the new rules recently adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet. Unless you previously requested to receive a printed copy of the proxy materials or reside in a location outside the United States, we are sending a Notice of Internet Availability of Proxy Materials (the **Notice**) to our stockholders of record. All stockholders will have the ability to access the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found on the Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis.

☞ May I change my vote?

If you are a holder of record of shares of Marathon common stock, 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 March 3, 2008, which is the record date for the meeting, there were 709,838,795 shares of Marathon common stock outstanding and 3,900,968 exchangeable shares issued by 1339971 Alberta Ltd. (with effectively near equivalent voting rights to shares of Marathon common stock) outstanding and entitled to vote.

¶ How does this proxy statement relate to the exchangeable shares issued by 1339971 Alberta Ltd.?

If you were a holder of record of exchangeable shares and entitled to vote as of the close of business on March 3, 2008, we have enclosed a Voting Instruction Form. You can use that form to provide Valiant Trust Company, the trustee under the Voting and Exchange Trust Agreement relating to the exchangeable

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shares, with your voting instructions. The trustee should receive your voting instructions by 10:00 a.m. Central Time on Tuesday, April 29, 2008. This will give the trustee time to tabulate the voting instructions and vote on your behalf. The trustee will exercise votes only on the basis of instructions it receives from holders of record of the exchangeable shares. In the absence of instructions from such a holder of exchangeable shares as to voting, the trustee will not exercise voting rights relating to those exchangeable shares. If you wish to attend the meeting and vote in person, rather than have the trustee exercise voting rights on your behalf, you may do so by following the procedures set forth in the enclosed Voting Instruction Form.

¢ 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, 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 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 and the ratification of the independent auditor 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 stockholder proposals, unless they have received voting instructions from their customers. Shares held by brokers on behalf of these customers which are not voted 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?

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 January 1, 2008 and no later than January 31, 2008, 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 2009 annual meeting?

Stockholder proposals submitted for inclusion in our 2009 proxy statement must be received in writing by our corporate Secretary no later than the close of business on November 14, 2008. Stockholder proposals submitted outside the process for inclusion in the proxy statement must be received from stockholders of record on or after December 29, 2008 and no later than January 28, 2009 and must be accompanied by certain information about the stockholder making the proposal, in accordance with

our by-laws.

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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 eight times in 2007. Their attendance averaged approximately 97 percent for the aggregate of the total number of Board and committee meetings held in 2007. Under our Corporate Governance Principles, directors are expected to attend the annual meeting of stockholders, and in 2007 all of our directors attended the meeting.

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. The chairman of the Board also attends all committee meetings.

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 2007, non-management directors of the Company held five executive sessions.

In 2007, the Board had four principal committees, all the members of which were independent, non-employee directors. The table below shows the committee memberships of each director and the number of meetings that each corresponding committee held in 2007.

Board Committee Memberships in 2007	Director	Corporate			
		Audit	Compensation Committee	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

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Number of Meetings in 2007	5	4	4	4
* Chair				

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Effective January 1, 2008, the principal committees were reorganized, including the memberships, as set forth below. Because Gregory H. Boyce was recently elected to the Board, he has not been assigned to any committees as the filing date of this proxy statement.

Board Committee Memberships in 2008	Director	Audit and			
		Finance Committee	Compensation Committee	Corporate Governance and Nominating Committee	Public Policy Committee
	Charles F. Bolden, Jr.	X		X	X
	David A. Dabeko	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
	* Chair				

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**Board and
Committee
Independence**

The principal committee structure of the Board includes audit and finance, compensation, corporate governance and nominating, and public 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; and Thomas J. Usher. Because Gregory H. Boyce was recently elected to the Board, an independence determination has not been made as of the filing date of this proxy statement.

In determining the independence of David Daberko during the time he served as chief executive officer of National City Bank in 2007, 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.

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**Audit and
Finance
Committee**

The Audit and Finance Committee has a written charter adopted by the Board, which is attached hereto as Appendix I and is also 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 2007. All the members of the Audit and Finance 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 auditor, 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 auditor 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;
- discussing with management guidelines and policies to govern the process by which risk assessment and management is undertaken by the Company;
- approving and recommending financings, including the recommendations of action to subsidiaries, partnerships and joint ventures;
- reviewing legal and regulatory compliance regarding the Company's financial statements, accounting or auditing matters or compliance with the Code of Business Conduct or Whistleblowing Procedures; and
- completing an annual performance evaluation of this committee.

The Audit and Finance 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 and Finance Committee Policy For Pre-Approval of Audit, Audit-Related, Tax and Permissible Non-Audit Services

The Audit and Finance Committee Policy For Pre-Approval of Audit, Audit-Related, Tax and Permissible Non-Audit Services 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

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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 and Finance Committee Chair for unbudgeted items.

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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 and Charles R. Lee each qualify as an Audit Committee Financial Expert.

Mr. Daberko is a former chairman of the board and former chief executive officer of National City Corporation. In addition to certifying the effectiveness of internal controls and procedures required by his former 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.

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

The guidelines for hiring of employees or former employees of the independent auditor 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 provided 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 Policy for Whistleblowing Procedures 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 2007.

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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 David Daberko (Chairman), Shirley Ann Jackson, Charles Lee, Dennis Reilley, 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 2007, 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.

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**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 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 and Finance 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 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/.

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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 Corporate Governance and 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

Our 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, principal financial officer, 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 and Finance 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.

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**Public Policy
Committee**

The Board has recently created a Public Policy Committee. This committee assists the Board in identifying and monitoring social, political, and environmental trends and issues which affect the Company. Additionally, the committee analyzes the Company's global reputation and develops recommendations to strategically position the Company to support its business objectives. A copy of the committee charter is available on the Company's website at http://www.marathon.com/Charter_Comm_PublicPolicy/.

The committee is, among other things, responsible for:

- reviewing and recommending Company policies, programs, and practices concerning broad public policy issues, which include, among other things, corporate responsibility, environmental protection, health, safety, ethical business conduct, consumer affairs and affirmative action/equal opportunity matters;
- reviewing and approving the Company's budgets for political and charitable contributions and monitoring the Company's compliance with such budgets; and
- identifying and monitoring broad public policy trends which affect or could affect the Company's business activities, performance, and reputation.

**Corporate
Governance
Principles**

Our Corporate Governance Principles 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 and Finance, Compensation, Corporate Governance and Nominating, and Public Policy Committees by sending an e-mail to auditandfinancechair@marathonoil.com, compchair@marathonoil.com, corpgovchair@marathonoil.com, or publicpolicychair@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**

Our Code of Business Conduct 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.

Table of Contents**Compensation of Directors**

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

2007 Director Compensation Table

	Fees Earned			Non-Equity Incentive	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensa- tion ⁽⁴⁾	Total
	or Paid in Cash ⁽²⁾	Stock Awards ⁽³⁾	Option Awards				
Name ⁽¹⁾	(\$)	(\$)	(\$)	Plan Compensation (\$)	(\$)	(\$)	(\$)
Charles F. Bolden, Jr.	92,000	125,000	0	0	0	0	217,000
David A. Daberko	100,000	125,000	0	0	0	10,000	235,000
William L. Davis	86,000	125,000	0	0	0	0	211,000
Shirley Ann Jackson	106,250	125,000	0	0	0	0	231,250
Philip Lader	92,000	125,000	0	0	0	10,000	227,000
Charles R. Lee	94,000	125,000	0	0	0	10,000	229,000
Dennis H. Reilley	100,000	125,000	0	0	0	0	225,000
Seth E. Schofield	92,000	125,000	0	0	0	10,000	227,000
John W. Snow	86,000	125,000	0	0	0	0	211,000
Thomas J. Usher ⁽⁵⁾	300,000	0	0	0	0	10,000	310,000
Douglas C. Yearley ⁽⁶⁾	96,000	125,000	0	0	0	0	221,000

(1) The aggregate number of stock awards outstanding as of December 31, 2007 for each director is as follows: Mr. Bolden, 19,471; Mr. Daberko, 24,266; Mr. Davis, 22,408; Ms. Jackson, 26,176; Mr. Lader, 22,408; Mr. Lee, 52,205; Mr. Reilley, 24,266; Mr. Schofield, 40,168; Mr. Snow, 3,739; Mr. Usher, 9,113 and Mr. Yearley, 39,170.

(2) The amounts shown reflect annual retainers, chairman fees, committee chair retainers, and meeting attendance fees. 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, 2007, in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004), referred to as FAS 123(R), for the annual non-retainer common stock award. 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.

(5)

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The amounts shown for Mr. Usher reflect the \$50,000 annual retainer plus a chairman's fee of \$250,000 in 2007. The chairman does not receive meeting fees for his attendance.

- (6) Mr. Yearley served on the Company's Board until he passed away on October 7, 2007.

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In 2007, 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 our chairman, Mr. Usher, a chairman's fee of \$250,000 in 2007. The chairman did 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 2007 valued at \$125,000. These awards are credited to an unfunded account based on the closing stock price on the grant date. When dividends are paid on Marathon's 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.

Directors have the opportunity to defer 100 percent of their annual retainer into an unfunded account. This deferred account may be invested in certain phantom investment options offered under the Marathon Oil Corporation Deferred Compensation Plan for Non-Employee Directors, which 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.

Under our matching gifts program, non-employee 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.

In October 2007, the Board approved changes to the compensation of non-employee directors and the chairman, effective in 2008. The Board made these changes upon reviewing a 2007 Board of Directors Compensation Study provided by our compensation consultant. For 2008, the annual retainer for non-employee directors other than the chairman is \$125,000 and all meeting attendance fees are eliminated. The annual non-retainer common stock unit award remains at \$125,000. The committee chair retainer is \$10,000, except the Audit and Finance Committee chair retainer, which is \$15,000. With this increase in the annual retainer, the stock ownership guidelines for non-employee directors, except the chairman, are now three times the annual retainer (\$375,000 in value) rather than five times the annual retainer (\$250,000 in value). The chairman annual retainer is \$350,000.

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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 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 nine nominees for director whose terms expire in 2008.

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 2009 annual meeting of stockholders. 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.

Table of Contents**Nominees for Director****Terms Expire 2009****Charles F. Bolden, Jr.****Director since 2003****Age 61****Chief Executive Officer of JackandPanther LLC, a privately-held military and aerospace consulting firm**

Charles F. Bolden, Jr. received a bachelor 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, I MEF, Marine Forces, Pacific in 1997. Mr. Bolden served as Commanding General, I 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 also a director of Bristow Group Inc., GenCorp Inc. and 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 and the Sickie Cell Association of the Texas Gulf Coast.

Gregory H. Boyce**Director since 2008****Age 53****Chairman and Chief Executive Officer of Peabody Energy Corporation**

Mr. Boyce received a bachelor of science degree from the University of Arizona in mining engineering and completed the Advance Management Program from the Graduate School of Business at Harvard University. Mr. Boyce is Chairman and Chief Executive Officer of Peabody Energy Corporation. He has been a director of Peabody Energy Corporation since March 2005, and was appointed Chairman on October 10, 2007. Mr. Boyce was named Chief Executive Officer Elect in March 2005, and assumed the position of Chief Executive Officer in January 2006. He also served as President from October 2003 until January 6, 2008. Mr. Boyce was Chief Operating Officer from October 2003 to December 2005. From 2000 to 2003, he served as Chief Executive Energy for Rio Tinto plc, an international natural resource company. Mr. Boyce was President and Chief Executive Officer of Kennecott Energy Company from 1994 to 1999 and President of Kennecott Minerals Company from 1993 to 1994. Prior to serving as President of Kennecott Minerals, he had extensive engineering and operating experience with Kennecott. Mr. Boyce also served as Executive Assistant to the Vice Chairman of Standard Oil from 1983 to 1984. He is a member of the Coal Industry Advisory Board of the International Energy Agency. Mr. Boyce is a Board member of the Business Round Table, Center for Energy and Economic Development (CEED) and the National Mining Association. He is also a member of the Board of Directors of the St. Louis Regional Chamber and Growth Association and a member of Civic Progress in St. Louis. Mr. Boyce is a member of the Advisory Council of the University of Arizona's Department of Mining and Geological Engineering, and the School of Engineering and Applied Science National Council at Washington University.

Shirley Ann Jackson**Director since 2000****Age 61**

President, Rensselaer Polytechnic Institute

Dr. Jackson received a bachelor of science degree in physics in 1968 and a doctorate 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 Euronext and 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 44 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, the Council on Foreign Relations and the American Philosophical Society, and is a fellow of the American Academy of Arts and Science and of the American Physical Society.

Table of Contents**Nominees for Director** *(continued)***Terms Expire 2009**

Philip Lader	Director since 2002	Age 61
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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 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, Grey, and Young & Rubicam. Ambassador Lader is a 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 AES Corporation, Songbird Estates plc (Canary Wharf), United Company RUSAL and Lloyd's (of London). Ambassador Lader is a trustee of the Smithsonian Museum of American History and RAND Corporation.

Charles R. Lee	Director since 1991	Age 67
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Retired Chairman of the Board, Verizon Communications Inc.

Mr. Lee received his bachelor's degree in metallurgical engineering from Cornell University and a 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 Procter & 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 54
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Chairman of the Board of Covidien Ltd.

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

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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 through April 2007 served as Chairman. Mr. Reilley became Chairman of Covidien Ltd. on June 29, 2007. He is also a director of H. J. Heinz Co., Dow Chemical Company and the Conservation Fund. Mr. Reilley is the former Chairman of the American Chemistry Council.

Seth E. Schofield

Director since 1994

Age 68

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 of 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. Mr. Schofield retired in January 1996. He is a director of United States Steel Corporation and Calgon Carbon Corp.

Table of Contents**Nominees for Director** *(continued)***Terms Expire 2009****John W. Snow****Director since 2006****Age 68****Chairman, Cerberus Capital Management, LP**

Mr. Snow graduated from the University of Toledo in 1962 with a bachelor's 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, L.P. as Chairman in October 2006. Mr. Snow was sworn into office as United States 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 65****Non-executive Chairman of the Board, Marathon Oil Corporation**

Mr. Usher graduated from the University of Pittsburgh with a bachelor of science degree in industrial engineering, a master of science degree in operations research and a doctorate 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 of Heavy Products in 1986, President of 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 also 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.

Table of Contents**Continuing Directors****Terms Expire 2009****Clarence P. Cazalot, Jr.****Director since 2000****Age 57****President and Chief Executive Officer, Marathon Oil Corporation**

Mr. Cazalot graduated from Louisiana State University in 1972 with a bachelor of science 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. In May 2007, he was awarded an Honorary Doctorate of Humane Letters from Louisiana State University. Mr. Cazalot serves on the Boards of Directors of Baker Hughes Incorporated, the U.S.-Saudi Arabian Business Council, the American Petroleum Institute and the Greater Houston Partnership. He is a member of The Business Council and serves on the Advisory Board of the World Affairs Council of Houston.

David A. Daberko**Director since 2002****Age 62****Retired Chairman of the Board, National City Corporation**

Mr. Daberko graduated from Denison University with a bachelor's degree and from Case Western Reserve University with a master's degree in business administration. 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. He retired as Chief Executive Officer in June 2007 and as Chairman in December 2007. Mr. Daberko is also a director of RPM International, Inc. He is a trustee of Case Western Reserve University, University Hospitals Health System and Hawken School.

William L. Davis**Director since 2002****Age 64****Retired Chairman, President and Chief Executive Officer, R.R. Donnelley & Sons Company**

Mr. Davis graduated from Princeton University in 1965 with a bachelor's 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

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the Board of Evanston Northwestern Healthcare and a former Director of Mallinckrodt. Mr. Davis is a trustee of Northwestern University.

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Proposal No. 2 Ratification of Independent Auditor for 2008

The Audit and Finance 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, 2008. PricewaterhouseCoopers served as our independent auditor in 2007 and for many years prior thereto. While the Audit and Finance 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 2008. If the stockholders fail to ratify this appointment, the Audit and Finance 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 and Finance 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 of Directors recommends that you vote FOR the
ratification of the selection of PricewaterhouseCoopers LLP as the
Company's Independent Auditor for 2008.**

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Proposals of Stockholders

Stockholders will present the following proposals at the meeting:

Proposal No. 3 Special Shareholder Meetings

Nick Rossi, P. O. Box 249, Boonville, CA 95415, owner of 600 shares of common stock, has given notice that he intends to present the following proposal at the annual meeting of stockholders. In accordance with applicable proxy regulations, the proposal and supporting statement, for which the Company accepts no responsibility, are set forth below.

3 Special Shareholder Meetings

RESOLVED, Shareholders ask our board to amend our bylaws and any other appropriate governing documents to give holders of 10% to 25% of our outstanding common stock the power to call a special shareholder meeting, in compliance with applicable law. This proposal favors 10% from the above range.

Special meetings allow investors to vote on important matters, such as a takeover offer, that can arise between annual meetings. If shareholders cannot call special meetings, management may become insulated and investor returns may suffer.

Shareholders should have the ability to call a special meeting when they think a matter is sufficiently important to merit expeditious consideration. Shareholder control over timing is especially important in the context of a major acquisition or restructuring, when events unfold quickly and issues may become moot by the next annual meeting.

Fidelity and Vanguard are among the mutual funds supporting a shareholder right to call a special meeting. The proxy voting guidelines of many public employee pension funds, including the New York City Employees Retirement System, also favor preserving this right. Governance ratings services, such as The Corporate Library and Governance Metrics International, take special meeting rights into account when assigning company ratings.

Eighteen (18) proposals on this topic averaged 56%-support in 2007 including 74%-support at Honeywell (HON) according to RiskMetrics (formerly Institutional Shareholder Services).

Nick Rossi, Boonville, Calif., who sponsored a number of proposals on this topic, said the merits of adopting this proposal should also be considered in the context of our company's overall corporate governance structure and

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individual director performance. For instance in 2007 the following structure and performance issues were reported (and certain concerns are noted):

The Corporate Library <http://www.thecorporatelibrary.com>, an independent investment research firm rated our company High Concern in Executive Pay - \$21 million in one year for our CEO.

No shareholder right to cumulative voting.

No shareholder right to act by written consent.

No shareholder right to call a special meeting.

Seven of our directors also served on 9 boards rated F or D by the Corporate Library:

1) Mr. Usher	PNC Financial (PNC)	D-rated
2) Mr. Yearly	Lockheed (LMT)	F-rated
3) Mr. Bolden	Bristow Group (BRS)	D-rated

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4) Ms. Jackson	FedEx (FDX)	D-rated
	IBM (IBM)	D-rated
5) Mr. Lee	United Technologies (UTX)	D-rated
	Proctor & Gamble (PG)	D-rated
6) Mr. Lader	AES Corp (AES)	D-rated
7) Mr. Snow	Verizon (VZ)	D-rated

Four of our directors, including Mr. Usher our Chairman, held 4 or 5 director seats each Over-extension concern.

The above concerns shows there is room for improvement and reinforces the reason to take one step forward now and vote yes:

Special Shareholder Meetings

Yes on 3

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**YOUR BOARD RECOMMENDS A VOTE AGAINST
THE STOCKHOLDER PROPOSAL SEEKING AN AMENDMENT
TO THE BY-LAWS TO ALLOW STOCKHOLDERS TO CALL
SPECIAL MEETINGS**

Consistent with Delaware corporate law, our By-laws provide that a special meeting of stockholders may only be called by the Board of Directors. Convening such a special meeting is an expensive and time-consuming endeavor that the Board believes should only be undertaken when the Board, in the exercise of its fiduciary duties, determines that there is an extraordinary matter or significant strategic concern that cannot wait until the next annual meeting for consideration by the stockholders.

The Board also believes that the need for adoption of the proposal should be evaluated in the context of our overall corporate governance practices. The accountability of our directors has been enhanced through the declassification of the Board (resulting in the annual election of directors) and the adoption of majority voting in the election of directors. We also eliminated the supermajority voting provisions contained in our Restated Certificate of Incorporation and By-laws. The complete text of our Restated Certificate of Incorporation, By-laws and Corporate Governance Principles is posted on our website at www.marathon.com.

In light of the Board's continuing commitment of ensuring effective corporate governance, as evidenced by the actions described above, the Board believes that adoption of the proposal is not necessary and could be disruptive to our operations and possibly allow special interest groups to exert undue influence over our Company.

**For the reasons stated above, your Board of Directors recommends
a vote AGAINST this proposal.**

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Proposal No. 4 Shareholder Say on Executive Pay

Chris Rossi, P.O. Box 249, Boonville, CA 95415, owner of 600 shares of common stock, has given notice that he intends to present the following proposal at the annual meeting of stockholders. In accordance with applicable proxy regulations, the proposal and supporting statement, for which the Company accepts no responsibility, are set forth below.

3 Shareholder Say on Executive Pay

RESOLVED, that Shareholders of our company request our board to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory management resolution to ratify the compensation of the named executive officers (NEOs) set narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid to any NEO.

Investors are increasingly concerned about mushrooming executive pay which sometimes appears insufficiently aligned with the creation of shareholder value. As a result, shareholders filed more than 60 say on pay resolutions in 2007 with companies, averaging a 42% vote where voted upon. In fact, seven resolutions received majority votes.

In addition, the advisory vote was endorsed by the Council of Institutional Investors and a survey by the Chartered Financial Analyst Institute found that 76% of its members favored giving shareholders an advisory vote. A bill to provide for annual advisory votes on compensation passed in the House of Representatives by a 2-to-1 margin.

Aflac (AFL) decided to present such a resolution to a shareholder vote and TI-CREF, the largest pension fund in the world, held its first Advisory Vote in 2007. As a result of discussions between investors and companies, a Working Group on the Advisory Vote was established to further study how such a practice would be implemented in U.S. markets to provide advice to investors and companies alike.

I believe this proposal has particular applicable to our company. The Corporate Library <http://www.thecorporatelibrary.com>, an independent investment research firm, rated our company High Concern in Executive Pay - \$21 million in one year for our CEO. The amount of Marathon Oil CEO's All Other Compensation questions the board's ability to ensure that the executive compensation process is sufficiently performance-related according to The Corporate Library.

I believe that existing U.S. corporate governance arrangements, including SEC rules and stock exchange listings standards, do not provide shareholders with sufficient mechanisms for providing input to boards on senior executive compensation. In contrast to U.S. practices, in the United Kingdom, public companies allow shareholders to cast an

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advisory vote on the directors' remuneration report, which discloses executive compensation. Such a vote isn't binding, but gives shareholders a clear voice that could help shape senior executive compensation.

If investors wish to register opposition to a pay package(s) in the previous year, withholding votes from compensation committee members who are standing for reelection is a blunt and insufficient instrument for registering dissatisfaction.

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Accordingly, we urge our board to allow shareholders to express their opinion about senior executive compensation by establishing an annual referendum process. The results of such a vote could provide our board with useful information about shareholder views on our company's senior executive compensation, as reported each year.

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**YOUR BOARD RECOMMENDS A VOTE AGAINST
THE STOCKHOLDER PROPOSAL SEEKING ADOPTION OF A
POLICY FOR RATIFICATION OF EXECUTIVE COMPENSATION**

Your Board recommends a vote AGAINST Mr. Rossi's proposal requesting a ratification of executive officer compensation at each annual stockholder meeting. The proposal submitted by Mr. Rossi calls for a non-binding vote and would not affect any compensation paid to any executive officer.

You have elected the Board to act on behalf of all stockholders and all members of the Compensation Committee are independent. The Compensation Committee has an effective process for establishing executive compensation programs that are based on performance and reward the creation of stockholder value.

This proposal is of limited value to stockholders for three main reasons:

A non-binding, advisory vote would not provide the Compensation Committee of the Board with insight into specific stockholder concerns regarding executive compensation. Therefore, it would not affect the outcome of compensation decisions made by the Compensation Committee.

Our Board already provides more effective means for stockholders to communicate their specific concerns about executive compensation to the Board. You may contact our outside directors by sending an e-mail to non-managedirectors@marathonoil.com, or the Compensation Committee Chairman at compchair@marathonoil.com, or you may send communications to the Board through the Secretary of the Company.

Our Compensation Committee consistently exercises great care and discipline in determining executive compensation. Executive compensation decisions are made in order to attract, retain and motivate key talent that will deliver business results and value to our stockholders.

**For the reasons stated above, your Board of Directors recommends
a vote AGAINST this proposal.**

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Audit and Finance Committee Report

Our committee has reviewed and discussed Marathon's audited financial statements and its report on internal control over financial reporting for 2007 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 2007 for filing with the Securities and Exchange Commission.

Shirley Ann Jackson, Chair

Charles F. Bolden, Jr.

David A. Daberko

William L. Davis

Philip Lader

Charles R. Lee

Seth E. Schofield

Table of Contents**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, 2007 and 2006 were:

	2007 (in 000's)	2006 (in 000's)
Audit ⁽¹⁾	\$ 9,068	\$ 9,128
Audit-Related	378	368
Tax		
Tax Compliance	46	53
Other Tax	54	39
All Other	23	4
Total ⁽²⁾	\$ 9,569	\$ 9,592

(1) This amount includes \$3.8 million and \$3.9 million for the internal control assessment required by Section 404 of the Sarbanes-Oxley Act of 2002 in 2007 and 2006, respectively.

(2) The Audit and Finance Committee Policy For Pre-Approval of Audit, Audit-Related, Tax and Permissible Non-Audit Services is attached as Appendix II to this proxy statement. The Audit and Finance Committee has pre-approved all the fees and services for 2007 and 2006. The Audit Committee did not utilize the de minimus exception in either year.

The *Audit* fees for the years ended December 31, 2007 and 2006 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, 2007 and 2006 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, 2007 and 2006 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.

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The *All Other* fees for the years ended December 31, 2007 and 2006 were for services rendered for accounting research and internal audit software licenses.

Compatibility of PricewaterhouseCoopers Services with its Independence

The Audit and Finance 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.

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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	Amount and Nature	Percent
of	of	of
Beneficial Owner	Beneficial Ownership	Outstanding Shares
AXA Financial, Inc. ⁽¹⁾		
1290 Avenue of the Americas	65,598,615 ⁽¹⁾	9.2% ⁽²⁾
New York, New York 10104		

- (1) Based on Schedule 13G dated February 14, 2008 (filed: February 14, 2008) which indicates that it was filed jointly by AXA Financial, Inc.; AXA, which owns AXA Financial, Inc.; and AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle and AXA Courtage Assurance Mutuelle, as a group collectively, the Mutuelles AXA, which as a group control AXA.
- (2) According to such Schedule 13G, (i) AXA Investment Managers Paris (France), an AXA entity is the beneficial owner of 33,556 shares and has sole voting power over 33,556 shares, shared voting power over no shares, sole dispositive power over 33,556 shares, and shared dispositive power over no shares, (ii) AXA Konzern AG (Germany), an AXA entity is the beneficial owner of 106,400 shares and has sole voting power over 106,400 shares, shared voting power over no shares, sole dispositive power over 106,400 shares, and shared dispositive power over no shares, (iii) AXA Rosenberg Investment Management LLC, an AXA entity is the beneficial owner of 1,508,935 shares and has sole voting power over 1,180,403 shares, shared voting power over no shares, sole dispositive power over 1,508,935 shares, and shared dispositive power over no shares, (iv) Winterthur, an AXA entity is the beneficial owner of 132,000 shares and has sole voting power over 132,000 shares, shared voting power over no shares, sole dispositive power over 132,000 shares, and shared dispositive power over no shares, (v) Alliance Bernstein L.P., a subsidiary of AXA Financial, Inc. is the beneficial owner of 63,800,776 shares and has sole voting power over 49,665,042 shares, shared voting power over 6,752,989 shares, sole dispositive power over 63,800,714 shares, and shared dispositive power over 62 shares, and (vi) AXA Equitable Life Insurance Company, a subsidiary of AXA Financial, Inc. is the beneficial owner of 16,948 shares and has sole voting power over 13,214 shares, shared voting power over no shares, sole dispositive power over 16,948 shares, and shared dispositive power over no shares.

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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, 2008, except as otherwise noted, 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 04/01/08 ⁽⁴⁾	Total Shares ⁽⁶⁾	% of Total Outstanding ⁽⁸⁾
Charles F. Bolden, Jr.	21,586 ⁽¹⁾			21,586	*
Clarence P. Cazalot, Jr.	649,802	45,000	1,268,053	1,962,855	*
David A. Daberko	30,401 ⁽¹⁾⁽²⁾			30,401	*
William L. Davis	28,535 ⁽¹⁾⁽²⁾⁽⁵⁾			28,535	*
Shirley Ann Jackson	30,546 ⁽¹⁾⁽²⁾			30,546	*
Philip Lader	29,018 ⁽¹⁾⁽²⁾			29,018	*
Charles R. Lee	58,453 ⁽¹⁾⁽²⁾			58,453	*
Dennis H. Reilley	30,601 ⁽¹⁾⁽²⁾			30,601	*
Seth E. Schofield	44,843 ⁽¹⁾⁽²⁾			44,843	*
John W. Snow	9,790 ⁽¹⁾⁽⁷⁾			9,790	*
Thomas J. Usher	32,530 ⁽¹⁾⁽⁵⁾			32,530	*
Douglas C. Yearley	41,330 ⁽¹⁾⁽²⁾⁽⁵⁾			41,330	*
Janet F. Clark	135,451	32,000	208,961	376,412	*
Gary R. Heminger	101,955 ⁽²⁾	33,600	175,813	311,368	*
Steven B. Hinchman	78,838 ⁽²⁾	18,600	181,362	278,800	*
Philip G. Behrman	78,220 ⁽²⁾	18,600	75,740	172,560	*
All Directors and Executive Officers as a group (23 persons) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾				4,086,605	*

(1) Includes deferrals of annual retainers into common stock units under the Deferred Compensation Plan for Non-Employee Directors and the 2003 Incentive Compensation Plan prior to January 1, 2006, and non-retainer annual director stock awards in common stock units under the 2003 Incentive Compensation Plan and the 2007 Incentive Compensation 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.	6,680	14,906
David A. Daberko	11,495	14,906
William L. Davis	9,629	14,906
Shirley Ann Jackson	13,412	14,906

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Philip Lader	9,629	14,906
Charles R. Lee	39,547	14,906
Dennis H. Reilley	11,495	14,906
Seth E. Schofield	27,460	14,906
John W. Snow	0	5,790
Thomas J. Usher	9,150	0
Douglas C. Yearley	26,459	12,870

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- (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 Plan and the 2007 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, 2008.
- (5) Includes 22,018 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 1,000 shares indirectly held by Mr. Yearley in a family trust; and includes 2,000 shares indirectly held by Mr. Davis in the William L. Davis III Revocable Trust.
- (6) None of the shares are pledged as security.
- (7) Includes 2,000 shares purchased on the open market on February 5, 2008.
- * (8) 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 directors and executive officers has complied with the applicable reporting requirements for transactions in the Company's securities during the fiscal year ended December 31, 2007, except for Janet F. Clark who filed one Form 4 report five days late. This late filing related to 52 shares she acquired in connection with the Company's acquisition of the Class A Shares of Western Oil Sands Inc. on October 18, 2007. Under the Plan of Arrangement, Ms. Clark's 100 percent cash election for her Class A Shares of Western was prorated at the rate of approximately 86 percent cash elected, resulting in Ms. Clark acquiring 52 shares of Marathon common stock.

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Compensation Committee Report

Our committee has reviewed and discussed Marathon's Compensation Discussion and Analysis for 2007 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 2008 proxy statement.

David A. Daberko, Chair

Shirley Ann Jackson

Charles R. Lee

Dennis H. Reilley

Seth E. Schofield

John W. Snow

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Compensation Discussion and Analysis

Marathon is committed to delivering continuous strong performance for our stockholders. This commitment focuses our employees on the shared strategy and core values that drive our corporate performance. Over the last three-year period, 2005 through 2007, we ranked first in total stockholder return (TSR) among the thirteen companies in the Amex Oil Index (XOI) with TSR of 231 percent. This follows our second place ranking for the previous three-year period, 2004 through 2006, and demonstrates the sustained strength and consistency of our stockholder returns.

At Marathon, our executive compensation program is based on a pay-for-performance philosophy and is designed to align the interests of our employees with those of our stockholders and reinforce the business objectives and corporate values that drive our success. The report below gives you more information about our compensation philosophy for named executive officers (Officers), including a detailed description of each component of pay. It also describes the processes followed and decisions made by the Compensation Committee (the Committee) of our Board of Directors for 2007.

Compensation Objectives

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

Attract talented and experienced Officers by providing competitive incentives for them to accept the risks and responsibilities of Officer positions;

Motivate Officers by rewarding them for individual and collective contributions to our success, including increasing stockholder value; and

Retain knowledgeable and experienced Officers who directly impact our current and future success.

The principal elements of our Officers compensation program are:

Base salary;

Annual cash bonus;

Long-term incentive awards (performance units, stock options and restricted stock);

Post-employment benefits (including pension and change-in-control benefits); and

Other benefits.

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

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Compensation Program Design

We currently operate in a highly competitive environment for talented executive leadership. Therefore, we believe it is necessary and appropriate to benchmark our executive compensation against peer group companies to enhance our ability to attract and retain executives.

To accomplish the objectives of our compensation program, the Committee has engaged a compensation consultant, Towers Perrin, to provide consulting services on executive compensation matters. The terms of the relationship with Towers Perrin are set forth in an agreement between the Committee and the compensation consulting firm. After considering recommendations from management and the consultant, the Committee requests the consultant to prepare a study on executive officer compensation on an annual basis and directs the consultant regarding the items to be included each year. The consultant then collects comparative market data on executive officer compensation and assesses the competitiveness of our Officer compensation programs.

After the consultant presents the study to the Committee at its annual October meeting, the Committee reviews and discusses the study. At the October meeting, the Committee also reviews our compensation philosophy and sets the compensation calendar for the following year.

Most of the items included in the study remain the same from year to year; however, occasionally the Committee asks the consultant to perform additional analysis of certain issues. For example, in 2007 the consultant conducted an in-depth analysis of change in control policies at peer companies. The Committee uses this study as one tool to evaluate Marathon's Officer compensation practices and levels of pay and to aid in making appropriate compensation decisions. Elements of the compensation program covered in the 2007 study include:

- Target and actual total annual compensation (base salary plus annual incentive);
- Appropriate mix of long-term incentives;
- Target and actual total direct compensation (total annual compensation plus long-term incentives);
- Perquisites;
- Change in control benefits; and
- Stock ownership requirements.

For purposes of this study, peer companies are those with whom we compete for talent and are selected based on a comparison of financial measures which the Committee determined to be pertinent such as revenue, market capitalization, and cash flow.

The peer companies in the competitive analysis for corporate and upstream comparisons in 2007 were: 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 in the competitive analysis for downstream comparisons in 2007 were: BP p.l.c., Chevron Corporation, ConocoPhillips, Hess Corporation, Shell Oil Company, Sunoco Inc., Tesoro Corporation and Valero Energy Corporation.

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The Committee uses this analysis to ensure each element of compensation is competitive and is designed to align with the level of performance achieved. Our compensation programs are administered such that:

Base salary is generally targeted at the peer group 50th percentile.

Annual cash bonus is specifically intended to reward the individual for performance during the preceding calendar year. Annual cash bonuses are generally targeted at the peer group 50th percentile; however, actual payout may increase or decrease from the target amount based upon company, organizational, and individual performance.

Long-term incentive grants are generally targeted at the peer group 50th percentile.

Value of perquisites offered is below the peer group 50th percentile.

All Officers are covered by the same compensation plans, policies, and practices. Therefore, we generally do not differentiate in the type of compensation paid to our Officers; the only differentiation is our Chief Executive Officer does not receive restricted stock. The Committee determined all of the Chief Executive Officer's long-term incentive compensation should be tied to Marathon's stock price performance.

In setting compensation levels, the Committee begins by considering company performance, individual performance, and external market data and then considers factors such as responsibilities, internal equity, and experience.

Stock Ownership Requirements and Anti-Hedging Policy

Marathon's stock ownership requirements reinforce the alignment of interests between our Officers and stockholders. In 2007, the Committee modified the stock ownership requirements to express the ownership requirement as a multiple of base salary, thus aligning the methodology we use to that used by our peer group. The stock ownership requirements are as follows:

Chief Executive Officer (CEO) five times base salary

Executive Vice Presidents four times base salary

Senior Vice Presidents three times base salary

Vice Presidents two times base salary

Officers have five years from their appointment date to achieve the designated stock ownership level. The Committee reviews each Officer's progress towards the requirements on an annual basis. Officers who have not reached the required level of stock ownership and who exercise stock options are 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, including shares in excess of the ownership requirement.

Base Salary

Base salary is targeted at the peer group 50th percentile, except where variations are warranted based on factors other than market data, such as individual performance and role within Marathon.

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The Committee reviews the base salary of each Officer annually based on the following criteria:

Individual Performance Base salary adjustments are primarily determined upon the Officer's performance, including demonstrated leadership and living the Marathon values.

Internal Equity The base salary for each individual Officer and each position in the overall management hierarchy is designed to reflect the value of that position to Marathon.

External Competitiveness The base salary for each position is designed to be at or near the 50th percentile for similar positions at peer companies.

The Committee does not use a formula to calculate base salary increases. In determining base salaries, the Committee considers available data on peer group 50th percentile for comparable positions and other factors listed above.

In October 2007, the Committee compared Officers' base salaries to available data to ensure market competitiveness. This analysis showed that base salaries awarded to Officers ranged between 83 percent and 97 percent of the market 50th percentile actually paid by peer companies.

Annual Cash Bonus

The Officers' annual cash bonus program is intended to closely link annual bonus payments to company performance and each individual Officer's performance for the preceding calendar year. A portion of each Officer's bonus opportunity is linked to the achievement of pre-established corporate performance metrics, as set by the Committee during the first quarter of the year, and a portion of each Officer's bonus opportunity is linked to attainment of individual performance commitments, including living the Marathon values.

In determining the amount of annual cash bonus to be paid to each Officer, the Committee also considers a number of other factors, including organizational performance achievements, the marketplace for talent and external competitive bonus data. Additionally, the Committee reserves the right to award discretionary cash payments outside of this program, when it believes such payments are in the best interests of Marathon.

The discussion below provides more information about the components of the Officers' annual cash bonus program as well as the factors that influenced the bonus payments approved by the Committee for 2007.

Bonus Target Opportunities

Each year, the Committee uses competitive market data to establish a bonus target for each Officer that is expressed as a percentage of his or her year-end base salary. Our Officer's bonus targets are generally set at the market 50th percentile for comparable positions. For 2007, the bonus targets for the Officers were as follows:

2007 Bonus Target	
Name	(as % of Base Salary)
C. P. Cazalot, Jr.	120%
J. F. Clark	85%
G. R. Heminger	85%
S. B. Hinchman	75%
P. G. Behrman	75%

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Although targets are set at competitive levels, actual bonus payments may be above or below the target amount depending upon company, organizational and individual performance for the year.

Company Performance Metrics for 2007 Annual Cash Bonus Program

During the first quarter of 2007, the Committee established the performance metrics shown in the table below, which were some of the factors considered in determining the portion of bonus opportunity that represents overall corporate performance. Two metrics represent exploration and production performance (referred to as upstream) and two metrics represent refining, marketing and transportation performance (referred to as downstream).

Performance Metric	Target Performance 6 th position out of 9 companies	Performance Achieved 6 th position
Upstream Adjusted Net Income per Barrel of Oil Equivalent as compared to peer companies ^(a)	Top 3 out of 9 companies	5 th position
Downstream Operating Income per Barrel of Crude Oil Throughput as compared to peer companies(b)	407,000 barrels of oil equivalent per day	353,000 barrels of oil equivalent per day ^(c)
Net Oil and Gas Production Downstream Mechanical Availability ^(d)	94%	95.65%
(a) The comparator companies for the upstream adjusted net income per barrel metric were BP, Chevron, ConocoPhillips, ExxonMobil, Hess, Murphy, Occidental and Royal Dutch Shell. This is a non-GAAP metric. This metric is calculated as our Exploration and Production segment income, as presented in our audited consolidated financial statements, divided by our worldwide liquid hydrocarbon and natural gas sales volumes 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) The comparator companies for the downstream operating income per barrel metric were BP, Chevron, ConocoPhillips, ExxonMobil, Shell Oil, Sunoco, Tesoro, and Valero. This is a non-GAAP metric. This metric is calculated as our Refining, Marketing and Transportation segment income before taxes, as presented in our audited consolidated financial statements, divided by the total number of barrels of crude oil throughput at our refineries. 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.		
(c) Net production for 2007 was below target due to project delays.		
(d) Downstream Mechanical Availability represents the percentage of time throughout the entire calendar year that critical downstream equipment is available to per		