MARATHON OIL CORP
Form 11-K
June 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT

[X]	Annual Report pursuant to Section 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2012	or	[ ]	Transition Report pursuant to Section 15(d) of the Securities Exchange Act of 1934 For the transition period from ________________ to ___________________

Commission File Number 33-56828

Marathon Oil Company Thrift Plan
5555 San Felipe Street
Houston, TX 77056

MARATHON OIL CORPORATION
5555 San Felipe Street, Houston, TX 77056

Marathon Oil Company
Thrift Plan
Financial Statements and
Supplemental Schedules
December 31, 2012 and 2011

Marathon Oil Company
Thrift Plan
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December 31, 2012 and 2011

Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
Marathon Oil Company Thrift Plan

We have audited the accompanying statements of net assets available for benefits of the Marathon Oil Company Thrift Plan (the “Plan”) as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McConnell & Jones

Houston, Texas
June 25, 2013

Marathon Oil Company
Thrift Plan
Statements of Net Assets Available for Benefits
December 31, 2012 and 2011

	2012	2011
Assets		
Investments, at fair value	$1,158,643,987	$1,115,032,727
Receivables:		
Notes receivable from participants	8,570,901	8,908,216
Other	953,490	1,853,835
	9,524,391	10,762,051
Net Assets, at Fair Value	1,168,168,378	1,125,794,778
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(16,461,158)	(18,858,528)
Net Assets Available for Benefits	$1,151,707,220	$1,106,936,250

The accompanying notes are an integral part of these financial statements.

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Marathon Oil Company
Thrift Plan
Statement of Changes in Net Assets Available for Benefits
December 31, 2012

Additions:	
Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of investments	$92,265,179
Interest	9,219,248
Dividends	16,582,589
	118,067,016
Interest income on notes receivable from participants	304,334
Contributions:	
Participants	36,258,252
Employer	21,628,419
Rollovers and direct plan transfers	16,140,829
	74,027,500
Total additions	192,398,850
Deductions:	
Deductions from net assets attributed to:	
Benefits paid to participants	147,627,880
Total deductions	147,627,880
Net Increase	44,770,970
Net Assets Available for Benefits:	
Beginning of year	1,106,936,250
End of year	$1,151,707,220

The accompanying notes are an integral part of these financial statements.

Marathon Oil Company
Thrift Plan
Notes to the Financial Statements
December 31, 2012 and 2011

1. Description of Plan

The following brief description of the Marathon Oil Company Thrift Plan (the "Plan") provides only general information. Participants should refer to the Summary Plan Description or the Plan Document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution thrift savings plan. At the beginning of the 2011 plan year, the Plan covered substantially all regular and casual employees of the following entities, which were participating employers in the Plan: Marathon Oil Corporation ("MRO"), Marathon Oil Company (the "Company" or "MOC"), Marathon Petroleum Company LP ("MPC") (excluding employees of Speedway LLC, which is a wholly owned subsidiary of MPC), Marathon Service Company and Marathon Administration LLC. All of these participating employers, other than MRO, were wholly owned subsidiaries of MRO prior to June 30, 2011.

On June 30, 2011, MPC was spun-off from MRO. As a result of the spin-off, a new MPC Thrift Plan was spun-off from the Plan to serve the participants employed by MPC. Accordingly, $1.5 billion in assets were transferred to the MPC Thrift Plan, and MPC employees became participants in the MPC Thrift Plan.

Following the spin-off of MPC and for all of the 2012 plan year, the Plan covered substantially all regular and casual employees of MRO, MOC, Marathon Service Company and Marathon Administration LLC. MPC was not a participating employer in the Plan following the effective time of the spin-off.

In order to participate in the Plan during 2011, employees must have been participants in the Retirement Plan of MOC or the MPC Retirement Plan. An eligible employee may participate in the Plan by making contributions to the Plan.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

Contributions

Participants may elect to make contributions from 1 percent to a maximum of 18 percent of their gross pay consisting of after-tax contributions, or 1 percent to a maximum of 25 percent of their gross pay consisting of pre-tax contributions, Roth 401(k) contributions, or a combination of both. In addition, catch up contributions are allowed under the Plan, which allow for additional contributions for participants who have attained age 50 before the close of the Plan year as permitted under the Internal Revenue Code (the "Code"). An active participant may make any combination of after-tax and pre-tax payroll contributions provided that the participant does not exceed the maximums permitted under the Code or the limits set forth in the Plan document.

The contributions of highly compensated employees ("HCEs") are subject to additional limitations pursuant to the provisions of Code Sections 401(k) and 401(m). Compensation of a participant taken into account under the Plan is limited to $250,000 for 2012, as provided in Code Section 401(a)(17).

Participants may also make rollover contributions or direct-plan transfer contributions of qualified distributions from the qualified plans of the Company, its subsidiaries, its affiliates, and any other qualified plans or individual retirement accounts ("IRA") upon specific authorization and subject to such terms and conditions as set forth by the Plan Administrator.

To the extent that the Company has accumulated earnings and profits, the Company will match on a dollar for dollar basis each participant's after-tax or pre-tax contributions to the Plan up to an aggregate of 7 percent of each participant's gross pay.

Marathon Oil Company
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Valuation of Participant Accounts
Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contributions and (b) Plan earnings (losses) based on the participant's relative investment holdings. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.
Vesting
Participants are fully and immediately vested in their contributions plus actual earnings thereon. Participants become fully vested in the Company contributions, plus actual earnings thereon, in any of the following ways: upon retirement under the Retirement Plan of the Company or for retirements prior to the effective time of the spin-off, the MPC Retirement Plan as then in effect; at death; after three years of vesting service with the Company or a participating employer; or upon attainment of age 65.
Participant Loans
Participants may borrow from their fund accounts a minimum of $500 up to a maximum equal to the lesser of $50,000 or 50 percent of their account balance. The loans are collateralized by the balance in the participant's account and bear interest rates that currently range from 3.25 percent to 9.50 percent, determined in accordance with plan provisions. Principal and interest is paid ratably through payroll deductions for active employees and through coupon payments for participants not receiving pay and retirees.
Payment of Benefits
On termination of service, unless a participant elects otherwise or as required by the Code, a participant will receive a lump-sum amount equal to the value of the participant's vested interest in his or her account. The participant alternatively may elect to defer the commencement of benefits until a date no later than the April 1, immediately following the calendar year in which such participant attains age 70-1/2. In accordance with the provisions of the Code, mandatory distributions equal to or less than $5,000 but greater than $1,000 require automatic rollover to an IRA for participants who fail to make an active election otherwise available under the Plan. A retired member or a spouse beneficiary member may withdraw, during any year, all or any portion of the remaining balance in his or her account, subject to certain restrictions. An installment settlement option is available to retired participants subject to certain requirements and restrictions.
Forfeitures
Non-vested participants whose services with the Company have been terminated will forfeit their entire Company-matching contribution and earnings thereon when either of the following takes place: (1) they remove their participant contributions from the Plan, or (2) they do not regain employment within five years of termination. Company contributions and earnings thereon are eligible for reinstatement, should a member be rehired prior to the limitation indicated under the Plan. Total forfeitures of $38,000 for the year ended December 31, 2012 was used to reduce employer matching contributions made to the Plan. There was an overfunding of the final thrift in December 2012, and the excess amount of $148,550 was added to the forfeiture account. The forfeited balance held in the Plan as of December 31, 2012 was $307,126. The balance in the forfeiture account at December 31, 2012 reduced the January 2013 employer matching contributions to the Plan.
2. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of the Plan are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Marathon Oil Company
Thrift Plan
Notes to the Financial Statements
December 31, 2012 and 2011

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.
Investment Valuation and Income Recognition
Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits
Benefits are recorded when paid.
Notes Receivable from Participants
Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. No allowance for credit losses has been recorded as of December 31, 2012 and 2011.

Administration of Plan Assets
All costs, expenses, and fees incurred in administering the Plan, to the extent not paid by the Company, are incurred by the participants. Fees or charges for investment management services are not paid by the Company but are borne by the participants electing such services. Any taxes applicable to the participants' account are charged or credited to the participants' account by Fidelity Investments Institutional Operations Company, Inc (“FIIOS”).
The Stable Value Fund is managed by Fidelity Management Trust Company pursuant to a trust agreement. Any fees charged by Fidelity Management Trust Company are deducted from the interest earned by Plan members in the Stable Value Fund. The total amount of fees charged for 2012 in connection with the Stable Value Fund was $931,375.

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3. Accounting Standards Update

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” This ASU requires us, for Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivities of the measurements. The guidance is effective for interim and annual periods beginning after December 15, 2011. The adoption of this ASU did not impact the Plan's financial statements.

In October 2012, the FASB issued ASU 2012-04, “Technical Corrections and Improvements” (“ASU 2012-04”), which contains amendments that affect a number of topics, including technical corrections and improvements to the Accounting Standards Codification (ASC) and conforming amendments related to fair value measurements, which include clarifying the treatment of selling costs for plan investments in determining fair value of plan assets subject to ASC Topic 962, “Plan Accounting - Defined Contribution Pension Plans.” These amendments are effective for public entities for interim and annual reporting periods beginning after December 15, 2012 and are not expected to have a significant effect on the Plan's financial condition.

4. Fair Value Measurements

The FASB ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. There are three approaches for measuring the fair value of assets and liabilities: the market approach, the income approach, and the cost approach, each of which includes multiple valuation techniques. This hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority;
- Level 2 inputs consist of quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in inactive markets, or inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- Level 3 inputs are unobservable and significant to the fair value measurement and have the lowest priority.

The Plan's investments are reported at fair value in the accompanying statements of net assets available for benefits adjusted to contract value for benefit-responsive contracts. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following provides a description of the valuation techniques employed for each major plan asset class at December 31, 2012 and 2011.

Common stock - Investments in common stocks are valued using a market approach at the closing price reported in an active market and is therefore considered Level 1.

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Mutual funds - Investments in mutual funds, including money market mutual funds, are valued using a market approach at the net asset value of shares held. The net asset value is generally based on prices from a public exchange, which is normally the principal market on which a significant portion of the underlying investments are traded, and is considered Level 1. Interest-bearing cash includes cash on deposit.

Common Collective Trusts (“CCTs”) - Investment in CCTs are valued using a market approach at the net asset value of units held, but investment opportunities in such funds are limited to institutional investors on behalf of defined contribution plans. A significant portion of the underlying investments are mainly publicly traded. This investment is considered Level 2.

Synthetic Investment Contracts (“SICs”) - A fund which primarily invests in several investment contracts issued by insurance companies and other approved financial institutions, and other short-term investments. The Stable Value Fund is valued using a market and cost approach as described in Note 6. This investment with the exception of cash and cash equivalents is considered Level 2.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Balanced	$21,226,555			