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MARATHON OIL CORP
Form 8-K/A
January 16, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

January 3, 2002
Date of Report

MARATHON OIL CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware	1-5153	25-0996816
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State or Other Jurisdiction of Incorporation	Commission File Number	IRS Employer Identification Number

5555 San Felipe Road, Houston, TX 77056-2723

(Address of Principal Executive Offices)

(713) 629-6600

(Registrant's telephone number, including area code)

USX CORPORATION

(Former Name or Former Address, if Changed Since Last Report)

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Not applicable.

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(b) On January 3, 2002, Marathon Oil Corporation, formerly known as USX Corporation (the "Company"), filed a current report on Form 8-K to report the completion of the separation of its steel and energy businesses pursuant to the Agreement and Plan of Reorganization, dated as of July 31, 2001, by and between the Company and United States Steel LLC (the "Plan of Reorganization"). Pursuant to Item 7 of Form 8-K, the Company indicated that it would file the unaudited pro forma financial information required to be filed under Item 7 of Form 8-K by amendment. This amendment is being filed to provide the required financial information.

(c) Not applicable.

UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS FOR MARATHON OIL CORPORATION

The following unaudited pro forma condensed financial statements give effect to the separation and significant transactions related to the separation of USX Corporation (renamed Marathon Oil Corporation) into two separate companies, Marathon Oil Corporation and United States Steel Corporation (the "Separation"). Pro forma adjustments have been made to reflect the presentation of the businesses of United States Steel Corporation as discontinued operations, the effects of the redemptions/conversion of preferred securities, costs directly attributable to the Separation, and the separation of the businesses of United States Steel Corporation through a tax-free distribution of United States Steel Corporation shares to the holders of USX--U. S. Steel Group shares.

The following unaudited pro forma condensed balance sheet as of September 30, 2001 gives effect to the Separation and significant transactions related to the Separation, as if such transactions had been consummated as of September 30, 2001.

The following unaudited pro forma condensed statements of operations for the nine months ended September 30, 2001 and the year ended December 31, 2000 give effect to the Separation and significant transactions related to the Separation as if such transactions were consummated at the beginning of the periods presented. The unaudited pro forma condensed statements of operations of Marathon Oil Corporation for the years ended December 31, 1999 and 1998 reflect the businesses of United States Steel Corporation as discontinued operations but do not give effect to any adjustments associated with the Separation.

No pro forma adjustments were made for changes in the future level of corporate administrative costs to be incurred by Marathon Oil Corporation as compared with the historical level of such costs allocated to the Marathon Group. These costs are expected to continue at approximately the same level as previously allocated, except for insurance costs, which are estimated to increase by \$5 million annually.

Nonrecurring costs directly attributable to the Separation, including the costs to complete the Separation and the loss on Separation, have not been reflected in the unaudited pro forma condensed statements of operations. Pro forma adjustments have been made to remove the effects of the nonrecurring costs directly attributable to the Separation that were incurred and recorded in the historical accounts of Marathon Oil Corporation during the nine months ended September 30, 2001. However, pro forma adjustments have been made to reflect all nonrecurring costs directly attributable to the Separation in the unaudited pro forma condensed balance sheet.

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The pro forma adjustments included herein are based on available information and certain assumptions that management believes are reasonable and are described in the accompanying notes. The unaudited pro forma condensed financial statements do not necessarily represent Marathon Oil Corporation's financial position or results of operations had the Separation and significant transactions related to the Separation occurred at such dates or project Marathon Oil Corporation's financial position or results of operations for any future date or period. In the opinion of management, all adjustments necessary to present fairly the unaudited pro forma condensed financial statements have been made. The unaudited pro forma condensed financial statements should be read in conjunction with the historical financial statements of USX, including the notes thereto, included in USX's Form 10-K, as amended, for the year ended December 31, 2000 and the Form 10-Q for the quarterly period ended September 30, 2001, which were filed with the SEC, and which are hereby incorporated in this document by reference.

MARATHON OIL CORPORATION
 UNAUDITED PRO FORMA CONDENSED BALANCE SHEET
 September 30, 2001
 Dollars in millions

	Marathon Oil Corporation Historical	Discontinued Operations Adjustments	Marathon Oil Corporation Pro Forma Before Separation Related Adjustments	Redemptions/ Conversion/ of Preferred Securities	Sepa Adjus
ASSETS					
Current assets:					
Cash	\$ 987	\$ (475) (A)	\$ 512	\$	\$ 39
Receivable from United States Steel Corporation	-				2
Other current assets	6,432	(2,526) (A) 379 (B)	4,285		
Net Investment in Discontinued Operations		1,829 (A)	1,829	(139) (C)	4 2 90
Receivable from United States Steel Corporation	-		-		55
Property, plant and equipment	12,471	(3,089) (A)	9,382		(2)
Prepaid pensions	2,963	(2,740) (A)	223		
Other assets	1,824	(507) (A) 122 (B)	1,439	(3) (C)	(8)
Total assets	\$ 24,677	\$ (7,007)	\$ 17,670	\$ (142)	\$ 1,83

LIABILITIES AND EQUITY

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Current liabilities:

Notes payable and long-term debt due within one year	\$ 227	\$ (136) (A)	\$ 91	\$ -	\$ 13
Preferred securities payable	-			296 (C)	
Payable to United States Steel Corporation	-	379 (B)	379		(37)
Other current liabilities	4,592	(1,329) (A)	3,263		2
Long-term debt	4,140	(2,622) (A)	1,518	(108) (C)	2,15
Payable to United States Steel Corporation	-	43 (B)	43		(6
Other long-term liabilities	5,451	(3,172) (A)	2,358		79 (B)
Mandatorily redeemable convertible preferred securities of a subsidiary trust	183	(183) (A)	-		
Preferred stock of subsidiary	250	(66) (A)	184	(184) (C)	
Minority interest in Marathon Ashland Petroleum LLC	2,029		2,029		
Equity:					
Preferred stock	2		2	(2) (C)	
Common stock and additional paid-in capital	5,078		5,078	(144) (C)	
Retained earnings and accumulated other comprehensive income	2,826		2,826		(5
Other	(101)		(101)		
Total liabilities and equity	\$ 24,677	\$ (7,007)	\$ 17,670	\$ (142)	\$ 1,83

See Notes to Unaudited Pro Forma Condensed Balance Sheet

MARATHON OIL CORPORATION
NOTES TO UNAUDITED PRO FORMA CONDENSED BALANCE SHEET

- (A) Reflects the reclassification of the historical assets and liabilities of the businesses comprising United States Steel Corporation to discontinued operations.
- (B) Reflects the establishment of payables to United States Steel Corporation previously eliminated in consolidation related to income taxes under the tax allocation policy of Marathon Oil Corporation and certain balances related to employee benefit plans.
- (C) Reflects the effects of the redemption/conversion of the following preferred securities in connection with the Separation:
- o 8.75% Cumulative Monthly Income Preferred Shares, Series A (MIPS(R)), of USX Capital LLC.
 - o 6.75% Convertible Quarterly Income Preferred Securities (QUIPSSM) of USX Capital Trust I, a wholly owned subsidiary of Marathon Oil

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Corporation.

- o 6.50% Cumulative Convertible Preferred Stock ("6.50% Preferred Stock") of Marathon Oil Corporation converted to a right to receive, in cash, \$50.00 per share.

The decrease in the net investment in discontinued operations reflects the impact on the equity of the businesses comprising United States Steel Corporation associated with the redemptions/conversion of the portions of the preferred securities historically attributed to United States Steel Corporation as follows:

	Dollars in millions
Conversion of 6.50% Preferred Stock	\$ 121
Excess of redemption value over carrying value of QUIPS	14
Deferred financing costs related to the Quips	4

Decrease in investment in discontinued operations	\$ 139
	=====

The decrease in other assets reflects the removal of the deferred financing costs associated with the MIPS that were historically attributed to the Marathon Group.

The increase in preferred securities payable reflects the redemption value of the QUIPS of \$185 million and the consideration to be paid for the conversion of 6.50% Preferred Stock of \$110 million outstanding that were converted at Separation.

The net decrease in long-term debt reflects the effects of the following:

	Dollars in millions

Debt incurred by Marathon Oil Corporation to redeem the outstanding MIPS	\$ 223
Advance from United States Steel Corporation to convert the 6.50% Preferred Stock and redeem the QUIPS historically attributed to United States Steel Corporation	(282)
Preferred Securities refinanced by United States Steel Corporation with debt that will remain with United States Steel Corporation	(49)

Net decrease in long-term debt	\$ (108)
	=====

The decrease in preferred stock of a subsidiary represents the redemption of the MIPS historically attributed to the Marathon Group.

The decrease in equity reflects the conversion of the 6.50% Preferred Stock, the excess redemption value over net book value of the QUIPS, and deferred financing costs associated with the MIPS and QUIPS as follows:

	Dollars in millions

Conversion of 6.50% Preferred Stock	\$ 121

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Excess of redemption value over carrying value of QUIPS	14
Deferred financing costs related to the QUIPS and MIPS	11

Decrease in equity	\$ 146
	=====

- (D) Reflects the cash historically attributed to United States Steel Corporation that will be included in the accounts of Marathon Oil Corporation. Also see Note (I).
- (E) Reflects the establishment of receivables from United States Steel Corporation for certain debt and capital lease obligations for which Marathon Oil Corporation remains obligated but United States Steel Corporation assumes responsibility for repayment in accordance with the Financial Matters Agreement between Marathon Oil Corporation and United States Steel Corporation. Also see Note (I).
- (F) Reflects the assignment of certain Marathon Oil Corporation corporate assets and liabilities to United States Steel Corporation in accordance with the Plan of Reorganization as follows:

	Dollars in millions			
	Property, Plant and Equipment	Other Assets	Current Liabilities	Other Liabilities
Property, plant and equipment.....	\$ (20)	\$ --	\$ --	\$ --
Assets and liabilities associated with employee benefits.....	--	(6)	(2)	(68)
Reclassification of intercompany balances.....	--	(79)	--	79
Income tax assets and liabilities, including the tax effect of above adjustments.....	--	--	--	50
	-----	-----	-----	-----
Net effect on net investment in discontinued operations.....	\$ (20)	\$ (85)	\$ (2)	\$ 61
	=====	=====	=====	=====

- (G) Reflects the effects of additional costs directly related to the Separation that were incurred after September 30, 2001. In addition, a \$20 million payable to United States Steel Corporation has been recorded which reflects the establishment of the cash settlement amount between Marathon Oil Corporation and United States Steel Corporation as defined in the Agreement and Plan of Reorganization, which is to be paid 35 days after Separation. Also see Note (I).
- (H) Reflects the \$900 million value transfer with United States Steel Corporation in accordance with the Plan of Reorganization, pursuant to which a portion of Marathon Oil Corporation indebtedness will be repaid or retired and United States Steel Corporation will incur indebtedness and agree to repay a portion of the indebtedness and other obligations of Marathon Oil Corporation historically attributed to the businesses comprising United States Steel Corporation, such that the amount of indebtedness and other obligations for which United

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States Steel Corporation is responsible following the Separation is \$900 million less than the net amounts attributed to United States Steel Corporation immediately prior to the Separation. Also see Note (I).

- (I) Reflects a net increase in debt related to Separation adjustments of \$2,290 million (the sum of an increase in notes payable and long-term debt due within one year of \$133 million and an increase in long-term debt of \$2,157 million) as shown in the table below which reconciles Marathon Oil Corporation historical debt to the ending pro forma balance of Marathon Oil Corporation debt.

Total Marathon Oil Corporation historical debt	
Less debt attributed to discontinued operations	
Debt of Marathon Oil Corporation before separation adjustments and redemptions/conversion of preferred securities	
Net decrease in debt associated with the redemptions of preferred securities (See Note C)	
Net Increase in debt related to Separation adjustments	
Debt to fund the \$900 million Value Transfer with United States Steel Corporation in accordance with the Plan of Reorganization (See Note H)	900
Debt and capital lease obligations assumed by United States Steel Corporation, reflected as both an asset and liability by Marathon Oil Corporation (See Note E)	571
Debt associated with invested cash historically attributed to United States Steel Corporation that will be included in the accounts of Marathon Oil Corporation (See Note D)	394
Debt to fund preliminary tax settlement with United States Steel Corporation (See Note J)	379
Debt to fund costs to complete the Separation (See Note G)	61
Net reduction in debt due to accrued interest historically attributed to United States Steel Corporation (See Note K)	(15)

Net increase in debt related to Separation Adjustments	
Pro forma balance of Marathon Oil Corporation debt	

- (J) Reflects the preliminary tax settlement with United States Steel Corporation, which occurred immediately prior to Separation in accordance with the Tax Sharing Agreement between Marathon Oil Corporation and United States Steel Corporation. Also see Note (I).
- (K) Reflects accrued interest on debt and other obligations historically attributed to United States Steel that will be the responsibility of Marathon Oil Corporation after the Separation. Also see Note (I).
- (L) Reflects the effects of the tax-free distribution of United States Steel Corporation shares to the holders of USX--U. S. Steel Group shares and the removal of the net investment in discontinued operations. Because the net investment in discontinued operations exceeded the fair value, as measured by the aggregate market value of

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the USX--U. S. Steel Group shares at September 30, 2001, a nonrecurring non-cash charge would have been recognized as follows:

	Dollars in million
Market value of the USX--U. S Steel Group Shares (89,196,212 shares of stock issued and outstanding at \$13.98 per share).....	\$ 1,247
Less net investment in discontinued operations.....	2,661
Loss on separation.....	\$(1,414)

MARATHON OIL CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Nine Months Ended September 30, 2001
Dollars in millions (except per share amounts)

	Marathon Oil Corporation Historical	Discontinued Operations Adjustments	Marathon Oil Corporation Before Separation Related Adjustments
Revenues and other income	\$ 31,176	\$ (4,961) (A) 32 (B)	\$ 26,247
Costs and expenses:			
Costs of revenues (excludes items shown below)	23,108	(4,658) (A) 32 (B)	18,482
Selling, general and administrative expenses	516	(19) (A) 17 (C)	514
Depreciation, depletion and amortization	1,157	(246) (A)	911
Taxes other than income taxes	3,732	(191) (A)	3,541
Exploration expenses	69	-	69
Total costs and expenses	28,582	(5,065)	23,517
Income from operations	2,594	136	2,730
Net interest and other financial costs	183	(74) (A) 24 (D)	133
Minority interest in Marathon Ashland Petroleum LLC	650	-	650
Income before income taxes	1,761	186	1,947
Provision for income taxes	522	183 (A) (15) (E)	690
Income from continuing operations	1,239	18	1,257
Discontinued operations:			
Results of operations, net of tax		(18) (A)	(18)
Income before cumulative effect of change in			

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accounting principle	1,239	-	1,239
Cumulative effect of change in accounting principle	(8)	-	(8)
Net income	<u>\$ 1,231</u>	<u>\$ -</u>	<u>\$ 1,231</u>

Applicable to Marathon Stock: (J)

Income before cumulative effect			
of change in accounting principle	\$ 1,283		
Per share - basic	4.16		
- diluted	4.15		
Cumulative effect of change in accounting principle	\$ (8)		
Per share - basic and diluted	(0.03)		
Net income	\$ 1,275		
Per share - basic	4.13		
- diluted	4.12		

Applicable to Steel Stock: (J)

Net income	\$ (50)		
Per share - basic	(0.56)		
- diluted	(0.57)		

Applicable to Marathon Oil Corporation Stock: (J)

Income before cumulative effect			
of change in accounting principle			
Per share - basic			
- diluted			
Cumulative effect of change in accounting principle			
Per share - basic and diluted			
Net income			
Per share - basic			
- diluted			

See Notes to Unaudited Pro Forma Condensed Statements of Operations

MARATHON OIL CORPORATION
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
 Year Ended December 31, 2000
 Dollars in millions (except per share amounts)

	Marathon Oil Corporation Historical	Discontinued Operations Adjustments	Marathon Oil Corporation Before Separation Related Adjustments	Red Con of Secu Se Ad
	-----	-----	-----	-----
Revenues and other income.....	\$ 39,914	\$ (6,132) (A) 77 (B)	\$ 33,859	
Costs and expenses:				
Costs of revenues (excludes items shown below).....	31,056	(5,656) (A) 77 (B)	25,477	
Selling, general and administrative expenses.....	402	223 (A)	643	

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		18	(C)	
Depreciation, depletion and amortization.....	1,605	(360)	(A)	1,245
Taxes other than income taxes.....	4,861	(235)	(A)	4,626
Exploration expenses.....	238	-		238
	-----	-----		-----
Total costs and expenses.....	38,162	(5,933)		32,229
	-----	-----		-----
Income from operations.....	1,752	(122)		1,630
Net interest and other financial costs.....	341	(105)	(A)	236
Minority interest in Marathon Ashland Petroleum LLC.....	498	-		498
	-----	-----		-----
Income before income taxes.....	913	(17)		896
Provision for income taxes.....	502	(20)	(A)	476
		(6)	(E)	
	-----	-----		-----
Income from continuing operations....	411	9		420
Discontinued operations:				
Results of operations, net of tax.....		(9)	(A)	(9)
	-----	-----		-----
Net income.....	\$ 411	\$ -		\$ 411
	=====	=====		=====
Applicable to Marathon Stock: (J)				
Net income.....	\$ 432			
Per share - basic and diluted...	1.39			
Applicable to Steel Stock: (J)				
Net income (loss).....	\$ (29)			
Per share - basic and diluted.....	(0.33)			
Applicable to Marathon Oil Corporation Stock: (J)				
Net income.....				
of Per share - basic and diluted....				

See Notes to Unaudited Pro Forma Condensed Statements of Operations

MARATHON OIL CORPORATION
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
 Year ended December 31, 1999
 Dollars in millions

	Marathon Oil Corporation Historical	Disc Ope Adj
	-----	-----
Revenues and other income	\$ 29,119	\$ (5
Costs and expenses:		

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Costs of revenues (excludes items shown below).....	21,679	(5)
Selling, general and administrative expenses.....	203	
Depreciation, depletion and amortization.....	1,254	
Taxes other than income taxes.....	4,433	
Exploration expenses.....	238	
Inventory market valuation credits.....	(551)	
	-----	-----
Total costs and expenses.....	27,256	(5)
	-----	-----
Income from operations	1,863	
Net interest and other financial costs	362	
Minority interest in Marathon Ashland Petroleum LLC	447	
	-----	-----
Income before income taxes	1,054	
Provision for income taxes	349	
	-----	-----
Income from continuing operations	705	
Discontinued operations:		
Results of operations for the Steel Group, net of tax		
Extraordinary loss	7	
	-----	-----
Net income	\$ 698	\$
	=====	=====

See Notes to Unaudited Pro Forma Condensed Statements of Operations

MARATHON OIL CORPORATION
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
 Year ended December 31, 1998
 Dollars in millions

	Marathon Oil Corporation Historical	Discontinued Operations Adjustments
	-----	-----
Revenues and other income	\$ 28,077	\$ (6,477) (A)
		23 (B)
Costs and expenses:		
Costs of revenues (excludes items shown below)	20,211	(5,604) (A)
		23 (B)
Selling, general and administrative expenses	304	201 (A)
		9 (C)

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Depreciation, depletion and amortization	1,224	(283) (A)
Taxes other than income taxes	4,241	(212) (A)
Exploration expenses	313	
Inventory market valuation credits	267	
	-----	-----
Total costs and expenses	26,560	(5,866)
	-----	-----
Income from operations.....	1,517	(588)
Net interest and other financial costs...	279	(42) (A)
Minority interest in Marathon Ashland Petroleum LLC	249	
	-----	-----
Income before income taxes	989	(546)
Provision for income taxes	315	(173) (A)
		(3) (E)
	-----	-----
Income from continuing operations	674	(370)
	-----	-----
Discontinued operations:		
Results of operations for the Steel Group, net of tax		370
	-----	-----
Net income	\$ 674	\$ -
	=====	=====

See Notes to Unaudited Pro Forma Condensed Statements of Operations

MARATHON OIL CORPORATION
NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

- (A) Reflects the reclassification of revenues and expenses of the businesses comprising United States Steel Corporation to discontinued operations.
- (B) Reflects the establishment of revenues and the related cost of revenues for intercompany sales previously eliminated in consolidation.
- (C) Reflects the reversal of general corporate overhead expenses allocated to United States Steel Corporation that are not permitted to be reflected in discontinued operations.
- (D) Reflects the reversal of a portion of the interest expense allocated to United States Steel Corporation that is not permitted to be

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reflected in discontinued operations. The only period in which allocated interest exceeded the permitted amount was the nine months ended September 30, 2001.

- (E) Reflects the income tax effects of adjustments (C) and (D).
- (F) Reflects the removal of nonrecurring costs directly attributable to the Separation that were incurred during the nine months ended September 30, 2001, that were included in the historical accounts of Marathon Oil Corporation. There were no costs related to the Separation incurred prior to the nine months ended September 30, 2001.
- (G) Reflects an increase in net interest and other financial costs, primarily due to the increase in the amount of indebtedness of Marathon Oil Corporation following the Separation. The increase primarily reflects the \$900 million value transfer with United States Steel Corporation and incremental interest effects associated with the redemptions/conversion of the preferred securities. Pro forma interest costs have been calculated based on average levels of pro forma debt for the nine months ended September 30, 2001, and the year ended December 31, 2000. Pro forma debt reflects the redemptions/conversion of the preferred securities and repayment of the Marathon Oil Corporation receivables facility with proceeds from new financings obtained by United States Steel Corporation and drawings on the Marathon Oil Corporation revolving credit facility. For the majority of the year 2000, the amount of debt that would have remained with Marathon Oil Corporation was less than the net debt levels attributed to the Marathon Group, after adjusting for the \$900 million value transfer. As a result, average pro forma debt for 2000 reflects drawings on the Marathon Oil Corporation revolving credit facility to fund the redemptions/conversion of the preferred securities and to repay the receivables facility.

The assumed interest rate for new financings was 5% in 2001 and 7% in 2000, which was based on the average borrowing rates on the revolving credit facility. A 1/8 percentage point change in the assumed financing rate would have changed annualized interest expense by less than \$1 million.

- (H) Reflects the income tax effects of adjustment (F) and (G).
- (I) Reflects the elimination of discontinued operations as a result of the Separation. Also includes amounts related to general corporate overhead expenses and interest expense allocated to United States Steel Corporation but were not classified as discontinued operations.
- (J) Weighted average shares of common stock outstanding were 309,056,000 (basic) and 309,452,000 (diluted) for USX--Marathon Group and, on a pro forma basis, Marathon Oil Corporation for the nine months ended September 30, 2001. Weighted average shares of common stock outstanding were 311,531,000 (basic) and 311,761,000 (diluted) for USX--Marathon Group, and on a pro forma basis, Marathon Oil Corporation for the year ended December 31, 2000. Weighted average shares of common stock outstanding (basic and diluted) for the USX--U. S. Steel Group were 89,003,000 for the nine months ended September 30, 2001, and 88,613,000 for the year ended December 31, 2000. Preferred stock dividends of \$6 million and \$8 million reduced net income applicable to USX--U. S. Steel Group shares for the nine months ended September 30, 2001, and for the year ended December 31, 2000, respectively.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: January 15, 2002

MARATHON OIL CORPORATION

By: /s/ A. G. Adkins

A. G. Adkins
Vice President--Accounting
and Controller