Following the Senate Judiciary Committee Hearing on
"Exploring the Skyrocketing Price of Oil"

During the Committee hearing on May 21, Senator Schumer pursued a line of questions concerning the witnesses' companies' investments in alternative energy and steps to improve fuel efficiency. In the interest of limited time, he requested additional information to be submitted in writing to the committee.

***Answer*:** ExxonMobil shares the same goal as policymakers — to meet the world's growing energy demand while lowering the projected growth in greenhouse gas emissions. We approach this by:

a. improving energy efficiency and reducing GHG emissions in our own operations;

b. improving the efficiency of consumers' use of energy; and

c. conducting or sponsoring research that could lead to breakthroughs in alternative energy.

We are taking significant actions to assist.

a. improving energy efficiency and reducing emissions in our own operations

As an industry leader in the use of cogeneration applications, we have interests in about 100 cogeneration facilities in more than 30 locations worldwide. We have invested more than $1 billion in cogeneration projects since 2004, bringing the combined power generation capacity at facilities in which we have an interest to more than 4.5 gigawatts in 2007. With new facilities under construction around the world, we expect to increase this capacity to more than 5 gigawatts in the next three years.

Additionally, we are investing more than $4 billion in gas utilization and commercialization projects to eliminate routine gas flaring in Nigeria.

ExxonMobil launched its proprietary Global Energy Management System (GEMS) in 2000, through which we have identified opportunities to improve energy efficiency at our refineries and chemical plants by 15 to 20 percent. We have implemented about 60 percent of these opportunities. Our refining and chemical operations achieved best-ever energy efficiency in 2007. Over the past several years, we have been improving the energy efficiency of our refining and chemical businesses at a rate two to three times faster than the industry.

Through efficiency actions taken in 2006 and 2007, we reduced GHG emissions by about 5 million metric tons in 2007, equivalent to removing about one million cars from roads in the United States. We are also on track to meet our target of improving energy efficiency across our worldwide refining and chemical operations by at least 10 percent between 2002 and 2012.

b. improving the efficiency of consumers' use of energy.

We are actively involved in improving energy efficiency of consumers' use of our products, promoting low-emissions technologies that are ***deployable today***, such as tire inner liners that keep tires inflated longer; advanced fuel economy engine oil; and light weight automobile plastics. Utilization of these technologies in one-third of U.S. vehicles would translate to a savings of about 5 billion gallons of gasoline annually and yield greenhouse gas emissions savings equal to taking about 8 million cars off the road.

In addition, we are working on other technologies both for the mid- and longer-term that address the need for both improved fuel economy and reduced emissions. This includes separator films for lithium ion batteries that could accelerate the adoption of hybrid vehicles, and our collaborative research with auto and engine makers on technologies that may enhance fuel economy by up to 30 percent. ExxonMobil is also conducting research into hydrogen generation on board vehicles to power fuel cells which could improve fuel economy by 80 percent and reduce emissions by as much as 45 percent. Recently, we also announced a more than $100 million investment in a new technology for separating CO2 from natural gas, which could help commercialize some applications of carbon capture and storage.

c. conducting or sponsoring research that could lead to breakthroughs in alternative energy

A primary value we also bring is through financial and technical ***support of breakthrough research*** to overcome the economic and technological barriers inhibiting these sources from being applied on a broader scale. On the research side, we are spending approximately $100 million in 2008 on alternative energy and efficiency improvement technologies, and technology for separating CO2 from natural gas, which could have a significant longer term impact on reducing emissions. We agree with the view that in order to meet future energy demand, we are going to need a wide range of energy sources — including wind, solar, nuclear, coal, biofuels, oil and natural gas.

Five years ago, ExxonMobil initiated the Global Climate and Energy Project (GCEP) at Stanford University to identify future step-out advanced energy technologies. ExxonMobil has committed $100 million to this project over ten years. GCEP now funds research programs in the United States, Europe, Australia and Japan.

Our investment in groundbreaking research at GCEP represents our commitment to work to meet future energy needs with significantly lower greenhouse gas emissions. GCEP is the largest privately funded low-greenhouse-gas-energy research effort in history. This project aims to undertake fundamental and pre-commercial research on a wide range of technologies that offer the potential to supply and use energy with significantly reduced greenhouse gas emissions. Emphasis is on breakthrough research that can enable widespread, commercial solutions in a broad portfolio of areas including:

- How hydrogen and solar energy can be made economically;
- How engine and fuel systems can be made significantly more efficient;
- How carbon dioxide capture and storage can be made more effective; and
- How biofuels can be made with greater yield and lower emissions.

With these efforts underway, however, ExxonMobil remains focused on meeting the growing energy demand projections in the next few decades and the realities of various investment options to meet those demands. Increased energy supplies will serve as the foundation of a growing global economy and the tremendous expansion of living standards throughout the developing world. We therefore assess pragmatically the role that alternative energy sources can play in meeting these future needs. Even as wind and solar energy are likely to grow at about 10 percent per year on average, supported by government subsidies and mandates, they will account for about 1 percent of global energy demand in 2030. Costs and intermittency remain challenges to expanding use. We have particular reservations about mandates and subsidies that distort markets by picking "winners and losers", penalize selected taxpayers, raise investment risks, and increase fuel costs for consumers.

The advantages of oil and natural gas across a broad array of applications provide economic value unmatched by any currently available alternative. On any assessment, oil and gas will continue to play a significant role in meeting energy demand for many years to come. And that is where ExxonMobil’s strengths lie — to use our technology, the expertise of our people and our global scale to safely and reliably supply the oil and gas that is, and will continue to be, needed to power the American economy, and to improve the environmental performance of our products and operations.

Questions of Senator Sheldon Whitehouse

Questions for Entire Panel:

1. Has your company, any subsidiary, or any entity acting under common ownership or control, financially contributed to any organizations that study global warming or climate change? If so, which are those organizations and how much in total has your company given to each one?

   Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the American Legislative Exchange Council? If so, how much has it contributed? Does your company agree with the American Legislative Exchange Council's opinion that increasing levels of carbon dioxide are not causing glaciers to retreat?

   Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the Cato Institute? If so, how much has it contributed? Either way, does your company agree with Cato Institute commentary that "science no longer provides justification for any rush to pass drastic global warming legislation."?

   Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the Committee for a Constructive Tomorrow? If so, how much has it contributed? Does your company agree with the Committee for a Constructive Tomorrow that "recent glacial retreats, sea-level rise and migrations of temperature sensitive species are all within the bounds of known natural variability."?

   Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the Annapolis Center for Science-Based Public Policy? If so, how much has it contributed? Does your company agree with an Annapolis Center for Science-Based Public Policy report that states "climate models may never be able to make greenhouse-warming predictions with certainty?"

   Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the Acton Institute for the Study of Religion and Liberty? If so, how much has it contributed? Does your company agree with Acton Institute for the Study of Religion and Liberty commentary that it is a "myth that [global warming] is an emergency that demands a drastic cutback in CO-2 emissions" and that "making a case against CO-2 without making a case against nature is like making an omelet without breaking the proverbial egg. It is impossible."?

   Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the Center for the Study of Carbon Dioxide and Global Change? If so, how much has it contributed? Does your company agree with the Center for the Study of Carbon Dioxide and Global Change that "there is no compelling reason to believe that the rise in temperature was caused by the rise in CO-2."?

   Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the Frontiers of Freedom Institute? If so, how much has it contributed? Does your company agree with the Frontiers of Freedom Institute that S.2191, America's Climate Security Act, is "a hyped-up rallying cry against a 'problem' that scientists can't even agree exists in the first place."?

Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the George C. Marshall Institute? If so, how much has it contributed? Does your company agree with the George C. Marshall Institute that there is a “shattered consensus” on the state of global warming?

Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the Heartland Institute? If so, how much has it contributed? Does your company agree with the Heartland Institute that “there is no consensus about the causes, effects, or future rate of global warming,” and that “most climate scientists doubt the reliability of computer models and the accuracy of land-based temperature records,” and that “reports by the IPCC are unreliable due to political editing and rewriting of the reports’ conclusions,” and that “some of the key evidence cited in past IPCC reports has been shown to be fraudulent.”?

Has your company, any subsidiary, or any entity acting under common ownership or control ever contributed to the Institute for Energy Research? If so, how much has it contributed? Does your company agree with the Institute for Energy Research that global climate change is a “craze…fueled by alarmist rhetoric and trumped up scientific claims.”?

A. ExxonMobil promotes public discussion on issues of direct relevance to the company. We, like many U.S. based corporations, contribute to a wide range of academic and policy organizations that research and promote dialogue on significant domestic and foreign policy issues, such as climate change, including the Brookings Institution, the American Enterprise Institute, the Council on Foreign Relations, the Center for Strategic and International Studies, and Resources for the Future. Corporate contributions to these organizations should not be confused with management of their policy recommendations or statements. There is value, however, in the debate they prompt if it leads to more optimal public policy decisions. We annually review our support of tax-exempt organizations and make appropriate adjustments. In addition, we publish a list of the 501(c)(3) organizations we support on our web site and update the list once per year. We also specifically disclose our support for organizations in the documents referenced below.

With regard to our position on climate change, ExxonMobil has the same concerns as people everywhere – and that is how to provide the world with the energy it needs while reducing greenhouse gas emissions. We take the issue of climate change seriously and the risks warrant action. ExxonMobil is taking action by reducing greenhouse gas emissions in our operations, helping consumers reduce their emissions, supporting research into technology breakthroughs and participating in constructive dialogue on policy options with NGOs, industry and policy makers. Our strategy is to reduce emissions and improve efficiency. We are already seeing results. Through efficiency actions taken in 2006 and 2007, we reduced our greenhouse gas emissions by about 5 million metric tons in 2007, equivalent to removing about one million cars from roads in the United States.

Responding to your question concerning ExxonMobil funding of certain organizations that may study climate change, attached as Appendices 1 and 2 are the "ExxonMobil Corporation 2007 Worldwide Contributions and Community Investments Report" and the "2007 Corporate Citizenship Report." The first addresses comprehensively and specifically, by institution and organization, our

company's financial and other support. At page 41, the review of support for "Public Information and Policy Research" is provided and at page 51, our support for environmental organizations and research is provided. The second report addresses a range of activities in which we are engaged to manage the risks posed by increases in global greenhouse gas emissions and, particularly, to reduce emissions in our operations. It also elaborates on our view that the long term objective of a climate change policy should be to reduce the risk of serious impacts on society and ecosystems, while considering the importance of energy to global economic development.

2. At a time when gasoline prices were near record highs, your five companies earned record-breaking profits last year: $116 billion. ExxonMobil made $40.6 billion last year, which is more than the all federal highway spending and about as much as the entire credit card industry earned that year. Since 2002, your five companies have consistently broken profit records. If you continue to profit this year at the pace you did in the first quarter, you are once again poised to smash profit records, not just for your industry, but for all industries. Please explain why what, in raw numbers, may be the most profitable industry in history needs the multi-billion dollar Section 199 domestic manufacturing tax breaks enacted in 2004. Why aren't those profits adequate to provide access to capital without those tax incentives?

   A. First, we appreciate the opportunity to address the facts behind the Domestic Manufacturing deduction (found under §199 of the Tax Code) because there have been so many mischaracterizations of this issue.

   As background, The American Jobs Creation Act of 2004 provided new tax rules for **all** US manufacturers and producers. While this legislation began as an effort to modify the Extraterritorial Income Exclusion (ETI) tax rules declared illegal by the World Trade Organization, Congress expanded that goal to include the creation and retention of U.S. jobs throughout the critical domestic manufacturing and production sector, including, of course, jobs in the U.S. oil and natural gas industry.

   Congress had not reduced the U.S. corporate income tax rate since 1986, despite rate cuts enacted by many other nations. Section 199 addressed this for U.S. manufacturers and producers since, when fully phased in, the §199 deduction will be approximately the equivalent of a three percentage point reduction in the corporate income tax rate for all qualified domestic manufacturing and production income.[1]

   The §199 provision applies to **all** manufacturing activities in the U.S., i.e., it is not a provision designed solely for the oil and gas industry, or only for large companies in the oil and gas industry. Characterizing this general provision as an "oil company subsidy" or as a "tax break for big oil", is highly misleading to the public. Repealing this provision only for U.S. oil and natural gas producers and refiners, or worse, only for five companies operating in that business, while

[1] The provision was "phased in" over several years, starting with the approximate equivalent of a 1% rate reduction for 2005 and 2006, a 2% rate reduction for 2007-2009, and finally the 3% reduction beginning in 2010.

maintaining it for all other manufacturers and producers, would simply single out one industry, or worse, five companies within an industry, for unjust, punitive and arbitrary treatment. That is highly discriminatory and unsound tax policy.[2] And the result would be to discourage critical new oil and gas investments here in the U.S., by making those already costly domestic energy investments even more costly[3] and thus less competitive with foreign opportunities. In the refining sector, U.S. industry margins in the first quarter of 2008 fell dramatically from the first quarter of 2007. Given these current conditions for the U.S. refining business, and the call of many in Congress for increased refinery capacity, it is perplexing that some members of Congress would continue to propose increasing taxes on such investments.

Investments in oil and gas exploration and development projects require a long term commitment of massive amounts of capital. As we all have seen, the oil and gas business is a highly cyclical one, and the fact that prices are high at the current time is no guarantee that they will stay that way throughout the 20-30 years of the project life. One need only look back over the last 20-30 years, and the predictions made during that period, to see the volatility of prices and the inaccuracy of predictions based on such prices.

The issue, then, is not whether sufficient capital exists to invest in such projects. It does, within our company, within our industry, and within the capital markets that oil and gas companies may access. But the question is whether the investor has a reasonable prospect, taking into account the huge uncertainties associated with such investments, to realize an acceptable return over the project life for undertaking such risks. Adverse changes to tax laws, which when originally enacted were intended to encourage certain investments, not only reduce the returns on such investments after the fact but inject even more uncertainties and risks for potential investors considering future projects. And increasing taxes on U.S. oil and gas investments will result in less domestic investment, and ironically, even greater reliance on foreign imports.[4]

According to a recent study by PricewaterhouseCoopers, the oil and natural gas industry employed 1.86 million wage and salary workers in the United States in 2004.[5] In addition, the industry's purchase of goods and services from other industries supported nearly 4.1 million indirect and induced jobs across the

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[2] Interestingly, out of 78 oil and gas companies operating worldwide, the five companies singled out by the Senate for such treatment were ranked 42, 53, 57, 60, and 63 in terms of profitability based upon profit margin. See Energy Intelligence Research: The Energy Intelligence Top 100: Ranking the World's Oil Companies, 2008, p. 85.

[3] In the U.S., the most promising exploration and development projects are increasingly found offshore. According to the Energy Information Administration, it costs U.S.-based oil and gas companies about 20 percent more to explore for and produce a barrel of oil or equivalent natural gas in the United States than abroad.

[4] See the Congressional Research Service's *CRS Report for Congress: Energy Tax Policy: History and Current Issues, Updated April 1, 2008*, which, in addressing the effect of the Section 199 repeal, states: "Domestic oil and gas output would be lower, and imports would be higher than they otherwise would be without the tax increase." Page 20.

[5] *The Economic Contributions to the U.S. National and State Economies by the Oil and Natural Gas Industry*, PricewaterhouseCoopers, January 15, 2007, Table 4, p. 9.

country, resulting in nearly 6 million jobs as the total employment contribution of the oil and natural gas industry to the U.S. economy. Oil and gas extraction activities are found in 42 states. These are high-paying jobs for middle-class Americans, paying more than three times the current minimum wage for non-supervisory workers. Encouraging greater investment in domestic oil and gas operations in exactly the same way as for all other domestic manufacturers and producers helps keep more Americans working in these valued occupations.

U.S. energy security is clearly enhanced by greater investment in domestic oil and gas activities. According to projections by the Energy Information Administration (EIA) in its *Annual Energy Outlook 2008*, domestic crude oil production is expected to rise slightly through 2020 before declining in the 2020–2030 timeframe. Increased access to available resources and a reliable fiscal and regulatory investment framework will be critical to sustain domestic production over the long term and reduce U.S. reliance on imported oil.

In order to provide adequate supplies of energy for American consumers, U.S. oil and natural gas companies must seek out the most cost-competitive sources of oil and natural gas available to them. Retaining §199 for the domestic oil and gas industry, and keeping those investments on a par with all other domestic manufacturing and production activities, will maximize domestic oil and gas investment and jobs, and reduce foreign imports.

3. The petroleum industry operates in an unusual fashion. Your five corporations are integrated oil giants that control all stages of production and distribution. From the exploration and mining to the refinement and transportation to the moment the customer swipes her Exxon or Shell charge card at the pump, you control everything. Are you aware of any other industries that operate in this fashion? How would you respond to the suggestion that it may be time to examine whether the vertically integrated ownership structure facilitates price gouging and harms consumers? Would you support a Congressionally-directed study to examine the effects of your ownership structure?

   A. Economists and other academics have studied vertical integration extensively in recent decades, and vertically-integrated ownership structures are ubiquitous in the U.S. economy. Economists recognize that there are significant efficiencies associated with vertical integration in the petroleum industry and elsewhere.[6]

   Vertical integration simply substitutes ownership for contractual relationships when it is less expensive and more efficient to do so. In the past two decades, as spot and futures markets for crude oil and refined product have become more developed, the petroleum industry has become less vertically integrated, and firms have been able to enter successfully and produce at only one level of the industry. A number of major U.S. refining companies have no crude oil production, but simply purchase crude oil supplies on the open market. Similarly, a number of crude oil producers own no refineries and simply sell crude oil. In addition, the increasing ability to procure a steady supply of

[6] *See e.g,*. Martin Perry, Vertical Integration: Determinants and Effects, in 1 HANDBOOK OF INDUSTRIAL ORGANIZATION 185 (edited by Richard Schmalensee and Robert Willig, 1989).

gasoline has led to the growth of gasoline retailers — such as WaWa, QuickTrip, and Costco — that sell large volumes of gasoline without owning any upstream assets. Because vertical integration has been studied so often and the evidence of its benefits is so strong, we do not believe that it facilitates price gouging or that a congressionally-directed study is needed.

4. The attached graph illustrates that the growth in profits of your five companies over the past six years has outpaced even the sharp increase in the price of gasoline. Why is your profit margin rising at a rate that is so much higher than the price of your product?

   A. ExxonMobil's profit margins have risen at a slower rate than the price of gasoline. Profit margins have changed as follows:

   2002: 6%
   2007: 10%
   1Q'08: 9%

   ExxonMobil's earnings have risen less than "Oil Company Profits" as indicated on the chart, increasing 254% from 2002 to 2007.

   Generally, integrated oil and gas companies produce and sell a very broad and diverse range of petroleum and petrochemical products, with motor gasoline representing only a portion of total sales. Industry earnings represent this broad range of products. The graph appears to indicate that U.S. motor gasoline prices have doubled from 2002 to 2007. Over the same time period, however, global crude prices have almost tripled, which resulted in a significant ramp-up in earnings in the Upstream segments within the industry.

5. How much has your company invested in research and development of coal to liquids technology for use as transportation fuel in each of the past five years?

   A. ExxonMobil has many commercial technologies today, and continues to invest in R&D for processes that could be used to convert coal to fuels, lubricants, and chemicals. In the area of fuels and lubricants, the processes include gasification of coal to synthesis gas, conversion of synthesis gas to fuels and lubricants, and carbon capture and storage processes.

   From 2003-2007, ExxonMobil invested more than $150M in R&D that could be used to advance economic conversion of coal to transportation fuels and lubricants.

   In addition to R&D, ExxonMobil licenses its commercial Methanol to Gasoline (MTG) technology to third parties. In the MTG process, methanol is typically coal or gas based. ExxonMobil has two licensees for the MTG process, one in the U.S. and one in China, to convert coal-based methanol to gasoline. We are under discussions with several other potential customers in the U.S. and foreign countries for additional MTG licenses.

Since ExxonMobil R&D expenditures on technologies are related to ExxonMobil business strategies, public disclosure of annual R&D expenditures could impact ExxonMobil competitiveness; therefore, we have provided aggregated R&D expenditures for this question and the three following questions.

6. How much has your company invested in research and development of hydrogen technology for use as transportation fuel in each of the past five years?

   A. ExxonMobil considers hydrogen as one of the potential long-term fuels for transportation because hydrogen when used in a fuel cell vehicle could be more efficient and could emit lower greenhouse gases than current vehicles. However, use of hydrogen fuels faces production, delivery and storage challenges. In order to overcome these challenges, ExxonMobil has invested more than $30M over the 2003-2007 timeframe for use of hydrogen as a transportation fuel.

7. How much has your company invested in research and development of non-fossil fuel renewable energy sources for use as transportation fuel, excluding hydrogen technology, in each of the last five years?

   A. Excluding hydrogen, ExxonMobil is working on breakthroughs for biofuels via the Global Climate and Energy Project, and also on improving components for batteries that could be used for hybrid and electric cars. Over 2003-2007, ExxonMobil invested more than $20M in R&D in technologies that could be used for non-fossil fuel energy sources for transportation fuel.

8. How much has your company invested in research and development of wind, solar, and geothermal energy in each of the last five years?

   A. ExxonMobil has spent about $10M in research on wind, solar, and geothermal energies over the 2003-2007 timeframe.

9. Compare the answer to each of the three above questions with the aggregate compensation of your top 10 executives and, separately, your budget for travel, entertainment, and other fringe benefits.

A.

ExxonMobil - Selected Financial Data

($M)

	'03 - '07
Hydrogen technology R&D	*30*
Renewable Energy R&D	*20*
Wind, solar & geothermal R&D	*10*
Aggregate Executive Comp	*504*

Data Sources:
ExxonMobil Proxy Statement
ExxonMobil Internal Data

Data from the Summary Compensation Tables contained in the 2004 through 2008 Proxy Statements filed with the Securities and Exchange Commission (SEC) were used as the basis for calculating the compensation for the executives disclosed in the statement. These disclosures complied with SEC requirements at the time of submission. However, due to changes in disclosure requirements since 2003, meaningful data comparisons (on a like basis) across the years are not possible.

ExxonMobil tracks compensation for executives as required for SEC disclosure purposes. We have made an estimate to calculate the compensation for the additional executives required for this response, since they are outside the scope of our tracking efforts. The compensation is based on the SEC disclosure rules for each respective year.

Expenditures for travel, entertainment and other benefits are internally stewarded by individual ExxonMobil business functions. These costs are imbedded in the 'Production and Manufacturing Expenses' and 'Selling, General and Administrative Expenses' categories of the income statement contained in our Form 10-K filed with the SEC, and are not aggregated at a corporate level.

Questions from Senator Richard J. Durbin

Questions for all witnesses

1. Please provide a table displaying, for each year since 2000:

   - the names of the top five most highly compensated individuals in your company for that year (with compensation defined to include salary, bonuses, benefits, stock options, in-kind gifts, deferred compensation, and other remuneration); and
   - the amount of compensation received by each of those individuals, broken down by amount and type of compensation.

   A. Please see Appendix 3 for copies of the Summary Compensation Tables contained in the 2001 through 2008 Proxy Statements filed with the Securities and Exchange Commission (SEC).

   These disclosures complied with SEC requirements at the time of submission. However, due to changes in disclosure requirements since 2000, meaningful data comparisons (on a like basis) across the years are not possible.

2. Please provide a table displaying the following information for your company for each year since 2000:

   - revenue
   - net income
   - return on equity
   - total capital investment
   - oil development investment
   - refinery investment
   - alternative energy research and development
   - cash holdings
   - marketing expenses

   A.

ExxonMobil - Selected Financial Data

($M - unless otherwise noted)

	2000	2001	2002	2003	2004	2005	2006	2007
Sales and Other Operating Revenue	227,596	208,715	200,949	237,054	291,252	358,955	365,467	390,328
Net Income	17,720	15,320	11,460	21,510	25,330	36,130	39,500	40,610
Return on Shareholder's Equity (%)	26.4	21.3	15.5	26.2	26.4	33.9	35.1	34.5
Total Capital Expenditures	11,168	12,311	13,955	15,525	14,885	17,699	19,855	20,853
Upstream Capital Expenditures	6,899	8,816	10,394	11,988	11,715	14,470	16,231	15,724
Refining Capital Expenditures	1,335	1,038	1,355	1,766	1,324	1,368	1,610	2,173
Cash and cash equivalents (year-end)	7,080	6,547	7,229	10,626	18,531	28,671	28,244	33,981

Alternative Energy R & D Expenditures [1]	ExxonMobil has spent more than $235 million on alternative energy initiatives since 2000
Marketing Expenses	Expenditures for marketing expenses are internally stewarded by individual ExxonMobil business functions. These costs are embedded in the "Selling, General and Administrative Expenses category of the income statement contained in our Form 10-K filed with the SEC and are not aggregated at a corporate level.

Data Sources:
ExxonMobil Form 10-K
ExxonMobil Financial and Operating Review
ExxonMobil Internal Data

[1] Not separately disclosed

3. Several weeks ago, the Wall Street Journal's *Market Watch* quoted an industry analyst as estimating that about $25 to $30 of the price per barrel of crude oil may be attributed solely to speculation.

   a) Does your internal research support that analysis?

   A. We are unable to quantify the effect on crude oil price that may be attributable solely to speculation.

   b) What in your view is the price per barrel that can be justified purely by the supply and demand in the market?

   A. Crude oil prices are influenced by a multitude of factors. These include physical and fundamental factors such as, for example, supply, demand, inventory, and spare capacity, as well as expectations of the market participants on such matters as potential weather-related effects and outlooks on the growth of supply, demand, and capacity. In addition, crude oil prices can be affected by currency exchange rates, geopolitical risks, and actions of speculators and financial institutions such as hedge funds. It is not possible to identify definitively the impact of individual factors on crude prices because many of the factors may be correlated to each other. Thus, it is not possible to identify a price per barrel that can be justified purely by the supply and demand in the market.

   c) What steps do you think should be taken to protect consumers from the effects of excessive speculation in the trading markets for oil?

   A. ExxonMobil does not speculate in the oil or petroleum products markets.

   Markets must operate freely and not be subject to manipulation. Speculation and/or financial investment in futures contracts for commodities (such as oil), however, can add to market liquidity and thus the efficiency of the market for such commodities. While speculation in the commodities market does not increase supply or demand in the physical market for such commodities because there is a buyer for every position seller, it does provide an assessment of the expectations of forward price levels by market participants. Any proposals to limit speculation should be carefully considered to avoid unintended consequences such as reducing liquidity in the market.

4. In your testimony, you claim that consolidation in the oil industry has been necessary to enable your company to compete globally. However, a 2004 GAO study found that consolidation and mergers in the oil refinery industry, "generally led to higher wholesale gasoline prices in the United States." As a result of all the mergers, the largest five oil companies now control 55% of the refining market, and the largest 10 dominate 81%.

   a) In your view, how has market concentration in the refinery industry affected the price of gasoline? [see answer immediately below, under (b)]

b) Do you see a link between market concentration and reduced refinery production?

A. We believe that consolidations in the U.S. refining sector have improved the efficiency and capacity of U.S. refining, thus benefiting consumers. In the last decade, refinery capacity has grown significantly, as has the production of refined products.[7] U.S. refineries add the equivalent of one new refinery each year through expansion of existing facilities.[8] After significant restructuring in the industry, concentration of refining capacity is not at a level that gives rise to market power concerns — regional and national concentration levels are generally low to moderate.

c) How much would increased refinery production lower gasoline and diesel prices?

A. The price of gasoline and diesel is determined by market forces, of which increased production by U.S. refineries is only one factor. Directionally, if the supply of domestic products to the market could be increased at a cost less than imported product, this would be expected to have the effect of mitigating potential price increases. However, it is difficult to predict the precise impact on fuel prices because a number of other factors also affect prices including, for example, crude prices, the cost and level of imports/exports, demand, quality, inventory levels, refinery operations, government regulations, and market perceptions.

5. In the last couple of weeks, we have seen the release of a handful of reports that claim that our use of ethanol has displaced a certain amount of gasoline from the nation's pool of transportation fuels, and that the displacement of more expensive gasoline with less expensive ethanol has resulted in lower consumer prices at the gas pump. These experts say that the savings have been between 15-20%, which would translate into about $400-$600 of savings per family or about $50 billion to $75 billion saved nationwide.

   a) What is the effect on retail gasoline prices of cheaper ethanol being blended into gasoline?

   A. Ethanol prices have been both higher and lower than gasoline prices. Retail gasoline prices are set by the market, based on supply and demand. At any specific point in time, the underlying costs of the product or its component parts, which may include ethanol, are factors in the retail price. Ethanol prices are also set by the market, based on supply and demand, and bear a similar relationship to costs of feedstock (e.g., corn), processing, and other factors of production.

   b) If the renewable fuels mandate were waived this year and nine billion gallons of ethanol were removed from the market, additional petroleum would need to be

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[7] *See* Energy Information Administration, ANNUAL ENERGY REVIEW 2006, at page 141, Table 5.9 (Refinery Capacity and Utilization, Selected Years 1949-2006); Timothy J. Muris and Richard Parker, A DOZEN FACTS YOU SHOULD KNOW ABOUT ANTITRUST AND THE OIL INDUSTRY 44.

[8] Muris and Parker, *supra* note 2, at 26.

"found" to replace this fuel. Some economists say that prices would increase by as much as 50 cents to 80 cents per gallon based on standard calculations. Based on your historical observations, would you expect to see that large of an increase?

A. Ethanol prices have been both higher and lower than gasoline prices, so it is not clear that there would be a significant change in product prices if ethanol were removed from gasoline. We believe the lowest price to consumers (and cost to taxpayers) would be achieved through free market competition, without the distorting effects of subsidies or mandates. Finally, if the mandate were waived, ethanol could still compete for a share of the market.

c) One of the challenges to making production and the mandate sync up is associated with the infrastructure needed to develop the biofuels industry. What is your position regarding higher blend levels of ethanol and the deployment of pumps capable of dispensing E-85?

A. The most cost-effective use of ethanol is to maximize use of low level blends such as E-10 (10% ethanol in gasoline). E-85 can only be used by Flexible Fuel Vehicles, which according to EIA make up about 3% of the vehicle fleet. E-85 also requires special equipment that may include tanks, pumps, underground piping and dispensers that are certified to handle this product. We believe intermediate blends (E-15 or E-20, for example) should be explored before widespread deployment of E-85 is considered.

Senator Kohl's Follow-Up Questions

For J. Stephen Simon

1. We all recognize that the anti-competitive actions of the OPEC cartel have an important role to play in higher gas prices. In your estimation what would a gallon of gas cost if there was no supply limits imposed by the OPEC cartel?

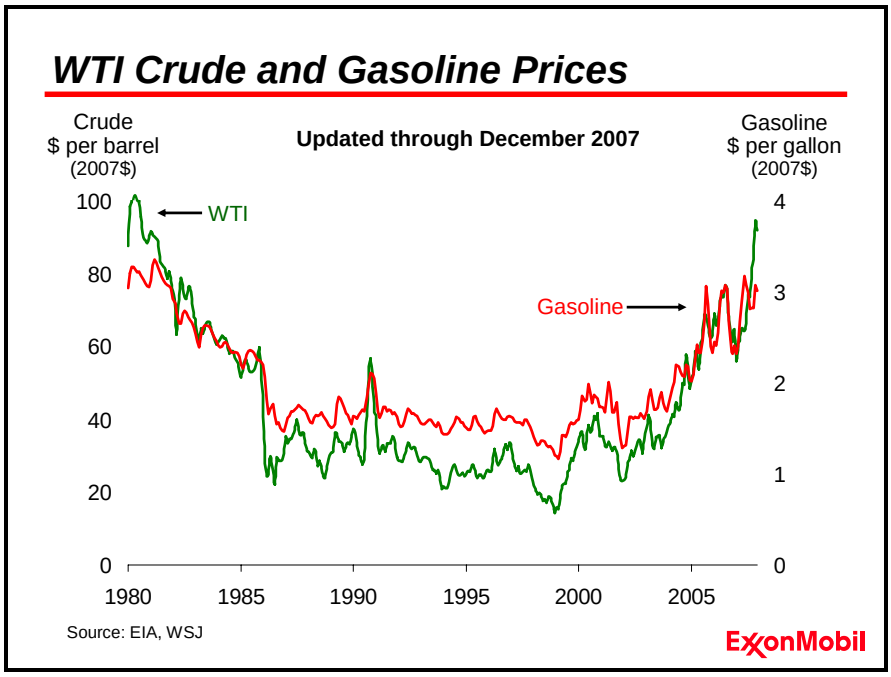
   A. ExxonMobil is not able to speculate on an answer, due to the multiple factors that influence such prices, which we cannot foresee and over which we have no control.

   The question refers to actions of the OPEC cartel in withholding oil supplies from the global marketplace, but does not recognize the cumulative impacts of decades of our own national policies that have discouraged — and, by force of law blocked — the development of domestic energy supplies from an array of sources, including oil and natural gas. Ironically, proposed NOPEC legislation sanctioning limitations by other nations on "the production and distribution of oil, natural gas, or any other petroleum product" could be asserted against the United States itself if it were enacted by other nations. Longstanding doctrines of "sovereign immunity" between nations and "the act of state" doctrine have been established to avoid the predictable and counterproductive chain of retaliations that can unfold when one nation unilaterally asserts unbounded legal authority over the sovereign affairs of another. Over 25 years ago, U.S. federal courts relied upon these principles in rejecting antitrust litigation against OPEC.

   The development of domestic energy resources here in the U.S. should be a leading policy option for meeting our economy's growing energy needs, *as it is actually within the power of our elected officials to authorize*. According to the American Petroleum Institute (API), federal land and coastal waters hold an estimated 650 trillion cubic feet (Tcf) of recoverable natural gas — enough to heat 60 million homes for 160 years — and an estimated 118 billion barrels of recoverable oil — enough to power over 65 million cars for 60 years. Yet today the federal government prohibits any development activities for an estimated 30 billion barrels of recoverable oil and 125 Tcf of natural gas. The American oil and gas industry's exploration and production methods have advanced substantially in recent decades to minimize the environmental impact of operations, and are being utilized all over the world to meet growing global energy demand.

2. The FTC has testified to the Antitrust Subcommittee that 85 % of the variability in the cost of gasoline is caused by changes in the price of crude oil. Do you agree?

   A. Numerous FTC and other state and federal studies have concluded that there is a high correlation between changes in the price of crude oil and changes in the price of motor gasoline. The graphic below reinforces the point:



3. In your opinion, how much of the price of crude oil is due to the speculation by oil traders?

   A. We are unable to quantify the effect on crude oil price attributable solely to speculation.

4. Many experts believe that one important reason for excessive speculation in oil is low margin requirements in oil commodity trading. Unlike with respect to many other commodities and the stock market, a trader can speculate in this market with very small amounts of money, as margin requirements are as low as 8 percent. Do you agree with these experts that margin requirements should be increased in oil trading markets in order to reduce speculation?

   A. ExxonMobil does not speculate in the oil or petroleum products markets. Therefore, we are not in a position to provide an opinion on margin requirements for commodity trading.

5. Much of the crude oil the U.S. oil companies refine into gasoline and other petroleum products comes from their own oil fields. In 2005, ExxonMobil produced 477,000 barrels of oil per day in the United States, over 26% of your domestic refining capacity. Overall, the U.S. produces about 40% of the crude oil it consumes. The cost to produce this oil domestically should not be affected in any way by the rising worldwide price of crude oil, a price largely determined by the OPEC oil nations. Indeed, we've heard estimates that it costs only about $ 12 to produce each barrel of oil from a U.S. oil field, a far cry from the more than $ 130 per barrel price of crude oil on the world market. So why should the rising price of crude oil on the international markets lead to higher prices with respect to petroleum products refined from your own domestically produced oil? Are the oil companies just profiteering with respect to the oil that comes from the oil fields they own?

   A. U.S. consumers are faced with the prices on international petroleum markets because the U.S. imports the majority of its petroleum supply. Worldwide prices for petroleum products reflect physical and fundamental factors such as, for example, the current supply, demand, inventory, and spare capacity fundamentals, as well as expectations of the market participants on future supply, demand, inventory, and spare capacity fundamentals, as well as potential weather-related effects, geopolitical developments, currency relationships, interest rates, and storage cost expectations, and the actions of other market participants such as speculators, commodity investors, and hedge funds. The current cost of extracting oil from any particular field would be only a factor in the current price of petroleum. Clearly, in a highly competitive and transparent energy marketplace where thousands of transactions occur each day, prices move to levels where potential buyers and sellers enter mutually-beneficial transactions that efficiently balance supply and demand.

   The crude oil used to manufacture the fuel Americans consume may have been produced in the United States or in any one of more than 35 countries. Of the nearly 2 million barrels per day of crude oil that ExxonMobil refined in 2007 in the United States, about 90 percent were purchased from others. ExxonMobil is a substantial net buyer of crude oil and we pay the prevailing market price for the crude oil needed to supply our refineries.

6. In the last 15 years there has been a tremendous amount of consolidation in the oil industry – in its 2004 report, the GAO counted 2600 mergers and acquisitions in this industry since the 1990s alone. Indeed, almost all the companies represented here today are a product of these mergers. During this time, the FTC has approved most of the oil industry mergers it has reviewed, including the gigantic ones like Exxon/Mobil, Chevron/Texaco, and Conoco/Phillips. While each one of these mergers may not have seemed problematic when reviewed, taken as a whole these mergers have greatly increased concentration in the industry. And the GAO concluded that these mergers have raised gasoline prices. The GAO is currently updating its 2004 study at the request of me and some of my colleagues.

   What is your view of the effects of these mergers on competition in your industry and the price of petroleum products? And please predict whether we are likely to see even more consolidation in the years ahead.

   A. We believe that recent consolidations in the US refining sector have improved the efficiency of U.S. refining, placing it in a stronger position to compete in the worldwide petroleum marketplace. In our own merger, we have seen improvements from sharing the best practices of each of the parent companies with the refineries of the other. Several refineries have been sold to independent/smaller refiners as part of FTC conditions for allowing mergers to proceed. For example, independent refiner Valero is now the largest U.S. refiner.

   ExxonMobil does not know whether more consolidation of firms will occur in the future.

Questions of Chairman Patrick Leahy

1. Mr. Hofmeister testified last week that the price of crude oil should be in the range of $35 to $65 a barrel. If the price of crude oil on the world market returned to that competitive level, what could your company charge for a gallon of gas and remain profitable?

   A. ExxonMobil does not set the price for gasoline in the marketplace, and we are not able to speculate on an answer, due to the multiple factors that influence such prices, which we cannot foresee and over which we have no control. Gasoline prices are driven primarily by crude oil prices over the long-term, but are also impacted in the short-term by many regional as well as local factors. For example, gasoline prices can be affected in the short term by factors such as planned or unplanned refinery turnarounds, weather, pipeline outages, variations in the level of petroleum product imports, or a real or perceived supply-demand imbalance associated with changes in specifications or seasonal grade changes.

   Also, "profitability" is an imprecise term. During the 1980s and 90s, the U.S. oil industry earned relatively poor rates of return on its investments, especially for the refining sector that needed to meet various environmental requirements, including for cleaner-burning fuels. According to the American Petroleum Institute, from 1990–2006, the average return on investment for the U.S. oil and natural gas industry was ~10.0% compared to ~13.1% for the Standard and Poor's Industrials.

2. Each of your companies is vertically integrated from oil exploration and production through refining and retail gasoline sales. I understand that the price of crude oil is set on the world market, and that your companies, for the most part, sell the crude oil they produce on the market and then buy back the crude oil that they refine. I further understand that each of your companies refines more oil than it produces.

   The efficiencies that come from vertical integration, however, should include the ability to refine the oil that you produce in a manner that is less expensive than if purchased in the commodities market.

   a) What is your company doing to make vertical integration work for consumers?

   A. Vertical integration is common throughout the U.S. economy and occurs in many industries. This structure simply substitutes ownership for contractual relations when it is less expensive and more efficient to do so. Vertical integration is generally pro-consumer. There are numerous efficiency-enhancing benefits that flow from vertical integration, including, for example, (i) reducing transaction costs, (ii) preventing contractual opportunism, e.g., where one party to a contract "holds up" another party after that party has made significant investments in

support of the contract, and (iii) eliminating distortions in input choices when firms can substitute between inputs.[9]

b) If your company refined only the oil that it actually produced, rather than buying and selling on the world market, what price could it charge for a gallon of gas today and remain profitable?

A. ExxonMobil produces less oil than it refines and is a net buyer of crude oil. Worldwide, we refine nearly two and a half times as much crude as we produce, and we must pay the prevailing market price for crude to meet our refining needs.

ExxonMobil optimizes the crude slate for its refinery operations while adhering to the highest safety, health, and environmental standards and reliably meeting our customer commitments. If the preferred crude is different than ExxonMobil's own equity production based on timing, market values, quality and logistical considerations, it may sell its own production and buy another crude from the market. Such steps ultimately lead to lower overall costs to the consumer due to increasing efficiency in the very competitive refining sector.

3. How much has each of your companies spent, directly or indirectly, on studies and reports on climate change? Please specify the studies and reports produced with your companies direct or indirect support.

A. ExxonMobil has contributed approximately $1.8 million over the last five years for studies at universities and other institutions pursuing work on climate change (see chart).

As we do not keep an accounting of the number of papers and reports these programs produce, we suggest the Committee contact these organizations if the Committee wishes to have additional information.

Organization Name	**Support over 5 year period**
Battelle – Pacific Northwest National Laboratory	$250,000
Bermuda Institute of Ocean Science	$250,000
IEA Greenhouse Gas R&D Programme	$157,000
MIT Global Climate Change Program	$1,000,000
Stanford University (Climate Change Impact & Assessment Workshop; Energy Modeling Forum)	$120,000
Yale University (Climate Science Forum)	$70,000

[9] *See* Federal Trade Commission, THE PETROLEUM INDUSTRY: MERGERS, STRUCTURAL CHANGE, AND ANTITRUST ENFORCEMENT 229 at note 23, *available at* http://www.ftc.gov/os/2004/08/040813mergersinpetrolberpt.pdf; John Gewecke, Empirical Evidence on the Competitive Effects of Mergers in the Gasoline Industry (Public Comment, FTC Conference on Factors that Affect Prices of Refined Petroleum Products II, July 16, 2003), *available at* http://www.ftc.gov/bc/gasconf/comments2/gewecke1.pdf; Martin Perry, Vertical Integration: Determinants and Effects, in 1 HANDBOOK OF INDUSTRIAL ORGANIZATION 185 (edited by Richard Schmalensee and Robert Willig, 1989).

In addition, ExxonMobil scientists have undertaken climate change research and related policy analysis for more than 25 years and their work has produced more than 40 papers in peer-reviewed literature. Following is a list of ExxonMobil contributed papers and reports as well as published work our scientists have conducted with colleagues. Our scientists also participate in the United Nations Intergovernmental Panel on Climate Change (IPCC) and numerous related scientific bodies. See Appendix 4, also available at http://www.exxonmobil.com/Corporate/investor_issues_contributedpapers.aspx

ExxonMobil is also advancing emerging energy technologies and carbon capture and sequestration approaches, which obviously are related to responsibly addressing the challenge of climate change, but are not "studies and reports on climate change" per se. In addition, our company has ongoing work at our research centers, which involve collaboration with universities and other research organizations, but these are not addressed as they do not relate to completed "studies and reports."

Questions for Mr. Simon:

1. In April, you testified that Exxon Mobil planned to spend $100 million over the next ten years on research into renewable fuels. In response to a question from Senator Schumer last week, you indicated that Exxon Mobil spends over $100 million in research and development of alternative fuels, but did not specify a time frame. Please provide the Committee with the number that accurately reflects the amount of money Exxon Mobil is investing in research and development of alternative fuels in 2008, and the total that accurately reflects the amount Exxon Mobil is planning to invest in research and development of alternative fuels over the next 10 years.

   A. ExxonMobil plans to invest more than $100M in research and development on energy efficiency and alternative energy in 2008. Due to the competitive nature of R&D investments, Exxon Mobil is not in a position to share future planned spending in this area over the next ten years.

2. A May 25, 2008 article in the New York Times, "Peeved at Prices? Don't Blame the Dealer," implies that Exxon increases the wholesale price that it charges its franchisees for refined gasoline based on what the retailer is charging the end user – not based on an increase in the price of crude oil or other costs to the company. As a result, small business owners are squeezed even as the price of a gallon of gas for consumers continues to rise. Is this accurate and, if not, on what basis does Exxon determine the wholesale prices it charges franchisees?

   A. No. ExxonMobil sets its wholesale price to its dealers based on a number of market factors, including competitive retail prices, enabling ExxonMobil dealers to compete effectively in their local trade areas. Dealer wholesale prices are determined not with reference to an individual dealer, but are based on these local market factors that may vary significantly from area to area. The cost of crude and commodity gasoline prices do have an overall impact on the level of pump prices, but in the short term, the key factor is the local market.

Senator Dianne Feinstein Questions for the Record

1. According to the May 15th Congressional testimony of the CFTC's Chief Economist and the CFTC's Director of Market Surveillance, oil companies are driving up the price of oil. These experts stated: "Our studies consistently find that when new information comes to the market and prices respond, it is the commercial traders (such as oil companies, utilities, airlines) who react first by adjusting their futures positions. When these commercial traders adjust their futures positions, it is speculators who are most often on the other side of the trade. Price changes that prompt hedgers to alter their futures positions attract speculators who change their positions in response. Simply stated, there is no evidence that position changes by speculators precede price changes for crude oil futures contracts." CFTC believes that oil companies are driving up prices in futures markets, not speculators. Yet, during the Judiciary Committee hearing on May 21, Mr. Stephen Smith of Exxon Mobil asserted that his firm "does not speculate." Does your firm buy or sell positions in crude oil futures markets? If your firm participates in futures markets, can you refute CFTC's assertion that your firms are driving up oil prices?

   A. ExxonMobil does not speculate in the oil or petroleum products markets. ExxonMobil's use of derivatives to hedge physical volumes is *de-minimus.* For example, during 2007 ExxonMobil's use of derivatives to hedge physical volumes was less than 2% of physical volumes. All of ExxonMobil's derivative positions are directly linked to physical volume movements and are not considered to be speculative under CFTC or NYMEX definitions.

2. Your firms vehemently oppose legislation – such as the 2007 energy bill tax amendment and Senator Reid's recent legislation to tax windfall oil company profits – that would increase the tax burden on oil and gas companies, arguing that increased taxation will lead to higher gas prices for consumers. However, you argued before the Judiciary Committee that your companies are unable to lower the price of oil. You say that you simply take the price in this global marketplace, instead of offering oil for sale at a set price and set mark-up. These two positions seem inconsistent. Do the economics of your firms influence oil prices, and will oil prices go up if your taxes go up? Or do the economics of your firms stand independent of oil prices, and will oil prices be set by demand regardless of the enormous size of your profits? It can't possibly be both.

   A. Crude oil prices, which are the largest component of fuel prices, are set on globally traded markets which consider supply, demand, geopolitical risk, dollar value and other factors in determining those prices. Each day, ExxonMobil buys about 4 million barrels of crude, at those market prices, to supply its refineries. In addition, ExxonMobil uses part of its global crude production of about 2.4 million barrels a day to supply its refineries.

   Because supply of product is critical in meeting the demands of a growing global economy, any legislation that would include provisions to single out an industry, such as the oil industry, for additional windfall profit or other taxes, would

negatively effect investor confidence and directly reduce available funds for investment in exploration and production of energy sources. As such, by reducing investment in resource development along with already limited access to domestic development, growth of crude supplies would be reduced, and ultimately, upward pressure on prices should be expected as a consequence.

3. The expense and technical challenge of developing new oil resources in harsh environments such as the Arctic is a frequently heard rationale for large oil industry mergers. Are these projects working out as planned? Can we expect to see large new petroleum resources coming on line in the next few years as a result of mergers?

   A. We are not able to speculate on any direct correlation between oil industry mergers and future "large new petroleum resources." We are able, however, to speak to our major project start ups in the next few years. As project scale and complexity increase across the industry, the challenge to bring new energy supplies to market grows. Below are examples of the major project start-ups we now are planning, as provided in ExxonMobil's 2007 Financial and Operating Review:

MAJOR PROJECT START-UPS

		Target Peak Production (Gross) Liquids (KBD)	Gas (MCFD)	ExxonMobil Working Interest (%)	
2007 (Actual)					
Angola	Marimba North	40	–	40	■
	Rosa	140	–	20	●
Kazakhstan	Tengiz Phase 1	285	350	25	●
Netherlands	Waddenzee	–	195	40	●
Norway	Ormen Lange	35	2385	7	●
	Statfjord Late Life	80	315	21	●
Qatar	RasGas Train 5	45	740	30	▲
2008 (Projected)					
Angola	Kizomba C – Mondo	100	–	40	■
	Kizomba C – Saxi/Batuque	100	–	40	■
Azerbaijan	ACG Phase 3	260	–	8	●
Italy	Adriatic LNG Terminal	–	–	45	▲
Malaysia	Jerneh B	–	150	100	■
Norway	Volve	50	30	30	●
Nigeria	East Area Natural Gas Liquids II	40	–	51	■
Qatar	Qatargas II Train 4	80	1250	30	▲
	RasGas Train 6	75	1250	30	▲
U.K.	South Hook LNG Terminal	–	–	24	▲
	Starling	5	110	72	●
U.S.	Thunder Horse	210	185	25	●
2009-2010 (Projected)					
Canada	Hibernia Southern Expansion	80	–	22	■
Norway	Tyrihans	80	335	12	●
Qatar	Al Khaleej Gas Phase 2	70	1250	80*	■
	RasGas Train 7	75	1250	30	▲
	Qatargas II Train 5	80	1250	18	▲
U.S.	Golden Pass LNG Terminal	–	–	18	▲
	Piceance Phase 1	2	200	100	■
2011+ (Projected)					
Angola	Cravo-Lirio-Orquidea-Violeta	150	–	20	●
	Gindungo-Canela-Gengibre	120	–	15	●
	Kizomba Satellites	125	–	40	■
	Palas-Astrea-Juno	150	–	25	●
	Pazflor	200	–	20	●
	Plutao-Saturno-Venus-Marte	150	–	25	●

		Target Peak Production (Gross) Liquids (KBD)	Gas (MCFD)	ExxonMobil Working Interest (%)	
2011+ (Projected) (continued)					
Australia	Greater Gorgon				
	Initial Development	15	2250	25	●
	Kipper / Tuna	15	175	41	■
	Scarborough	–	965	50	■
	Turnum	10	245	50	■
Canada	Cold Lake Expansion	35	–	100	■
	Cold Lake LASER Future Phases	20	–	100	■
	Hebron	140	–	38	●
	Kearl Phase 1	100	–	100	■
	Kearl Future Phases	200	–	100	■
	Mackenzie Gas	10	830	56	■
Indonesia	Banyu Urip	165	–	45	■
	Natuna	–	1100	76	■
Italy	Tempa Rossa	50	5	25	●
Kazakhstan	Kashagan Phase 1	360	–	17*	●
	Kashagan Future Phases	1190	–	17*	●
	Tengiz Expansion	260	–	25	●
Nigeria	Bonga North	100	60	20	●
	Bonga SW	140	105	16	●
	Bosi Oil	135	–	56	■
	Erha North Phase 2	30	–	56	■
	LNG IPP Upstream	–	700	40	■
	Satellite Field Development	125	–	40	■
	Usan	180	–	30	●
	Usari Pressure Maintenance	50	–	40	■
Norway	Trestakk	55	50	33	●
Papua New Guinea					
	PNG LNG Project	40	940	34	■
Qatar	Barzan	100	1500	10*	▲
Russia	Sakhalin-1 Odoptu	35	–	30	■
	Sakhalin-1 Arkutun-Dagi	75	–	30	■
	Sakhalin-1 Future Phases	–	800	30	■
U.K.	Fram	5	45	72	●
U.S.	Alaska Gas/Point Thomson	70	4500	36	*
	Piceance Future Phases	10	825	100	■
	Prudhoe Bay Western Region	50	–	36	●

Operatorship:

■ = ExxonMobil Operated ▲ = Joint Operation ● = Co-Venturer Operated * Pending Final Agreements – Not Applicable

The merger of Exxon and Mobil was finalized in November 1999. The merger was an opportunity for both companies to significantly enhance shareholder value, including improved capital productivity which has allowed the combined company increased range and scope to select the best projects to advance.

While ExxonMobil is the largest U.S. oil and natural gas company, we account for only two percent of global energy production. With respect to oil reserves, we rank 14th. Government-owned national oil companies dominate the top spots. In order for American energy companies to compete successfully in the global energy market, it is vital that we have sufficient scale and financial strength to develop multi-billion dollar projects around the world. The merger of Exxon and Mobil nearly a decade ago enhanced the scale and competitiveness of our company.

The international market for energy is enormous. Providing the world the growing energy it will need will require massive investments, by strong

competitors, in coming decades. In fact, the International Energy Agency recently estimated that an estimated total investment of $22 trillion will be needed for the period 2006 through 2030 to meet the world's growing demand for energy of all types — or roughly eight times the size of the estimated 2007 U.S. federal budget.

4. To what extent are your refineries able to defer planned maintenance if and when refined product markets are tight? Has your company ever deferred refinery maintenance to meet a tight marketplace? If so, how frequently has your firm deferred maintenance? At what refineries and on what dates?

   A. ExxonMobil takes seriously its responsibility to providing reliable supplies of energy at competitive prices to U.S. consumers. In order to operate safely and efficiently, refineries must conduct maintenance. ExxonMobil tries to maximize planned maintenance to achieve manufacturing cost efficiencies. Planned maintenance includes both routine maintenance and major maintenance. Major maintenance on refinery units is commonly referred to as turnarounds and typically occurs every three to seven years and reduces refinery output for a longer time than does routine maintenance. In order to minimize the impact of major maintenance on refinery output, ExxonMobil typically schedules major maintenance during lower seasonal demand periods.

   Major maintenance activities are complex endeavors that are usually planned up to 3–4 years in advance of the event and often involve hundreds or even thousands of contractors. Schedules are affected by requirements to procure long-lead time materials and equipment, and by regulatory actions such as mandated environmental controls and newly required transportation fuel quality specifications. Planning for major maintenance includes developing product supply alternatives, for example, by sequencing of major maintenance across ExxonMobil's multiple refineries and/or by procuring supplies from other sources. Late changes to schedules can lead to costly inefficiencies, increased downtime durations and consequent overall reductions in refinery output, and jeopardizes predictability in executing and delivering on our plans.

   Because of these factors, ExxonMobil generally does not defer scheduled refinery maintenance based on tightness of refined product markets. Exceptions are rare and reflect extraordinary events that disrupt our planning and execution strategies. For example, planned maintenance was safely deferred on a gasoline producing unit at our Baytown Refinery and a crude oil distillation unit at our Baton Rouge Refinery in order to maximize gasoline production capability in response to the extraordinary supply disruptions caused by Hurricanes Katrina and Rita.

5. With constraints on the expansion of refinery capacity in California, how do you foresee meeting demand for gasoline and diesel in the future?

   A. ExxonMobil anticipates meeting customer demand for its products.

   According to data from the Energy Information Administration, ExxonMobil has expanded the capacity of its refinery in California (in Torrance) more than the average of other California refiners and more than the average for the US as a whole.

	EIA Distillation Capacity, kBD		
	1997	**2007**	**Increase**
Torrance	130	149.5	15%
California ex Torrance	1781	1888	6%
US	15,452	17,443	12%

kBD = thousands of barrels per day

6. According to initial research by the Government Accountability Office conducted at my request, the San Francisco Bay area has a significant degree of refinery market concentration. San Francisco also consistently has some of the highest gasoline prices in the United States – higher than other regions of California that must use the same reformulated gasoline. Do you believe that the high degree of market concentration among refineries in the San Francisco Bay Area is causing higher gasoline prices in this area?

   A. Prices are set by the market forces of supply and demand. It is difficult to quantify the impact of any one sub-factor on prices. This is because a number of them affect prices, including, for example, the level of imports and exports, demand, quality specification, inventory levels, refinery operations, government regulations, and market perceptions.

   Exxon sold its Benicia refinery, which is near San Francisco, at the time of the Exxon-Mobil merger. ExxonMobil does not own a refinery in the San Francisco area.

7. How do pipeline and port constraints affect your ability to provide adequate supplies of fuel to consumers?

   A. We are not aware of an infrastructure (port, terminal or pipeline) constraint that currently limits or restricts ExxonMobil's ability to provide adequate fuel supply to our customers in markets where we do business. However, there are areas in which the streamlining of government regulatory and permitting processes could improve our ability to respond efficiently to meeting the challenges and constraints in logistics infrastructure that are evolving as a result of growing demands, changing fuel specifications/composition and new supply sources.

8. Given the importance of free market competition to the energy sector, what is your view of the current 54 cent a gallon tariff on ethanol imports into the United States? Do you believe Congress should reduce the tariff, at least to the $0.45 per gallon level that blenders receive for using ethanol in the United States? Would you endorse legislation to do this?

   A. ExxonMobil does not support subsidies, mandates or tariffs, or legislation that would result in any of these mechanisms, which distort the market and add cost.

9. It would appear that Russia is currently working to lay claim to the North Pole and its natural resources. How would you like to see the situation resolved? What role should the U.S. government play?

   A. It is the role of governments, and not of industry, to agree on national boundaries. If a boundary is agreed by treaty or otherwise among governments, ExxonMobil respects the sovereignty of the nations who are parties to that treaty or agreement, as would any law abiding citizen or organization.

10. Over half, and in some cases, roughly 75% of the proven reserves of a number of American oil companies are located abroad. Looking at, say, Venezuela as an example, it seems possible that we are beginning to see a new wave of energy resource nationalizations. How is your company working to protect shareholders from the adverse consequences of such actions?

    A. Unfortunately, current conditions and emerging challenges have led some to pursue isolationist or protectionist energy policies which could have severe consequences for the global economy and for global energy security over the longer term. The key to addressing global energy challenges lies in free markets and strong international partnerships, with the "rule of law" as an essential foundation. It continues to be very important that industry, policymakers and civic leaders work together to support these important principles.

    In addition, ExxonMobil is confident that its ability to complement partnerships with National Oil Companies, and other partners, will assure its future competitiveness. In these partnerships, we are able to align interests to maximize the value of a given resource. We provide: (i) proprietary technologies and financial capability; (ii) proven operations and project management capabilities; and (iii) a proven ability to bring people together. With technology**,** we can overcome the challenges associated with geography and geology, i.e., much of the Earth's remaining recoverable oil resources are found in complex geologic formations, in remote locations, and under harsh conditions. With project execution excellence**,** we have demonstrated our ability to deliver on project completion timelines, consistent with integrated contracts, and within budgets. This capacity is critical in today's relatively high price environment, where inefficiencies and mistakes are easily magnified.

Questions for Exxon Mobil:

1. Many in the oil industry attribute the increasing cost of oil to the increasing cost of oil production. However, according to Exxon Mobil's first quarter 2008 financial statement, operating costs increased $200 million compared to the year before, but Exxon Mobil's upstream earnings were $8.8 billion, up $2.7 billion from the year before. If operating expenses are only $200 million more than last year, why are you selling your product for $2.7 billion more?

   A. Our Upstream earnings in the first quarter of 2008 were up $2.7 billion, reflecting the increased prices of crude oil and natural gas in the global marketplace. Crude oil and natural gas are global commodities that are traded freely on commodity markets. ExxonMobil is a price taker in this global marketplace, and our earnings are affected by the price the market sets for our products. Upstream costs in the first quarter were $250 million higher than last year, while taxes were $300 million higher.

2. According to Exxon Mobil's first quarter report, your liquid oil production is down 6 percent from last year. The quarterly report states: "Excluding the Venezuela expropriation, divestments, OPEC quota effects, and price and spend impacts on volumes, liquids production was down 6 percent. Increased production from projects in west Africa and the North Sea was more than offset by mature field decline, PSC net interest reductions and maintenance activities.") What accounts for this decline? Is Exxon Mobil hoarding oil in anticipation of the price going up further? Is your firm running out of available oil?

   A. ExxonMobil is neither "hoarding" nor "running out" of oil.

   The primary reason for the overall decline in liquids production is driven by the natural decline of the fields on production. After a period of production at plateau rates, it is the nature of oil and gas fields eventually to produce at declining rates for the remainder of their economic life. Decline rates can vary widely by individual field due to a number of factors, including, but not limited to, the type of reservoir, fluid properties, recovery mechanisms, and age of the field. Furthermore, ExxonMobil's net interest in production for individual fields can vary with price and contractual terms. Over the long term, ExxonMobil has been successful at offsetting the effects of natural field decline through disciplined investments in new opportunities to provide additional production volumes and anticipates similar results in the future.