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**SENT VIA OVERNIGHT MAIL**

May 8, 2003

Department of the Interior  
Minerals Management Service  
Mail Stop 4024  
381 Elden Street  
Herndon, Virginia 20170-4817

**ExxonMobil**  
*Exploration*

Attention: Rules Processing Team (Comments)

**RE: Request for Comments  
Proposed Rulemaking  
Relief or Reduction in Royalty Rates  
Deep Gas Provisions**

Ladies and Gentlemen:

ExxonMobil Exploration Company, a division of Exxon Mobil Corporation, submits this letter in response to the rule proposed by the Minerals Management Service ("MMS") published March 26, 2003, in the Federal Register (pp. 14868 et seq.) which would provide for reduction in royalty rates for production from new wells located on shallow water leases (less than 200 meters) and completed below 15,000 TVD SS.

ExxonMobil supports the concept of royalty relief to encourage exploration and development of potential deep gas resources underlying shallow water leases. The challenges of drilling below 15,000 TVD SS are numerous and include, among others:

- A lack of geological and geophysical knowledge.
- Drilling costs that are comparable or exceed those seen in the Gulf of Mexico deepwater.
- A gap between current technologies and those needed to efficiently explore and produce this potentially large domestic resource base.

These factors imply greater risks for investors and, therefore, we believe that the encouragement of exploration and production activities via royalty relief is a most positive step.

Over the next couple of decades, we expect natural gas will capture about one-third of all incremental energy growth. Meeting growing worldwide gas demand and offsetting the declining gas production base will require access to new resources and huge financial and technological investments. As supplies of gas within the United States struggle to keep pace with demand, the dependency on imports is expected to grow. The key to security will be found in diversity of supply. The MMS can do much to help this effort by promoting access to resource acreage and providing reasonable royalty terms.

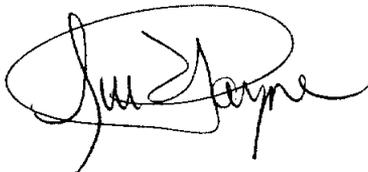
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Royalty relief is most effective in stimulating investment when based on a set of simple, consistent and evenly applied rules that cannot be interpreted arbitrarily. Confidence in the stability and predictability of fiscal terms is of paramount importance to sustaining a favorable investment climate for the industry. To ensure maximum effectiveness, the final rule governing royalty relief should be simple, clear and devoid of uncertainties that could inhibit investment. In particular:

- The proposed restriction of royalty relief to new wells that do not use an existing wellbore appears to unnecessarily and unduly complicate application of this proposed rule and may, in fact, be inefficient. For example, the use of an existing wellbore may be dictated by technical considerations (i.e. the absence of undrilled slots on an existing platform). Regardless of whether it is a new well or the sidetrack of an existing shallow well, we believe that the initial well drilled to a depth of 15,000 TVD SS or greater on a lease where such drilling has not occurred previously should be eligible for royalty relief.
- Given the formidable technical obstacles presented by the drilling and development of deep gas, it is unlikely that production could be started prior to the expiration of the 5-year maximum lease term currently provided for GOM shelf leases.
- The applicability of royalty relief to all OCS leases should be clarified to specifically include leases issued prior to and subsequently ratified by the 1953 OCS Lands Act.
- The proposed auction mechanism to allocate royalty relief to existing leases appears to create uncertainty that could, in turn, inhibit the long-term planning activities so necessary for the success of deep gas drilling.

ExxonMobil encourages the adoption of a final shallow water, deep gas royalty relief rule that is clear, concise and consistently applied and, also, recognizes the time requirements imposed by the lack of technology needed to explore and develop this significant resource. The successful exploration and development of this potential and much-needed domestic resource depends on such relief. Please do not hesitate to contact J. Byron Morris at 281.654.7051 should you have any questions or require any assistance.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Byron Morris". The signature is written in a cursive, flowing style with a large loop at the top.