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May 21, 2003

**VIA E-MAIL AND FACSIMILE**Department of the Interior, Minerals Management Service  
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Attn: Rules Processing Team (Comments)

Marathon Oil Company welcomes the opportunity to comment on the rule proposed by the MMS concerning the reduction of royalties associated with deep gas drilling for leases located in shallow water of the Gulf of Mexico. Restrictions on hydrocarbon exploration throughout the Atlantic, Pacific, and Eastern Gulf regions have created difficulty in producing an adequate supply of energy to meet the growing demand of the public. Without question, the proposed rule would serve as a positive step towards increasing supply volumes of natural gas to more acceptable levels. MMS is to be commended for their efforts in drafting this proposed rule. Marathon wholeheartedly supports the general concepts underlying the proposed rule. We also concur with the suggestions and revisions submitted to the MMS by the American Petroleum Institute on behalf of its member companies.

In particular, Marathon would like to express our strong support for the following key issues brought forth in the API comments which we believe to be of great importance in the implementation of a deep gas royalty relief program:

1. Elimination of threshold price. Current royalty relief programs with threshold pricing components have created accounting and reporting difficulties, and add unnecessary complexity and uncertainty.
2. Sidetrack/Unitization issues. Marathon supports the API's comments on these items because we do not believe the industry should need to contemplate the drilling of potentially unnecessary wells in order to be eligible for royalty relief.

In addition to the issues supported by the API, Marathon also endorses the concept of a third tier of relief for ultra-deep wells. The costs and risks of drilling beyond 20,000 feet are disproportionately greater than those for wells drilled to the 18,000-20,000 foot range. These increased costs should be mitigated by an increased suspension volume. Finally, Marathon would like to express strong opposition to the concept of a royalty relief

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auctioning system. We see no benefit in such a system and numerous potential pitfalls that could undermine the overall goals of the royalty relief program.

Once again, Marathon thanks the MMS for the opportunity to comment on the proposed rule on deep gas royalty relief.

Sincerely,



M. J. Koenig  
Manager - U.S. Land