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November 11, 2003

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Minerals Management Service Federal Oil Valuation Proposal, 30 CFR Parts 206 and 210, 68 FR 50087 (August 20, 2003)

Dear Ms. Gebhardt:

Exxon Mobil Corporation ("ExxonMobil") appreciates the opportunity to comment on the referenced proposal. ExxonMobil participated in developing comments being filed by the Royalty Strategy Task Force ("RSTF") and offers the following additional comments for your consideration.

ExxonMobil agrees with the RSTF that the use of the "roll" in valuing crude not sold under an arm's length contract is not applicable to Alaska, California, and the Rocky Mountain Region. In addition, ExxonMobil believes that the applicability of the "roll" should not be a foregone conclusion in other areas, including the entire Gulf of Mexico.

As a large producer and refiner in the Gulf, ExxonMobil is well positioned to address this particular aspect of MMS' proposal.

The "roll" is not a mechanism to account for crude quality, transportation costs, or location. It is more of a financial risk management tool used by refiners and other purchasers that seek raw material pricing that coincides with the timing of their product sales to manage margin volatility. Switching crude oil pricing between contract month and "roll" pricing also provides a mechanism for buyers and sellers to speculate on future price movements. As such, the "roll" should not be viewed as a standard term in crude oil contracts and should not automatically apply to any valuation methodology.

Only a relatively small volume of ExxonMobil domestic crude transactions has included the "roll." Therefore, MMS essentially is proposing that ExxonMobil pay royalties based on a price not realized from sales, with a premium that many refineries are unwilling to pay.

In the infrequent circumstance where a term seller insists on selling with the "roll," any buyer may elect to engage in offsetting crude oil transactions to effectively convert the purchase from including to excluding the "roll." This underscores the financial risk management aspect of this element and why MMS should not apply it as a general rule.

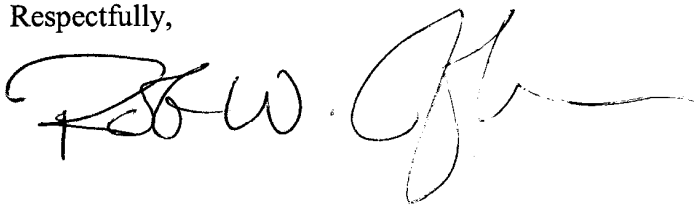
The proposal would allow MMS to decide which periods of time the "roll" should apply. This seems to recognize the atypical nature of this term and unfortunately could invite efforts by MMS to engage in market speculation practices rather than focusing on ensuring the identified valuation methodology reflects market transactions.

On another issue, ExxonMobil disagrees that the MMS proposal for a sulfur differential standard, reflecting an adjustment of two and one half cents per one tenth of a percent difference in sulfur content, is appropriate. Currently, ExxonMobil pays sulfur differentials of approximately eighty cents per full percent for crude oil from offshore California and supports a differential in the fifty-cent to one-dollar range as offered by the RSTF.

Finally, ExxonMobil would like to further support the RSTF comment regarding prompt resolution of valuation determination requests. Several such requests have been submitted by ExxonMobil under existing regulations. While recognizing that these requests often involve unique situations requiring in-depth analysis and requests by MMS for additional information, ExxonMobil is committed to actively participating with MMS in facilitating turn-around in a more timely manner than the 13-18 months experienced to date.

Your consideration of ExxonMobil's comments is appreciated.

Respectfully,



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