



Consumer Federation of America

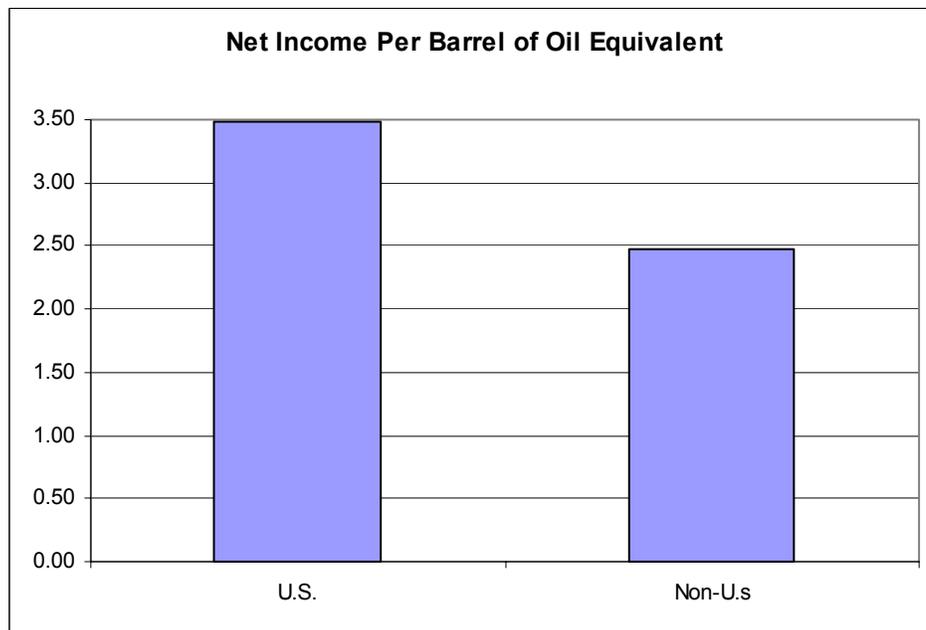
EXXONMOBIL SECOND QUARTER PROFITS AND THE DRILLING POLICY DEBATE MARK COOPER, DIRECTOR OF RESEARCH

ExxonMobil's second quarter financial results show why drilling for oil in off-limits pristine areas will increase its profits, but will do no good for consumers.

ExxonMobil charges the same price for oil and natural gas that it produces in the U.S. as it does abroad. They charge the world price (approximately \$119 per barrel in the second quarter of 2008, compared to about \$60 in the second quarter of 2007, Second Quarter 2008 Results Supplemental information p. 3).

The U.S. Department of Energy has analyzed the amount of resources that might be found in off limits areas and concluded that there is not enough there to significantly change the world price. It estimates that the impact on crude oil prices would be insignificant and a 1 percent decline in natural gas prices (Energy Information Administration, *Impacts of Increased Access to Oil and Natural Gas Resources in the Lower 48 Federal Outer Continental Shelf*, (available at <http://www.eia.doe.gov/oiaf/aco/otheranalysis/ongr.html>); so ExxonMobil will just keep charging the same world price.

However, ExxonMobil makes more money on oil and natural gas it produces in the U.S. because the royalties are lower and it costs less. ExxonMobil just pockets the difference and does not pass it through to consumers.



Source: ExxonMobil Second Quarter 2008 Results, Net Income, Production, Realizations, July 31, 2008.

ExxonMobil cannot absorb all of the money it is making now. ExxonMobil spent 46 percent more money buying its own stock back in the first half of this year (\$18.2 billion, Results, p. 6) than it did on exploration and capital expenditures (\$12.5 billion, Results, p.1).