

FINAL TRANSCRIPT

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XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

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Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

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PRESENTATION

Paul Cheng - *Barclays Capital - Analyst*

Good morning. On behalf of Barclays Capital, I would like to welcome everyone back to our second day Energy and Power Conference. My name is Paul Cheng. I cover the major industry oil companies and refiners at Barclays Capital in New York.

Today, we are extremely happy to have Andy Swiger, the Senior Vice President of ExxonMobil, to be our keynote speaker here today. Andy is in charge of the upstream operations, has a very distinguished career throughout -- in Exxon and Mobil before. Without further delay, let me welcome Andy. Andy?

Andy Swiger - *ExxonMobil Corporation - SVP*

Thank you, Paul, for your introduction and good morning, everybody. It's a pleasure to be in New York again and to join you for this conference. We meet at a time of significant challenge for the industry. Over the last 12 to 18 months, the world has experienced depressed financial markets and felt the effects of a prolonged economic downturn.

To compound this, the Macondo oil spill in the Gulf of Mexico has resulted in a loss of confidence in the industry, in the minds of the US government, and the broader public.

Meeting the world's growing need for energy safely while managing the impacts on the environment, is, today, one of society's grand challenges. Meeting the energy needs of present generations while protecting the environment for future generations has to be our common objective. Yet it is during times like these that long-term businesses like ExxonMobil can provide leadership, financial strength and perspective.

Even though the economic challenges we face are quite significant, our industry has lived through significant downturns many times before.

We know that success depends on disciplined investing, competitive differentiation and a long-term view. The industry has also proven that through effective risk management, we can safely and responsibly provide the energy the world needs.

For more than 125 years, ExxonMobil has proven that it is a company designed to excel regardless of the business cycle.

Today, I would like to share with you my thoughts on the keys to success, in particular, our risk management systems, which are a key element of delivering superior shareholder returns over the long term. I will then share some examples and update you on key 2010 activities.

First, however, I would like to draw your attention to our cautionary statement that you will find in the front of your presentation material. The statement contains information regarding today's presentation and discussion.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

If you have not previously read this statement, I would ask that you do so at this time. I would also refer you to our website, ExxonMobil.com, for additional information on the factors affecting future results as well as supplemental information defining the key terms that will be used today.

The global demand for energy presents a dual challenge. In the decades ahead, the world must expand energy supplies, and we must do so in a way that is safe, secure, affordable and environmentally responsible. Every day, our industry operates at an enormous scale to safely and responsibly supply the world's energy needs. Meeting the dual energy challenge is not easy and requires both an integrated set of solutions and a long-term commitment to innovation and technology.

Additionally, this challenge calls for an unprecedented level of capital investment. In fact, International Energy Agency estimates that the energy industry will need to invest approximately \$25 trillion in the world's energy supply infrastructure by the year 2030 to meet the growing energy demand. Sound, stable government policies are an important factor in enabling this level of capital investment.

We also know from experience that the best way to achieve our shared goal is by effectively managing and addressing the key risks inherent in our business.

Risk management is not only about preventing and mitigating negative impacts, but it is also about achieving and maximizing positive outcomes for investors, stakeholders and consumers. Effective risk management means we must engage in thoughtful planning, build long-term relationships, deploy cutting-edge technologies and implement time-tested best practices in all our operations. For more than 100 years, this business model has proven itself time and time again.

Effective risk management has enabled our industry to find new sources of energy all around the world, develop new technologies and markets, and maximize the value of energy resources in a safe and efficient manner.

Now let's take a closer look at the long-term demand for energy. Although energy demand in the near term has been significantly impacted by the global recession, over the longer term, global energy demand will continue to rise.

Access to affordable and reliable energy resources is essential to continuing economic growth in both developed and developing economies, and for raising the living standards of people all around the world. We expect that demand will grow approximately 35% from 2005 levels by the year 2030, even with substantial gains in efficiency.

It is important to note that most of the world's new energy demand will come from the developing world. To meet this growing demand, we will need to develop all commercially viable sources of energy.

Meeting this demand also means that oil and natural gas will continue to play a critical role. In fact, oil and natural gas are continuing -- are expected to continue to supply the majority of the world's energy for coming decades, or about approximately 60%.

When you factor in natural field decline and then add in substantial energy demand growth, it is clear that significant additional capacity will need to be added. This is not the time to slow down investment activity or technological developments in oil and gas. Let's take a closer look at the long-term supply and demand for liquids.

In 2005, the global demand for hydrocarbon liquids was 84 million barrels per day. This figure is expected to increase by approximately 20 million barrels per day by 2030 to over 100 million barrels per day, or almost 25% higher than in 2005. This demand projection has important implications when compared to the sources of supply.

Through 2030, non-OPEC crude and condensate production is expected to remain relatively stable. Mature areas like those in the United States and the North Sea will see further declines in production, but these are expected to be offset by gains in places like Brazil, Kazakhstan and other non-OPEC growth areas.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

Canadian oil sands production should also reach about 4 million barrels a day oil equivalent by 2030. And natural gas liquids, OPEC condensate, and other liquids will grow as gas production increases.

Biofuels will also grow significantly, reaching 3 million barrels per day by 2030. We are projecting the call on OPEC to be close to 37 million barrels per day by 2030, which is well within its production capability.

Now let's turn to gas supply and demand, which tells an equally interesting story with variations from one region to another. Natural gas is expected to be the fastest-growing major fuel source, growing more than 50% globally by 2030, when it will have overtaken coal as the second-largest global fuel source.

Given its abundance and properties as a clean-burning fuel, expanded use of natural gas and power generation can fuel the economic progress and help advance environmental goals, as well.

The steady rise in natural gas demand in North America, Europe and Asia will require increases in imports to these regions. As you can see in the chart on the left, North American natural gas production will increase with conventional production declines being offset by increases in unconventional gas. The growth in unconventional supplies will moderate the need for LNG imports into the United States in the short term.

The chart in the middle of the slide is the same chart for Europe. With domestic production falling, Europe will meet its demand growth with a combination of imports via pipelines from Russia, the Caspian region and North Africa, and imports of LNG.

Finally, the chart on the right looks at the Asia-Pacific region, where demand will grow by more than 150% by 2030. This demand will be met in the near term by growth in conventional supply and long-term growth in LNG. Additional long-term supply growth will come from pipeline and unconventional resources.

So what, we might ask, will it take, then, to meet the world's growing demand for energy? First and foremost, a proven business model is a prerequisite to ensure disciplined investment, maintenance of operational excellence and delivery of industry-leading returns and superior cash flow over the long term.

Second, assess and manage risk effectively, whether it is safety and environmental risk, financial risk, geopolitical risk, or technical risk. Those who are able to understand, evaluate and effectively navigate these risks will have a competitive advantage.

Thirdly, a high-quality, diverse portfolio of assets is another key competitive advantage. As margins tighten, the highest quality assets and those assets that are developed the most cost-effectively, will consistently deliver the strongest returns.

Fourth, a strong balance sheet. Provides the flexibility required to pursue high-quality opportunities in any business environment. A disciplined and consistent financial approach is required to stay the course in executing long-term strategies and to avoid knee-jerk reactions to cyclic changes in the market. This eliminates inefficiency, avoids organizational confusion and distraction, and enhances overall effectiveness and advantage.

Finally, an unwavering commitment to technology leadership is required to develop today's resources at lower unit cost and to unlock future resources.

All of these elements are fundamental to how we do business at ExxonMobil, which is why we are confident in our ability to deliver superior value through the business cycle. First, let's take a look at our business model.

As times change, our business model does not. It continues to deliver superior shareholder value and is designed to capture strong margins in the upcycle and outperform the competition and the broader market in the downcycle. The discipline with which we implement this model should be apparent from past performance. But in the near term, it will become even more obvious.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

You should not expect ExxonMobil to make dramatic announcements of change or significant cutbacks in activity. At ExxonMobil, we understand that we must constantly improve our operations and best practices regardless of the external climate. We must be at the top of our game at all times.

We remain focused on disciplined investment through every cycle, which insures we are now well prepared in the current business environment.

As investment analysts and portfolio managers, you deal with uncertainty and risk management on a daily basis, whether related to the selection of an individual stock or industry sector or managing broader risk factors. The upstream oil and gas industry is similar in that we quantify a broad range of uncertainties and have to manage the associated risks. At ExxonMobil, we carefully evaluate the uncertainties and risks in everything we do, from exploration drilling of frontier basins to mega project design and execution, to conducting breakthrough research projects.

In all these cases, significant uncertainties exist, and we are often challenged by having limited knowledge. For example, in the case of a frontier exploration well, we have limited information of the existing subsurface state. And in the case of a new breakthrough research project, there is uncertainty in the future outcome of the new hypothesis.

At ExxonMobil, we spend a lot of time and effort on understanding the broad range of uncertainties in our business to identify the key risk factors which could lead to an undesired effect or significant loss. We will now look at some of the key risk factors in the oil and gas business, which must be understood and managed to ensure project success and maximize shareholder value.

The oil and gas industry faces multiple uncertainties and inherent risks, which includes safety security, health and environment risk, financial risks, geopolitical risks and technical risks. First and foremost are those risks associated with safety, security, health and environment. Over the years, the industry has seen examples where those risks have resulted in very serious consequences, which can include loss of life or harm to the environment.

Additionally, there are significant financial risks associated with the very large and growing capital investments required to develop increasingly complex oil and gas projects. Given that these projects are executed in many countries across the world and often operate for many decades, there's the associated geopolitical risk as governments and political priorities change, often within the lifecycle of one project.

Finally, the technical risk associated with developing oil and gas resources which are located many miles beneath the surface of the Earth. There are a wide range of geological and engineering complexities associated with the economic recovery of these resources.

The business of hydrocarbon exploration, development and production contains inherent risks that can be managed, but not completely eliminated, usually where human factors are a significant component. We have structured systems, processes, procedures and training in place which focus on the key areas of prevention and response.

As you will see, our primary focus is always on prevention, first and foremost through the continuous improvement of systems, processes, procedures and training. This approach has been successful for many decades, and with the development of increasingly challenging resources.

When the industry's high standards for safety are followed, incidents should not occur. Nevertheless, it is important that our oil spill response capability is equally well-developed such that we can respond in a timely manner to minimize the impact.

This is one of the reasons why we are currently participating in a new oil spill containment system to significantly improve spill response capability across our industry. While no one ever wants to see another incident such as the Macondo oil spill, we will be ready to rapidly deploy our shared resources to respond to such an incident should it occur in the future.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

Over many decades, ExxonMobil has established common worldwide expectations for addressing the risks inherent in our business. These expectations are fully embedded in our culture, and we focus on continuously improving our ability to effectively identify and manage risks across the business.

First, a capable and committed workforce with clear accountability is important since human decision-making is a significant component of running our businesses. This is supported by a well-developed and clearly-defined policy framework and procedures to ensure we have a structured, globally consistent approach and standards. These high standards are rigorously applied at the design stage to reduce or eliminate risks where possible.

We employ rigorous management systems to implement these standards, which are then measured and evaluated to identify improvement opportunities.

Additionally, employee and contractor training is an essential element to ensure support at all levels in the organization and to embed the right behaviors.

And as I mentioned earlier, we employ a systematic approach to measuring performance and seek continuous improvement across our business. One such system is our Operations Integrity Management System, or OIMS, which has been in place at ExxonMobil since 1992.

ExxonMobil developed OIMS to provide a robust framework for managing safety, security, health and environmental risks. It is used in our facilities worldwide and enables us to measure progress; ensures management accountability for results; and establishes common worldwide expectations for controlling the operational risks inherent in our business.

The OIMS process requires a continuous evaluation and improvement of our management systems and standards, as well as the involvement of our employees. It has established a common language for the discussion and sharing of successful systems and practices among different parts of our business.

The OIMS framework includes 11 elements. Each element contains an underlying principle and a set of expectations. Application of the OIMS framework is required across all of ExxonMobil, with particular emphasis on design, construction and operations.

Management is responsible for ensuring that systems satisfying the OIMS framework are in place. The scope, priority and pace of implementation is consistent with the level of risk associated with the business.

OIMS also ensures engagement with the communities in which we operate through activities such as conducting social and environmental impact assessments for new projects.

Additionally, OIMS is structured to meet our corporate requirements, industry initiatives, government regulations and to be flexible enough to adapt to change.

As many of you have heard our Chairman say before, nothing receives more management attention at ExxonMobil than the safety and health of our employees, our contractors, our customers and the people who live and work in the areas where we operate. OIMS is the foundation of a strong and improving safety, security, health and environmental performance.

In 2009, we achieved our best-ever lost time incident rates for the combined employee and contractor workforce. Our safety performance continued to lead the industry and we are proud of this achievement. Within ExxonMobil, we know good safety performance leads to good business performance. Now let's look at environmental performance.

We continued our initiatives to reduce hydrocarbon flaring associated with our operations. In 2009, upstream hydrocarbon flaring was over 20% lower than in 2008, and down almost 50% from levels of only a few years ago.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

At ExxonMobil, we achieve this through rigorous environmental management programs that deliver consistent, continuous improvement in our global environmental performance.

Our industry faces multiple risks, and at ExxonMobil, we utilize a comprehensive range of systems to manage these risks.

To give you a few examples, we will look at how we manage facility integrity, business controls and capital management risks.

In the area of facility integrity, we use the Facilities Integrity Management System, FIMS, to prevent high-impact equipment and facilities failures and improve equipment reliability.

The benefits of FIMS are significant, with a material reduction in unscheduled downtime, and the ability to effectively optimize capital and operating expense costs.

Our Controls Integrity Management System, CIMS, provides a structured, common process for conducting business in a well-controlled manner. This process includes establishing effective controls, monitoring and enforcing compliance continuously, and resolving any control weaknesses in a timely manner.

ExxonMobil's Capital Project Management System, EMCAPS, is another management system which uses periodic management gate reviews and checkpoints to ensure that capital investments are aligned with the business needs and improve shareholder value.

EMCAPS is designed to ensure that projects are conducted in a safe and environmentally responsible manner; deliver assets of appropriate quality; meet cost and schedule expectations; and achieve commercial success.

We have additional management systems for effective oversight of assets which are Operated By Others, OBO, and a Global Energy Management System, called GEMS, which we use to drive improvements in energy efficiency.

For example, we are on track to meet targets for improving energy efficiency across our worldwide refining and chemical operations by at least 10% between the years 2002 and 2012.

ExxonMobil brings a broad range of experience from around the globe to manage the risks inherent in our industry. This experience has often been accumulated over many decades and is a key measure of our ability to create sustainable shareholder value.

As I mentioned earlier, our industry must manage a range of risks that include safety and environmental risks, financial risks, geopolitical risk and technical risk.

For example, we invest a significant amount of time to minimize safety and environmental risk through the application of technology, processes and staff training. But it takes more than just this to achieve industry-leading safety performance.

At ExxonMobil, we have developed a safety culture that focuses on prevention, whereby we mitigate risk through design, when possible, and minimize the remaining risk factors through multiple, redundant safety systems and safe operating behaviors to reduce human error to a minimum.

Financial risks are reduced through a diversity of investments with the appropriate processes, procedures, and controls, to ensure a system of checks and balances. Strong, aligned agreements further reduce financial risks. In the case of geopolitical risks, these are managed through portfolio diversity, while technical risks are quantified through data collection and analysis.

Once quantified, a technical risk is then modeled in a probabilistic risk assessment, to support informed decision-making for full comprehension of the risk factors.

Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

We will now discuss the strength of portfolio diversity, and I will provide an update on our 2010 activities.

ExxonMobil's resource base is over 80 billion oil equivalent barrels in size with a mix of both oil and gas assets. These assets are diverse in terms of resource type, geography, geology and technology, which helps mitigate both geopolitical and financial risk factors.

Looking forward, we will continue to selectively grow our industry-leading resource base and maintain the broad diversity to both reduce risk and provide an attractive range of investment options.

Increased investment optionality in itself further reduces the risks associated with investment timing by providing the flexibility to accelerate or defer investments.

Next, we'll look at how we expand the resource base through an active global exploration program of key play tests and new opportunity pursuits.

We use regional and thematic studies, together with global play maps, to identify and screen an increasing number of potential new opportunities, which are then high graded and ranked in a global opportunity seriatim. As you can see from the map, we maintain a diverse global inventory of new opportunities, which meet our criteria, our requirements, in terms of resource quality and materiality. In terms of risk management, the rocks and fluids must have the potential to be high quality and material before we will add them to the resource portfolio.

Consistent with the quality of our expanding acreage position, we are increasing the activity to evaluate these new opportunities. We expect to participate in over 50 new wildcats by the end of next year. About a dozen of these wildcats will evaluate new plays or basins, each of which has significant resource potential.

These new play test wells are high potential, but also high risk, so clearly not all these wells will be successful.

Recently, we have been successful in the Gulf of Mexico with the Hadrian North oil discovery and the Hadrian South gas discovery, which are in the development planning stage. Additionally, we have drilled several successful wells in the Philippines and are continuing to evaluate several new plays.

These successful wells are balanced with exploration drilling offshore Libya, where we were testing a new play concept which ultimately proved to be unsuccessful. In all these cases, we gather new data to further refine our global play maps and aid in the search for new play potential.

Additionally, we are progressing the pursuit and development of large, discovered resources in countries such as Iraq, Kuwait and the United Arab Emirates. For example, we are working with the government in Iraq and the South Oil Company to progress the redevelopment and expansion of the West Qurna-1 field. We're moving forward in accordance with the contract timeline and have an ongoing presence in Basra and in the field, working with the South Oil Company and key stakeholders.

In conclusion, we are pleased with the breadth, quality, and exposure to new basins and plays that our exploration program is delivering, and with the progress of our discovered pursuits.

Moving to our project portfolio, we have a diverse portfolio of more than 130 active development projects currently being progressed across the world. As shown in the left-hand bar, new projects pass through a disciplined, gated development process from initial planning all the way through startup. Our proprietary Project Management System, EMCAPS, helps mitigate execution and startup risks.

Managing these project risks is a key part of our business, which often makes the difference between a successful project, which delivers greater economic value from a resource, and an unsuccessful project, which erodes the value of the resource.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

The project execution success achieved by ExxonMobil is, in large part, due to the disciplined use of EMCAPS in conjunction with ExxonMobil's global functional organization, which continues to deliver industry-leading project execution performance.

When we benchmark our results against other projects where we hold a nonoperating interest over the last five years, ExxonMobil has delivered operated projects within 6% of funding costs on average, while the projects operated by others averaged over 15% over funding costs. Next, I will provide an update on several of our current activities.

The first update I would like to provide is the Kearl oil sands project in Canada. Kearl is advantaged by the highest-quality resource, the application of proprietary technologies, and a disciplined, phased approach to achieve a low unit development cost.

The Kearl lease represents one of the largest and best-quality oil sands mining projects in the Athabasca region with over 4 billion barrels of recoverable resource. It has superior quality ore grade with high mining efficiency, which will lead to advantaged operating costs.

The initial development has a production rate of about 110,000 barrels a day, and is progressing on the planned timeline for startup scheduled for late 2012.

The photographs illustrate the work progressing at the site. There are about 2500 employees and contractors currently working on the project. Work to date has been focused on site preparation and infrastructure development.

Overall construction is about 25% complete. The photo on the upper right shows the main plant site cleared and the installation of pilings and foundations has begun.

Topsoil, subsoil, and wetland materials have been segregated and stockpiled for reclamation in accordance with the latest regulatory requirements.

On the photo at the lower right, you can see where the foundation construction for the oil processing facilities has commenced. Our tailings management plan was recently approved by the regulator, with significant changes made in response to their new directive released in 2009.

This involved altering the mining sequence to accelerate tailing treatments, tailings treatment, by six years. Our tailings containment system has also been updated to reflect the specific local site conditions at Kearl.

As anticipated, we are gaining significant experience through execution of the initial phase, which will be useful as we expand the development.

We sanctioned Kearl when others suspended work, thus securing top-tier contractors. Not surprisingly, we are seeing cost pressures as we make adjustments to comply with the changing regulatory requirements, specific site conditions and the market. However, we are also working on a number of cost optimization opportunities, including reconfiguration and debottlenecking, which are highlighted on the next chart.

We have regulatory approval for up to 345,000 barrels a day of production. When initially conceived, we planned for three phases of approximately 100,000 barrels a day each, as shown on the chart on the upper right.

We purposely phased the development plan to capture learnings and enhance execution development and marketing. As shown in the chart on the lower right, we are currently reconfiguring our plan to include a combination of debottlenecking and expansion to minimize facility requirements and to reduce our plant footprint. This approach will leverage our execution learnings, take advantage of the investments in infrastructure that won't need to be duplicated in the future, and will utilize our successful design one, build-many approach, to replicate facilities.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

The overall production profile and total resource developed remains relatively unchanged for the reconfigured project. We expect the spending profile early in the project will be higher based on the adjustments I mentioned earlier with full lease development still yielding attractive unit development costs. Once again, this is an example of our industry-leading project management capabilities, maximizing the value of our resources.

As a result of the recently completed ExxonMobil and XTO merger, a premier global unconventional resource company has been established. Earlier, I discussed how we mitigate financial risk through investment and diversification.

XTO brings a broad range of high-quality unconventional resources and superior operational capabilities to the development of these new resources.

Our overall global unconventional resource base is now approximately 70 Tcfe, and we have material positions in all the major US unconventional plays and many emerging international plays.

We're in the process of evaluating this diverse unconventional resource base and expect to see further growth through increased recovery and the addition of new productive intervals and new plays, such as the Bossier Shale.

ExxonMobil is now the largest natural gas producer in the US at nearly 3.7 billion cubic feet per day, and we can grow this further as XTO's deep opportunity portfolio is characterized by robust investment economics.

The ongoing integration of XTO is progressing well. We have an integration team in place to facilitate learning between functional companies and identify and apply best practices. This team is also charged with delivering economies of scale benefits and efficiencies in the support organization.

As our chairman mentioned recently, we are also looking at how we can capture some of the same efficiencies in our other operations, both US and overseas.

In terms of activity, we have approximately 70 rigs working across all the plays and are currently harmonizing activities between ExxonMobil units, focusing on the best opportunities. Overall, we're focused on further increasing recoveries and reducing unit costs in all our operations.

As you know, we have a long-term commitment to research and anticipate a significant contribution from new advantaged technologies such as the contribution we have seen from multi-zone stimulation technology.

XTO brings a rich data set of thousands of core samples in addition to their field testing database, which our research lab will analyze to further our shale research. This is an immature research area, and there's still a lot we don't understand on the variations within shale resources.

Transfer of existing technology and experience is also expected to provide significant benefits. As an example, we are currently in the process of applying our fast drill technology to the XTO assets and expect to see similar improvements to those observed in our operated assets. Overall, we are very pleased with how the integration is proceeding and the potential benefits we see.

The Hadrian North and Hadrian South projects in the Gulf of Mexico are good examples of recent oil and gas discoveries, where we have used our Planning for Development or PFD process, to further eliminate technical risk early in the appraisal stage.

Using planning for development, we are able to develop an optimal project definition and appraisal program to identify and reduce risk early in the project and quickly move to the development planning phase.

Both Hadrian North and Hadrian South are currently impacted by the outer continental shelf drilling moratorium. However, we are continuing to progress development activities, so we are ready to proceed as soon as the drilling moratorium is lifted.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

In the case of the Hadrian North oil discovery, we're still in the appraisal process and are planning to spud the Hadrian-5 appraisal well as soon as the moratorium is lifted.

Hadrian South has already been transferred to the development planning stage and has benefited from PFD. A project team has been formed and feed has been initiated for the development and drilling scheduled to start in late 2012 or early 2013.

Moving to another project in Canada, the Horn River Basin in British Columbia is a world-class shale gas resource, where ExxonMobil holds over 300,000 net acres. In late 2009, the IEA assessed the high-graded portion of the Horn River Basin at 760 trillion cubic feet, with an estimated 130 trillion cubic feet recoverable.

There is technical uncertainty around the distribution and quality of the different productive reservoir [and oils]. And we are conducting pilot studies and well tests to evaluate the production potential of the basin.

These pilot studies and tests are an important step to mitigate the technical risks and identify the optimal sweet spot to begin a phased development.

We have successfully verified the presence of multiple productive reservoir intervals with average test rates in the range of 0.5 to 1.5 million cubic feet per day from a single frac stage over a 30-day test and modeled recoveries of up to 0.8 billion cubic feet per frac stage.

These favorable test rates meet our going-in expectations, and we can expect commercial production rates from our development wells, which will contain multiple individual frac stages.

We are acquiring high-quality 3-D seismic acreage, with seismic data over our held acreage. And the early results from seismic support the identification of areas of higher resource quality.

This data will be used to optimize further development well locations and fracture stimulation design.

A key component of any risk management system is cost. ExxonMobil's ability to maximize asset value through operations excellence is also reflected in effective cost management.

We use a series of structured integrity systems to identify and manage risks and prioritize mitigation costs while maintaining safety and environmental performance.

The disciplined applications of these systems and processes delivers low unit operating costs -- lower unit operating costs -- than most competitors.

The slide shows ExxonMobil and competitors' total unit operating costs over the past five years. Please note, however, there was a basis change in 2009, driven by new SEC reporting requirements, to include equity companies and oil sands mining operations. As a result, we have dashed this period so as not to infer a trend between the 2008 and 2009 data.

As the chart details, the industry has experienced the recent overheated cost environment. However, this chart also makes clear our disciplined approach, involving the consistent application of global best practices and contracting strategies, as well as the continuous high grading of our asset portfolio. It has resulted in our ability to mitigate adverse market factors more effectively than competitors. This approach is serving us well, particularly in this environment.

In summary, ExxonMobil will continue to look for cost-saving opportunities across our upstream business as we have done in the past, while maintaining our robust risk management processes and procedures.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

This chart shows examples of how our long-term commitment to research continues to deliver advantaged technologies and progress breakthrough research ideas.

The development and application of new technology remains essential to delivering shareholder value and meeting the energy challenges ahead. ExxonMobil has a long history of technology leadership, and we remain committed to research to reduce safety, environmental, financial and technical risks.

Our research addresses safety, environmental, financial and technical risks throughout the upstream. Beginning on the left, much of our exploration research focuses on discerning subsurface images the industry can't visualize today.

Our high ended geophysical processing, full wavefield inversion is beginning to provide images that will further reduce the risk of dry holes. In addition, our quantitative techniques for interpreting seismic volumes are providing more accurate predictions of geology ahead of the drill.

Many aspects of our shale gas research focus on reducing technical and financial risks. For example, we are using state-of-the-art electron microscopy to get 3-D images of shale-poor networks. These images help us investigate how gas is stored in sahles and how shale gas reservoirs will produce, enhancing our abilities to successfully explore shale gas resources and optimize their development.

Our drilling research focuses on reaching the targets safely and at minimum cost. Building on our fast drill results, we are making step changes in managing drilling vibrations. This research will minimize drill string failures and decrease risks through improved hole quality, faster rate of penetration, and reduced downtime.

We have also developed processes that target better heavy oil recovery with less environmental impact. We are testing a steam solvent process to recover bitumen at coal Lake Alberta, and anticipate significantly lower water and energy usage as a result.

Another new process uses solvent without steam to recover bitumen, which should result in reduced greenhouse gas emissions. Our breakthrough process for extracting bitumen from thin, shallow oil sands actually fluidizes the reservoir with injected and reclaimed water and is progressing now through large-scale lab tests.

Our innovative Controlled Free Zone technology has the potential to process sour gas more safely and efficiently with smaller environmental footprint. The CFZ, or Controlled Free Zone, cryogenic process has lower operational risk than using the current Amine-based processes. Because CFZ discharges impurities as a high-pressure liquid, less power and equipment are required to inject CO2 and hydrogen sulfide into underground storage. Commercial scale qualification of CFZ will begin this year at our LaBarge facility in Wyoming.

These are just a few examples of the high-reward risk reduction technologies we are developing in the future.

I want to briefly highlight two areas of particular interest over the medium to longer term. First, challenging arctic environments contain significant hydrocarbon potential, but will require a broad suite of new technology innovation to access and produce resources in a safe and environmentally sound manner. These challenges span our upstream business of collecting seismic data in arctic environments to building and operating ice-resistant facilities that can withstand harsh conditions. As the technology leader, we will be advantaged in the race to develop these new arctic resources.

Second, we have a strategic alliance with Synthetic Genomics, Inc. to progress long-term research into the production of biofuels of photosynthetic algae. If successful, these next-generation biofuels could augment the world's transportation fuel supply and assist in reducing greenhouse gas emissions in the decades to come.

In conclusion, I hope that I have been able to give you some insight as to why we believe ExxonMobil is well-positioned for the current environment, and how our systems and processes manage risk to develop superior returns.



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

Our business model and approach is time-tested and based on the highest standards of integrity. As you saw from our exploration activities and projects in the pipeline, we are committed to maintaining the largest, highest quality resource portfolio and a proven track record over the long term of adding to our reserves base from these activities.

We continue to leverage the strength of our global functional organization to develop and implement best practices and ensure continuous improvement in every aspect of our business. And you saw many examples today of the value this strategy has delivered.

We remain committed to industry innovation and technology and deployment and approach the future with confidence. ExxonMobil is well-positioned with large, attractive growth opportunities and will deliver superior returns through this business cycle.

Thank you for your attention, and I would be happy to address any follow-up questions you may have.

QUESTIONS AND ANSWERS

Paul Cheng - Barclays Capital - Analyst

(Inaudible question - microphone inaccessible)

Unidentified Audience Member

Thank you. In looking at one of the slides early in the presentation, looking at global liquid supply and demand, it looks like Exxon's forecast for Canadian oil sands and non-OPEC crude and condensate supply will be relatively flat through 2030. Yet, you've talked today about some of the risks that the industry will encounter geopolitically, technically, etc.

What is Exxon's view in terms of what the price of oil might do over that timeframe? Will it increase in line with inflation, above inflation? And then also how that might impact Exxon's view of what hurdles need to be met when investing in particular projects moving forward. Thank you.

Andy Swiger - ExxonMobil Corporation - SVP

Sure. Well, first what I would say is we do not take a view in terms of a price forecast. We gave that up many, many years ago. There were too many factors on that.

What we do focus on is determining what the highest-quality resources are. And we're trying to bring those into our portfolio and move them through the gated process I talked about, so that we're always going to have the most attractive projects to develop. The price forecast will take care of itself.

Our philosophy is we have a reference deck that helps us just kind of calibrate between projects, but not to try to take a view when we're thinking about investing. Our view is, focus on the high-quality resource, derisk it, manage the remaining risk, and you are going to be delivering superior returns.

Unidentified Audience Member

Could you elaborate a little bit more on the technology that you are able to deliver to XTO, particularly on how fast drill or the MSD -- or I'm sorry, the multi-zone simulation technology -- how big an impact is that to the XTO organization?

Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

Andy Swiger - ExxonMobil Corporation - SVP

Well, what I'd say is kind of answering the last part of that first, we are still scoping the absolute size. We're able to do some of that during the transition planning work. Now that we have completed the merger and have the integration team in there, we are assessing the full scale of it.

We're in the process now of selecting the pilot areas to start fast drill on. We have a high confidence it's going to make a difference, but until we get some of that experience, scope the rest of it, it would be hard to put numbers to it. But with 70 rigs operating, there's a lot of potential there.

Multi-zone simulation, a technology that works when you have a bunch of -- it's more applicable to tightly cemented reservoirs, perhaps more than the shales, although it may be applicable there. The ability to do continuous frac jobs up and down a hole when you've got a lot of stacked sands, something they don't have, could have potential in a number of the plays that are involved in, but again, we're scoping that right now.

There will be lots of other technologies that we find as these integration executives go in there and look at what's missing or what the opportunities might be. Can't speculate on what those are, but we do have a big suite of technologies that we've been applying around the world. And we've got the best people over there now that know what those are and are just trying to ferret out all the opportunities and then figure out what order we go in on that.

I think it's exciting, too, in terms of a lot of the stuff we are developing when we talk about taking drilling technology the next stage beyond fast drill; really working the vibration issue hard right now and the physics behind that. Huge potential in there to even further improve drilling effectiveness and efficiency. That's something we would expect to move right into XTO as well. So we will be scoping it out, you know, over the next quarter or two, and we expect to start fast transfer a lot of these technologies.

Unidentified Audience Member

Thanks. I had a question on your slide, regional gas supply and demand. You show a relatively small contribution of unconventional gas in the Asia-Pacific region even into 2030. To what extent is this the result of geology? And to what extent is this the result of politics?

Andy Swiger - ExxonMobil Corporation - SVP

It's -- what I would say is in aggregate, it's a result of uncertainty, given a very limited understanding of the geology right now. It's very early days. There's a lot of potential there you can see from the geology. But until you get in and actually get data on the rocks, hard to say.

There's clearly some uncertainty as to what the regulatory environments will be; how different governments approach the use of the resource. I would say we've encountered enthusiasm for the development of, in many cases, what is potentially an indigenous resource that could be of great value to the country. But there is uncertainty there, and that's why we've got an estimate at this time right now that probably has a wide bar around it, given those uncertainties. But the rocks are there, and we will just have to see how good they are.

Paul Cheng - Barclays Capital - Analyst

Thank you, everyone. (multiple speakers)



Sep. 16. 2010 / 12:00PM, XOM - Exxon Mobil Corporation at Barclays Capital Energy/Power Conference

Andy Swiger - ExxonMobil Corporation - SVP

Thank you, all.

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