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October 31, 2001

Mr. James L. Connaughton, Chair
Council on Environmental Quality
Executive Office of the President
17th and G Streets, NW
Washington, DC 20503
Attention: Task Force

Dear Mr. Chairman:

Marathon Oil Company ("Marathon") appreciates the opportunity to comment on the nature and scope of the Interagency Task Force ("Task Force") formed to implement those activities outlined by Executive Order 13212 ("Executive Order"), "Actions to Expedite Energy-Related Projects" (May 18, 2001).

Marathon is a fully integrated oil company with exploration and production activities on six continents, in the United States and in 12 foreign countries, producing more than 400,000 BOE per day. Marathon is also a 62% shareholder of Marathon Ashland Petroleum LLC ("MAP"), a domestic refining, marketing, and transportation company which owns and operates seven refineries with an aggregate refining capacity of approximately 935,000 barrels of crude oil per day.

Marathon has a direct interest in the outcome of the efforts of this Task Force to ensure adequate domestic energy supplies. Marathon supports comments submitted by MAP, by the American Petroleum Institute ("API"), and by Public Lands Advocacy ("PLA"). The following comments focus specifically on exploration and production activities in light of the role Marathon plays as a significant producer and processor of oil and natural gas.

Expansion of Project Categories

The notice and request for comments published in the *Federal Register* reiterated the Executive Order and requested information on several categories of projects. Marathon recommends the addition of a category titled "Exploration and Production." The exploration and production sector of our industry is the first and most important step in identifying, drilling, and producing our mineral resources. All delays and impediments to finding and producing hydrocarbons have a direct, negative impact on this country's need to meet the energy demands of the American public.

Additional Agency Resources Needed

The oil and gas industry is very speculative by nature. Often our projects are driven by economic conditions that may exist for only a short period of time. Therefore, it is imperative that agencies charged with regulating our development be prepared to review permit applications and issue permits in a timely manner.

The specific agencies responsible for supervising surface activities on federal lands and Native American lands are to a large extent understaffed and under financed to meet the needs of the extractive industries. These agencies include the Bureau of Land Management ("BLM"), the US Forest Service ("USFS"), and the Bureau of Indian Affairs ("BIA"). There is a general lack of adequate manpower to process permits (both for drilling and for rights-of-way) for new wells, access roads, and pipelines. Often we see repeated, inconsistent requests for information depending on the experience level of the specific reviewer. It is difficult for us in the role of applicant to anticipate the information needs, and this variability makes it impossible to mesh the permit timing into the overall project timing with any degree of certainty.

The inadequacy of these resources can be further exacerbated whenever a federal employee takes a leave of absence to fight wildfires (often for several months each year), and we anticipate increased deficiencies if this pool of federal employees is called upon to serve in the ongoing battle against terrorism.

1998 statistics produced by the Minerals Management Service ("MMS") reflect that the extractive industries collectively paid approximately \$1.097 billion to the federal government for royalties, rentals, and bonuses on onshore properties. Yet, the existing federal accounts payable system is not structured so that the agency with direct responsibility for a given domain is directly and proportionately a recipient of these funds.

Therefore, we recommend that line item funding for oil and gas staff should be directed to the specific field office responsible for the related activity. Since these agencies receive direct and significant benefits from our industry's exploration and development efforts (which are highly capital intensive), we believe that this is the most equitable and best way to ensure that the BLM operates as a service oriented provider with respect to applications and other documents relating to our activities on public lands.

State Environmental Permitting Agencies: Broad Interpretation of the Rules and Constant Change of Policies

EPA has delegated the authority of administering various permitting programs to the states. State agencies have the authority to issue the NPDES permits for surface water discharge, the NSR and the PSD permits for air emissions for any new or modified

facilities. However, we have found that certain states take a much more liberal approach in interpreting the same set of EPA regulations than the others.

Even more troubling is the lack of certainty we face in some states where the agencies are constantly changing their policies and procedures pertaining to the various permitting programs. Very often, when applying for a permit for a new facility, an operator who had received a permit for a similar facility only few months ago is notified that the facility will have to comply with additional more stringent requirements, even though there have been no changes in the relevant rules and regulations. As a result, the permit issuance, and therefore the construction or the modification of the facility, can be significantly delayed.

Onshore Access Impediments Through Regulation

Our industry is legally required to comply with BLM regulations directing our activities on federal soil from the time of geophysical prospecting all the way through to well abandonment. One such regulation requires us to participate in frequent, costly Resource Management Plan ("RMP") updates, which identify reasonable, foreseeable developments involving risk to public land.

Whereas many of the requirements underlying these regulations are acceptable in theory, our experience has been that field offices tend to use broad interpretations of the various regulations in a way that can be overly burdensome or unreasonably restrictive. Therefore, Marathon strongly urges that no regulations should be adopted or implemented which will restrict or prohibit construction, well site compression, and well site operation absent the application of good science and thorough consideration of practical ramifications.

Offshore and Coastal Zone Access Impediments

The largest threat for offshore and coastal zone operators' continued access to traditional areas is the Coastal Zone Management ("CZM") program. The "consistency review" provisions of the Coastal Zone Management Act, under the guise of due process and consultation, have caused serious duplicative and costly delays to federal Outer Continental Shelf ("OCS") leasing and production activities that would have no adverse environmental impacts on states' coastal zones. The CZM program is very broad and complicated, encompassing multiple agencies at different levels of government. The jurisdictions of these agencies and governments are often undefined and confusing.

For example, the lines of jurisdiction in the Gulf of Mexico have not been clearly defined. The State of Florida expands its jurisdiction beyond the norm of one hundred miles off land, and requires CZM consistency review for all development plans in the

entire Eastern Gulf, most of which would have no adverse environmental impact on Florida's coastal zone. Limiting Florida's authority to the normal 100-mile zone would expedite permits in a large portion of the Eastern Gulf.

There are many other specific examples relating to the permit delays caused by the CZM program. Marathon would welcome the opportunity to discuss in more detail those specific examples with the Task Force.

Inadequate Interagency Cooperation

We are seeing more and more federal surface being closed to development. Some of these closures are lands that are excluded from development because of constraints placed in permits or as a consequence of an unwillingness by agencies to issue permits in certain areas.

Additionally, we often find that two federal land management agencies subscribe to entirely different policies when addressing industrial land access issues. This can be a tolerable situation if we are dealing with each agency separately, but when the BLM holds the mineral estate and the Forest Service holds the surface estate to the same land it can become extremely difficult. As the mineral owner, the BLM is required to respect the desires of the USFS, and these are the most restrictive requirements of any in the country. Operators can be put on hold for the preparation of lengthy Environmental Impact Statements ("EIS") on any surface activity, for weather delays to protect all weather road accesses, for periodical operational shut downs for hunting, and for winter game species grazing.

Marathon strongly favors adoption of a uniform policy for all federal land activity whether the land on which we operate is managed by the USFS, the BLM, or the Bureau of Reclamation ("BOR"). The CEQ is encouraged to review land access issues, particularly in the context of the need for increased interagency cooperation, since allowing operators to develop their federal mineral lease holdings is the only way to ensure a strong domestic oil and gas industry.

Monitoring Active Areas: Powder River Basin Coal Bed Methane

Section 3 of the Executive Order discusses the need for the CEQ to monitor and assist agencies where increased permitting activity is expected. The Powder River Basin coal bed methane play exemplifies this condition. With the "boom" activity level that is present, the regulatory agencies are struggling to adapt processes and provide the personnel resources necessary to support the growth. Marathon believes that CEQ should investigate the situation surrounding the growth of coal bed methane in the Powder River

Basin and take whatever steps are appropriate to assist and support the agencies that are involved.

Environmental Impact Statements: The Need to Stay on Schedule

In order to meet the country's burgeoning energy needs, it is critical that every effort be made to keep the regulatory processes under NEPA on schedule. The Environmental Impact Statements drive industry's ability to get permits and develop federal minerals. With the push to broaden the involvement of stakeholders, such as EPA and the US Fish and Wildlife Service ("USFWS") as well as numerous state agencies, pressure has been exerted to expand the scope of the EIS reviews. Development of an EIS already involves a lengthy process, which we believe is adequate. To effectively plan for future development, industry must have a commitment from the agencies to complete EIS statements review on time.

New Mexico: An Example of Agency/Industry Cooperation

Marathon would be remiss if we failed to applaud the ongoing efforts of the New Mexico Bureau of Land Management in forming an industry/agency committee to address the problem of Application for Permit to Drill ("APD") and Rights of Way ("ROW") delays.

Recent APD streamlining meetings of this committee have revealed that an APD takes only about 12 man-days to review and approve once the application makes 31 stops for various approval measures. Yet the average APD approval time in Southeast New Mexico is 90 days, and ROW's take between 90 and 120 days. In Northwest New Mexico there is typically more than a 120-day waiting period for both APD's and ROW's. One of our specific recommendations to the committee, which we would like to reiterate here, is that the agency should grant more latitude to the state offices in targeting personnel and funding for field offices that serve the extractive industry needs.

All in all it is our view that the BLM has been very helpful in sharing the process and scheduling challenges that they face in their efforts to approve our intents to drill and develop minerals on Federal acreage.

Another laudable step taken by the BLM in New Mexico is their willingness to meet and discuss issues with industry at both the grass roots and national levels. Through the New Mexico Oil and Gas Association's Public Lands Committee, Marathon serves on workgroups in Southeast and Northwest New Mexico where we attempt to resolve issues at the field office level as a means of avoiding unnecessarily involving the agency in Washington. And, the BLM has successfully used its annual National Petroleum Forum meetings to create a forum for industry to share concerns with staff members of the Department of Interior ("DOI").

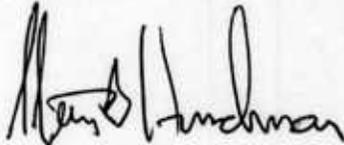
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Finally, Marathon would like to thank CEQ and the Task Force members for their leadership in addressing the challenges involved in streamlining the permitting processes that will lead to more efficient and timely use of energy resources in this country. We stand ready to work with you and to provide whatever additional assistance and information may be useful.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven B. Hinchman". The signature is fluid and cursive, with a large initial "S" and "H".

Steven B. Hinchman

Cc: Patricia Richards
USX Corporation/Washington, DC