

July 9, 2008

CEO Rex W. Tillerson
ExxonMobil Corporation
5959 Las Colinas Boulevard
Irving, Texas 75039-2298

RE: Sakhalin I project

To Mr. Tillerson:

We, Russian, U.S. and international environmental organizations, are writing to express our concerns over the environmental threats associated with Stage Two of the Sakhalin I oil and gas development project. Correctable problems in the tentative design of Stage Two seriously threaten the environment, including the critically endangered Western Gray Whale, fish and marine life, and local indigenous communities on Sakhalin Island. We urge you to consider an alternative route for the pipeline that is currently proposed to cross Piltun Bay.

Legal Implications of Proposed Pipeline Route and Construction

Method: In the winter of 2008-2009, Exxon Neftegaz Limited plans to build a north-east to south-west pipeline crossing along the bottom of the widest part of Piltun Bay using a damaging trench method. Meanwhile a harmful parallel ice bridge at a width of 30-60 meters will be used to facilitate construction. Independent experts fear that this bridge will inadvertently dam the flow of water into the Southern part of Piltun Bay.

In our estimation, and that of independent experts who participated in two separate Public Environmental Expert Reviews, there is a very high probability of a mass die-off of fish and other species of marine life in Piltun Bay as a result of pipeline construction using the trench method and ice dam. If this happens, you will face significant risk of additional delay and expense, as the Russian environmental regulator Rosprirodnadzor will have cause to recall the positive conclusion of the government environmental "ekpertiza," which could halt the progress of the project for an indeterminate length of time, among other potential problems.

Impacts on Critically Endangered Western Gray Whale: Piltun Bay's rich marine plant and animal species provide sustenance to the critically endangered Western Gray Whales, whose feeding grounds are located in open water directly outside the bay. With only around 130 Western Grey Whales remaining, damaging the whales' food source by constructing a pipeline through Piltun Bay could threaten the extinction of this population.

On May 4, 2008, the expert Western Gray Whale Advisory Panel (GWAP) sent Exxon Neftegas Ltd. a letter of concern about potentially severe impacts of the proposed pipeline and ice dam.¹ The GWAP, which is comprised of independent scientists from six countries, investigates impacts of enormous new oil and gas projects off Sakhalin Island that threaten the adjacent Western Gray Whales. According to the letter:

"The GWAP and its predecessor panels have repeatedly expressed concern that Piltun Lagoon may be crucial to the productivity of feeding areas for western gray whales, and that the Lagoon must, as a consequence, be carefully monitored and effectively protected from disturbance."

Also, the GWAP experts call for Exxon Neftegas to exercise precaution and to redesign Sakhalin I to avoid impacts on Piltun Lagoon.

"Given the precarious state of the western gray whale population, a precautionary approach is essential. We suggest that it would be preferable to develop an alternative option, such as rerouting of the pipeline, to eliminate the potential for disruption of key processes of biological productivity within the Lagoon," says the GWAP statement.

¹ GWAP letter to Exxon Neftegas Ltd. is available at: <http://cms.iucn.org/about/work/programmes/marine/index.cfm?uNewsID=893>

The GWAP was established by the International Union for the Conservation of Nature to review the impacts of oil and gas projects in the Sakhalin area on the critically endangered Western Gray Whale. Since the GWAP's creation, the European Bank for Reconstruction and Development and the Export Credit Agencies of the US and UK have withdrawn from consideration billions of dollars in potential financing for the nearby Sakhalin II project. Among scientists, the GWAP continues to be viewed as a kind of 'supreme court' of scientific review of the health of, and impacts to the Western Gray Whale.

In light of this, we urge you to reconsider the February 26, 2008 Exxon Neftegas Limited letter to WWF Russia, which declines participation in a work group to discuss alternative routes to the Piltun pipeline. Exxon's refusal to participate in this process, as well as to participate in the Western Gray Whale Advisory Panel, contradicts the company's claim to support scientific review of project impacts.

On May 7 WWF Russia submitted to Russian Ministry of Natural Resources (MNR) draft documentation that is required to establish a whale reserve in the Piltun area, including Piltun Lagoon. Subsequently, on May 22 WWF Russia and Greenpeace Russia submitted to government authorities a Public Environmental Expert Review (PEER) of Sakhalin I, a process under Russian law that allows independent scientific experts to undertake a review of proposed project and propose remedial action which, in this case, seeks to block the proposed pipeline and make a recommendation for an alternative pipeline route. Information on this PEER is available at:
<http://www.wwf.ru/resources/news/article/3961>

Furthermore, a PEER submitted to Russian authorities by Sakhalin Environment Watch recently concluded that Phase 2 of Sakhalin I must be cancelled and redesigned after finding that the proposed ice bridge across Piltun Lagoon will act as a dam and block water exchange and inflow into the Northern part of Piltun Bay, which will impede fish migration, very likely causing massive fish die-off, and which will potentially result in a dangerous breach of the sand spit at or near current Rosneft operations. Information on this PEER is available at
<http://www.sakhalin.environment.ru/search.html?x=12791>

Impact on Fish and Other Marine Life: Meanwhile, project plans put the fish reserves and entire living ecosystem of Piltun Bay at great risk because the proposed ice bridge, which will act as a dam, will interrupt the natural water exchange between the Sea of Okhotsk and the large, northern part of the bay during the winter and spring of 2008-2009. Close to 2/3 of the bay will be artificially isolated from sea water for several months, until the summer sun finally melts the ice dam. According to scientific data and PEER experts, there is a lack of oxygen in the bay during the winter and spring months without the inflow of water from the sea, and if this inflow is blocked by the ice dam and construction activities, a massive die-off of fish, eel grass, and all other living things in the bay will occur. In addition, the dam threatens the Northern part of Piltun Bay with

flooding that can harm Rosneft onshore oil field facilities, located on the Piltun sands spit. In addition, the dam will block spawning routes in the central and northern parts of the bay for a large number of fish species, including the Pacific salmon. This could lead to the loss of several thousand tons of fish and other species which are dependent on fish resources. Fishermen will also suffer loss of livelihood and food security, particularly members of the indigenous peoples of the North, who conduct their traditional livelihood on the bay.

Impact on Indigenous People: Yet another problem with construction plans for the new Sakhalin I pipeline is that it is intended to cross the most important summer reindeer pastures and calving grounds on the island, which have been traditionally used, and are used to this day by a community of herders including both native Uilta and Evenki peoples. You should be aware that the infrastructure previously built by Exxon on Chaivo Bay has already done enormous damage to the reindeer pastures and calving grounds, and from 2001 to 2006 the domestic reindeer herd shrank by approximately 40% due to a rising number of miscarriages and a falling birth rate. If the planned Piltun pipeline is built through the summer reindeer pastures and calving grounds, the reindeer herds will potentially be decimated, and the Uilta and Evenki peoples risk losing both their livelihoods and their traditional way of life.

As a result, there is a large probability that mass protests by the indigenous people of Sakhalin, in particular reindeer herders, will take place if the reindeer pastures or the fish resources in Piltun Bay are damaged. These protests can hinder financing and the completion of the project, as already occurred with Sakhalin II, and can also lead to administrative barriers from government bodies.

We believe that the construction of the pipeline through Piltun Bay and across the reindeer pastures creates too great a risk to the environment and biological resources in the region, as well as to your business (see attached map). **In order to prevent these devastating impacts, we request that you reroute the pipeline around Piltun Bay to the north and then south along an already-developed transportation corridor to the onshore processing facility at Chaivo Bay.** We also request that all preparation, construction and remediation work be carried out in the winter months only in order to avoid any disturbance to the summer reindeer feeding and calving grounds. These two changes to the current project design will help save the Western Grey Whales, respect the traditional livelihood rights of indigenous

peoples, and avoid causing irreparable damage to the island's reindeer herds.

Can Exxon Demonstrate Leadership? Throughout the development of the Sakhalin I project, Exxon has sporadically demonstrated a flexible and effective approach to reducing environmental threats due to its extraction activities. For example, Exxon was the first company on Sakhalin to begin using reinjection technology in order to store drilling waste underground, and the first to declare its standard of "zero discharge" of drilling waste for all of its operations on Sakhalin back in 2001. This was a large step forward and Exxon's efforts accomplished a great deal toward protecting Sakhalin's pristine marine environment and fish reserves, becoming an example for all future shelf resource extraction projects. Another positive example was Exxon's refusal in 2004 to build a pier for the unloading of equipment and materials on Piltun Spit. Originally this pier was planned to be built in the center of the Western Grey Whale feeding grounds. However, Exxon quickly realized the negative impact of this planned construction and, after listening to the concerns of scientists and the local community, the company excluded the pier from its project.

Moving forward, the question is now whether Exxon will proactively respond to independent experts, including two expert PEER reviews and concerns of the WGWAP, and whether the company will take the opportunity to simultaneously reduce associated political risks to the Sakhalin I project.

Conclusion: We believe the local environment and indigenous communities must be protected during both the construction and operation phases of the new pipeline. The history of environmental violations associated with oil and gas development on Sakhalin Island is extensive, and in the case of the Sakhalin II project, eventually led to intervention by Rosprirodnadzor, followed by a dramatic change in the ownership structure of the project. It is in the best interest of all the co-owners of Sakhalin I to address environmental issues associated with Stage Two of the project before construction begins.

Sincerely,

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Chairman
Sakhalin Environment Watch
Russia

Aleksey Knizhnikov,
Oil & Gas Environmental Policy Officer,
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CC: Rosprirodnadzor
SODECO
ONGC
Rosneft
Western Gray Whale Advisory Panel
JBIC
ABN Amro Bank NV
Bayerische Hypotheken und Wechsel Bank (Munich)
Bayerische Landesbank Girozentrale
Credit Lyonnais SA
Dresdner Bank Luxembourg SA
IBJ Finanz AG
Kredietbank NV
Royal Bank of Scotland plc
WestLB