Form 10-K: Annual report pursuant to Section 13 of the Securities Exchange Act of 1934: for the year ended December 31, 1981, Exxon Corporation. 1981

Exxon Corporation
Washington, D. C.: Securities and Exchange Commission, 1981

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1981

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 1981 — Commission File Number 1-2256

EXXON CORPORATION
(Exact name of registrant as specified in its charter)

NEW JERSEY (State or other jurisdiction of incorporation or organization)	13-5409005 (I.R.S. Employer Identification Number)

1251 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10020
(Address of principal executive offices) (Zip Code)

212-398-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Capital Stock, no par value (868,425,038 shares outstanding at March 1, 1982)	New York Stock Exchange
Thirty Year 6% Debentures due November 1, 1997	New York Stock Exchange
Thirty Year 6½% Debentures due July 15, 1998	New York Stock Exchange
Registered Securities of Exxon Pipeline Company guaranteed by Registrant:	
Thirty Year 9% Debentures due October 15, 2004	New York Stock Exchange
Twenty-Five Year 8⅞% Debentures due October 15, 2000	New York Stock Exchange
Twenty-Five Year 8¼% Debentures due March 1, 2001	New York Stock Exchange
Seven Year 7.65% Notes due March 1, 1983	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ......

The aggregate market value of the voting stock held by non-affiliates of the registrant on March 1, 1982, based on the closing price on that date of $28⅝ on the New York Stock Exchange consolidated tape was in excess of $24,000,000,000.

Documents Incorporated by Reference:

1981 Annual Report to shareholders (Parts I and II)
Proxy Statement dated March 23, 1982 (Parts I and III)

PART I

Item 1. Business.

Divisions and affiliated companies of Exxon Corporation operate in the United States and nearly 100 other countries. The principal business is energy, involving exploration for and production of crude oil and natural gas, manufacturing of petroleum products, and transportation and sale of crude oil, natural gas and petroleum products; exploration for and mining and sale of coal and uranium, and fabrication of nuclear fuel. Exxon Chemical Company is a major manufacturer and marketer of petrochemicals. Exxon is also engaged in exploration for and mining of minerals other than coal and uranium. Reliance Electric Company, an affiliate, manufactures, markets and services a broad line of industrial equipment. Exxon conducts extensive research programs in support of these businesses and provides capital to innovative new ventures, some of which are not related to these businesses.

The terms *Corporation, company, Exxon, our,* and *its,* as used in this report, sometimes refer not only to Exxon Corporation or to one of its divisions but collectively to all of the companies affiliated with Exxon Corporation or to any one or more of them. The shorter terms are used merely for convenience and simplicity.

The oil industry is highly competitive. There is competition within the industry and also with other industries in supplying the energy and fuel needs of commerce, industry and individuals. The Corporation competes with other firms in the sale or purchase of various goods or services in many national and international markets and employs all methods of competition which are lawful and appropriate for such purposes.

The operations and earnings of the Corporation and its affiliates throughout the world have been and may be in the future affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights; and pollution controls. Both the likelihood of such occurrences and their overall effect upon the Corporation vary greatly from country to country and are not predictable.

In 1981 the Corporation spent $1,248,000,000 on environmental conservation projects worldwide, mostly dealing with air and water. Expenditures for such projects are estimated to total $1,467,000,000 in 1982 and $1,500,000,000 in 1983.

Operating data for the Corporation are contained on pages 28, 50 and 51 of the accompanying 1981 Annual Report to shareholders.*

Item 2. Properties.

Part of the information in response to this item and Securities Exchange Act Industry Guide 2 is contained in Note 11 to the financial statements, which note appears on page 34 of the accompanying 1981 Annual Report to shareholders, and on pages 41 through 51 of the accompanying 1981 Annual Report to shareholders.*

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* Only the data appearing on pages 25 through 51 in the 1981 Annual Report to shareholders are deemed to be filed as part of this Annual Report on Form 10-K as indicated under Items 1, 2, 5, 6, 7 and 8 and on page IV-4.

Information with regard to oil and gas producing activities follows:

1. Net Reserves of Crude Oil and Natural Gas Liquids (millions of barrels) and Natural Gas (billions of cubic feet) at Year-End 1981

Estimated proved reserves are shown on pages 43 and 44 of the accompanying 1981 Annual Report to shareholders. No major discovery or other favorable or adverse event has occurred since December 31, 1981 that would cause a significant change in the estimated proved reserves. The oil sands reserves shown separately for Canada represent very heavy oil expected to be recovered from the expanded pilot project at Cold Lake and Imperial Oil Limited's 25 percent interest in the net reserves set aside for the Syncrude project, as presently defined by government permit. For information on the present value of estimated future net revenues from proved oil and gas reserves, see pages 46 to 49 of the accompanying 1981 Annual Report to shareholders.

2. Estimates of Total Net Proved Oil and Gas Reserves Filed With Other Federal Agencies Covering the Year 1981

None.

3. Gross and Net Productive Wells

	Year-End 1981			
	Oil		Gas	
	Gross	Net	Gross	Net
United States	29,268	10,962	5,394	3,369
Canada	4,144	1,931	1,182	298
Other Western Hemisphere	52	52	29	27
Europe	2,587	796	723	229
Middle East and Africa	138	13	—	—
Australia and Far East	681	383	70	36
Total	36,870	14,137	7,398	3,959

The United States data represent the number of completions and not the actual number of wells.

4. Gross and Net Developed Acreage

(thousands of acres)

	Year-End 1981	
	Gross	Net
United States	9,787	4,420
Canada	3,526	1,379
Other Western Hemisphere	788	615
Europe	11,332	3,454
Middle East and Africa	5,186	248
Australia and Far East	5,602	3,197
Total	36,221	13,313

Note: Separate acreage data for oil and gas are not maintained because, in many instances, both are produced from the same acreage.

5. Gross and Net Undeveloped Acreage

(thousands of acres)

	Year-End 1981	
	Gross	Net
United States	26,622	13,939
Canada	58,689	24,690
Other Western Hemisphere	61,639	44,079
Europe	50,313	19,851
Middle East and Africa	192,528	87,877
Australia and Far East	116,424	73,957
Total	506,215	264,393

6. Summary of Acreage Terms in Key Areas

United States

Oil and gas exploration leases are acquired for varying periods of time, usually for five-year periods. Production leases are normally granted for the life of the fields thereon.

Canada

Exploration permits are normally granted for 1-12 years with renewals possible. Production leases are held as long as there is production on the lease.

United Kingdom

Licenses issued prior to 1977 are for an initial period of six years with an option to extend the license for a further 40 years on no more than half of the license area. Licenses issued between 1977 and 1979 are for an initial period of four years after which one-third of the acreage must be relinquished followed by a second period of three years after which an additional one-third of the acreage must be relinquished with an option to extend the license for a further 30 years on the remaining one-third of the acreage. Subsequent licenses are for an initial period of six years with an option to extend for a further 30 years on no more than half the license area.

Norway

Licenses issued prior to 1972 are for a total period of 46 years with relinquishment of at least one-fourth of the original area required at the end of the sixth year and another one-fourth at the end of the ninth year. Subsequent licenses are for a total period of 36 years with relinquishment of at least one-half of the original area required at the end of the sixth year.

Netherlands

Onshore: Exploration drilling permits are issued for a period of two to five years. Production concessions are granted after discoveries have been made, under conditions which are negotiated with the government. Normally, they are field-life concessions covering an area defined by hydrocarbon occurrences.

Offshore: Prospecting licenses issued prior to March 1976 are for a 15-year period with relinquishment of about 50 percent of the original area required at the end of ten years. Subsequent licenses are for ten years with relinquishment of about 50 percent of the original area required after six years. For commercial discovery within a prospecting license, a production license is issued for a 40-year period.

Australia

Offshore exploration permits are granted for six years with possible renewals of five-year periods to a total of 26 years with a 50 percent reduction in area at the end of each renewal. Production licenses are for 21 years with renewals of 21 years for the life of the field. Onshore acreage terms are fixed by the individual states and may differ substantially from offshore acreage terms.

Malaysia

Production sharing contracts have an overall term of 20 years from April 1, 1975 plus any extensions to the exploration or development periods. The exploration period is three years with the possibility of a two-year extension after which time areas with no commercial discoveries must be relinquished. The development period is two years from commercial discovery with an option to extend the period for a further two years and possibly longer under special circumstances, after which time areas from which commercial production has not started must be relinquished. The total production period is 15 years from first commercial lifting, not to exceed the overall term of contract.

7. Number of Net Productive and Dry Wells Drilled

	1979	1980	1981
A. Net Productive Exploratory Wells Drilled			
United States	47	57	65
Canada	45	36	24
Other Western Hemisphere	—	2	2
Europe	8	6	16
Middle East and Africa	2	—	1
Australia and Far East	1	2	2
Total	103	103	110
B. Net Dry Exploratory Wells Drilled			
United States	106	98	132
Canada	39	54	8
Other Western Hemisphere	9	6	38
Europe	13	10	26
Middle East and Africa	5	2	6
Australia and Far East	42	32	37
Total	214	202	247
C. Net Productive Development Wells Drilled			
United States	610	648	831
Canada	131	82	107
Other Western Hemisphere	4	4	4
Europe	45	70	62
Middle East and Africa	13	11	6
Australia and Far East	55	56	56
Total	858	871	1,066
D. Net Dry Development Wells Drilled			
United States	75	71	103
Canada	9	6	4
Other Western Hemisphere	—	—	—
Europe	1	1	6
Middle East and Africa	1	—	1
Australia and Far East	3	8	6
Total	89	86	120
Total number of net wells drilled	1,264	1,262	1,543

8. Present Activities

A. Wells Drilling—Year-End 1981

	Gross	Net
United States	487	258
Canada	54	27
Other Western Hemisphere	8	8
Europe	62	25
Middle East and Africa	17	3
Australia and Far East	24	14
Total	652	335

B. Review of Principal Ongoing Activities in Key Areas

UNITED STATES

Operations in the U.S. are conducted by Exxon Company, U.S.A., a division of Exxon Corporation. Some of the more important ongoing activities are:

- Exploration for additional hydrocarbon resources. Activity indicators for 1981 were up substantially over 1980 with an increase of 8% in inventory of undeveloped net acreage; almost 30% in net exploratory wells drilled; and 100% in exploration expenditures. Exxon is active in essentially all the major plays onshore, offshore, and in the Arctic. The overall exploration drilling success rate during 1981 was 33%.

- Development within and around mature fields in the lower 48 states. Development drilling program was up 32% over 1980. In addition, there has been increased emphasis on tertiary techniques for recovering more oil and gas from existing reservoirs. Currently, seven such projects are underway. Excluding Alaska, over 70% of our present U.S. oil production comes from reservoirs which have some form of improved recovery program, i.e., secondary or tertiary.

- Participation in development of, and production from, the Prudhoe Bay field in Alaska. Work is in progress on a large secondary recovery waterflood program which will increase ultimate recovery and prolong the period of peak production.

- Development of Gulf of Mexico discoveries. Exxon Company, U.S.A. installed six new conventional platforms in 1981 and anticipates installing an average of about five per year for the next several years. In addition, construction is underway on the industry's first guyed tower deep water production system for installation in 1,000 feet of water at the Lena discovery.

- Development of the Santa Ynez Unit in the Santa Barbara Channel off southern California. After lengthy delays caused by environmental litigation, production from the 1969 Hondo discovery began in April 1981 and gas sales are projected to commence in mid-1983. Delineation drilling confirmed the nearby Pescado discovery.

CANADA

Operations in Canada are conducted by Esso Resources Canada Limited, a 100 percent owned subsidiary of Imperial Oil Limited which is 69.60 percent owned by Exxon Corporation. Some of the more important ongoing activities are:

- Exploration aimed at increasing the resource base. Activity in the Western Provinces, concentrated in the Elmworth-Obed-Claresholm-Fort St. John area in 1981, has been depressed as a result of Canada's National Energy Program and the subsequent Memorandum of Agreement on prices between the Federal and Alberta governments. Elsewhere, Esso successfully drilled and tested a second well at the Issungnak oil and gas discovery in the Beaufort Sea, is participating in four wells in the Arctic Islands this winter, and is continuing seismic surveys in the Atlantic offshore.

- Consideration of a large commercial-scale project to recover very heavy oil from the Cold Lake oil sands in Northern Alberta. Although the project is technically viable, it appears unlikely to proceed in the immediate future due to a number of factors including price levels for upgraded crude oil, federal tax and other fiscal arrangements, etc.

- Implementation of a development drilling and water injection program to increase production at Norman Wells in the Northwest Territories. Canadian government approval has been received, with the provision that major construction be delayed until 1983.

Latin America

On the basis of a recent delineation well in the Arauca oil discovery in Colombia, it appears that this field will be commercial. However, additional wells, one of which is currently drilling, will be needed to properly assess field size.

Europe

Exxon's share of licenses held in United Kingdom waters totaled 1.6 million net acres at year-end 1981, an increase of 20% over year-end 1980. Both independently and in joint venture with others (principally Shell U.K. Limited) Exxon acquired additional highly regarded acreage in 1981 and has significantly increased its exploration efforts. At year-end, Exxon owned an interest in two producing gas fields and five producing oil fields with a further two oil fields set to come onstream in early 1982. Gas sales from the Brent field also are scheduled to begin in 1982.

Offshore Norway, Exxon participated in four gas discoveries during 1981 and plans are to follow up with delineation drilling in 1982. At year-end, Exxon's interest in Norwegian licenses totaled 0.6 million net acres. Production from, and development of, the Statfjord field continues with installation of the second of the three platforms planned. Development of the N.E. Frigg and Odin gas fields also is underway.

In the Netherlands, Exxon's interest in licenses totaled 1.5 million net acres onshore and 1.9 million net acres offshore at year-end 1981. The most important of the onshore areas is Groningen, one of the world's largest gas fields. Significant gas discoveries also have been made offshore, and gas sales from these properties commenced in 1977.

Australia and Far East

In Australia, Exxon's year-end 1981 acreage holdings totaled 24.4 million net acres onshore and 23.3 million net acres offshore. Exploration is underway both onshore and offshore. Development to date includes nine producing platforms in seven oil and/or gas fields in the Bass Strait; one of these platforms was set during 1981. Three more platforms are under construction to develop new oil fields.

In Malaysia, Exxon had contracts covering 1.7 million net acres offshore at year-end 1981 with discoveries to date including 15 oil and 28 gas fields. Seven offshore platforms were producing in four oil fields at year end and two others, installed in 1981, began producing early in 1982.

Item 3. Legal Proceedings.

A suit filed in July 1980 is pending in the United States District Court, Middle District of Louisiana, Civil Action No. 80-358-B, in which the plaintiffs are United States of America and State of Louisiana and the defendants are Petro Processors of Louisiana, Inc., the owner and operator of a waste disposal site, and ten generator defendant corporations, including the registrant, who contracted with Petro Processors of Louisiana, Inc. for the disposal of waste material. The suit alleges improper operation and maintenance of the disposal site by the owner and operator and seeks discontinuation of use and securing of the site, clean-up of hazardous wastes and monetary sanctions. The registrant's use of the site ceased approximately nine years ago. The suit is not material to the business or financial condition of the registrant.

Cornell-Dubilier Electronics Corporation ("Cornell-Dubilier"), an indirect subsidiary of the registrant, is expected to be the respondent in an administrative enforcement action contemplated by the United States Environmental Protection Agency ("EPA") to address several alleged violations of the labeling and storage requirements of the Toxic Substances Control Act ("TSCA"). It has been alleged that violations were found during an inspection by an EPA contract firm of Cornell-Dubilier's New Bedford plant conducted during the fiscal year. If proven, this could subject Cornell-Dubilier to certain civil penalties as prescribed in TSCA. Negotiations with EPA enforcement personnel in cooperation with their state counterparts at the Massachusetts Department of Environmental Quality Engineering ("DEQE") are in progress, and are expected to result in the issuance by EPA of an administrative complaint containing allegations of TSCA violations occurring at Cornell-Dubilier's New Bedford facility on the day of an EPA inspection, and of an administrative consent order acceptable to Cornell-Dubilier. It is anticipated that the DEQE may issue a similar consent order. Since negotiations are still underway and no agreements have yet been confirmed, the registrant cannot at this time predict the terms of any consent orders to be issued. If consent orders containing the terms currently being discussed are agreed upon and issued, costs and penalties, if any, of such orders, would not have a material adverse effect on the business or assets of the registrant.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Executive Officers of the Registrant [pursuant to Instruction 4 to Regulation S-K, Item 401(b)].

Name	Age as of 3/31/82	Title (Date of Appointment)
C. C. Garvin, Jr.	60	Chairman of the Board (1975)
H. C. Kauffmann	59	President (1975)
J. F. Bennett	58	Senior Vice President (1975)
J. G. Clarke	54	Senior Vice President (1975)
D. M. Cox	59	Senior Vice President (1971)
J. F. Dean	60	Senior Vice President (1978)
M. E. J. O'Loughlin	59	Senior Vice President (1979)
L. G. Rawl	53	Senior Vice President (1980)
R. H. Beresford	53	Vice President—Petroleum Products (1979)
R. N. Dolph	56	Vice President (1976)
R. E. Faggioli	60	Vice President (1980) and Secretary (1977)
A. C. Hamilton	60	Vice President (1980) and Treasurer (1970)
R. H. Harvey	60	Vice President—Communications and Computer Sciences (1981)
E. C. Holmer	61	Vice President (1973)
W. D. Kruger	51	Vice President (1981)
R. J. Kruizenga	51	Vice President—Corporate Planning (1981)
U. J. LeGrange	50	Vice President (1980) and Controller (1977)
R. S. Lombard	54	Vice President (1980) and General Counsel (1976)
J. F. Mathis	56	Vice President—Science and Technology (1980)
W. M. McCardell	58	Vice President (1980)
G. B. McCullough	57	Vice President—Employee Relations (1980)
T. J. McDonagh	50	Vice President—Medicine and Environmental Health (1981)
Randall Meyer	59	Vice President (1973)
F. M. Perkins	53	Vice President—Gas (1980)
R. A. Schroder	55	Vice President and General Tax Counsel (1980)
D. E. Smiley	50	Vice President—Washington Office (1978)
S. Stamas	50	Vice President—Public Affairs (1973)
C. B. Wheeler	51	Vice President—Producing (1981)
R. A. Winslow	60	Vice President (1981)

For at least the past five years, Messrs. Garvin, Kauffmann, Bennett, Clarke, Cox, Harvey, McCullough, Smiley, Stamas, Hamilton, Lombard and Schroder have been employed as executives of the registrant.

The following executive officers of the registrant have also served as executives of the subsidiaries, affiliates or divisions of the registrant shown opposite their names during the five years preceding December 31, 1981:

Esso Australia Ltd.	Kruizenga
Esso Eastern Inc.	McCardell and O'Loughlin
Esso Europe Inc.	Dean, Rawl and Beresford
Esso Exploration Inc.	Faggioli
Esso Inter-America Inc.	Wheeler
Esso Malaysia Berhad	Kruizenga
Esso Middle East	Dolph and Kruger
Exxon Chemical Company	Holmer, Mathis, McDonagh and Winslow
Exxon Company, U.S.A.	Rawl, Meyer and Perkins
Exxon Enterprises	Winslow
Exxon International Company	Dolph
Exxon Minerals Company	McCardell
Exxon Pipeline Company	LeGrange

Officers are generally elected by the Board of Directors at its first meeting after each annual election of directors, each such officer to serve until his successor has been elected and qualified.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

Incorporated by reference to Notes 18 and 19 to the financial statements which notes appear on page 36 of the accompanying 1981 Annual Report to shareholders.

Item 6. Selected Financial Data.

Incorporated by reference to page 50 of the accompanying 1981 Annual Report to shareholders.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Incorporated by reference to pages 37 through 40 of the accompanying 1981 Annual Report to shareholders.

Item 8. Financial Statements and Supplementary Data.

Reference is made to the Index to Financial Statements on page IV-4 of this Annual Report on Form 10-K.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Incorporated by reference to pages 13 through 32 of the registrant's definitive proxy statement dated March 23, 1982.

Item 11. Management Remuneration and Transactions.

Incorporated by reference to pages 34 through 44 of the registrant's definitive proxy statement dated March 23, 1982.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Incorporated by reference to pages 14 through 33 and page 38 of the registrant's definitive proxy statement dated March 23, 1982.

PART IV

Item 13. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) (1) and (a) (2) Financial Statements:

See Index to Financial Statements on page IV-4.

(a) (3) Exhibits:

See Index to Exhibits on page IV-10.

(b) Reports on Form 8-K.

The Registrant has not filed any reports on Form 8-K during the last quarter of 1981.

SIGNATURES

The Registrant

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXXON CORPORATION

C. C. GARVIN, JR.
(C. C. Garvin, Jr., Chairman of the Board)

Dated March 31, 1982

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Richard E. Gutman, G. R. Weed, and H. L. Cone, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
C. C. GARVIN, JR. (C. C. Garvin, Jr.)	Chairman of the Board (Principal Executive Officer)	March 31, 1982
H. C. KAUFFMANN (H. C. Kauffmann)	Director (President and Principal Executive Officer in the absence of the Chairman of the Board)	March 31, 1982
WILLIAM A. ANDRES (William A. Andres)	Director	March 31, 1982
JACK F. BENNETT (Jack F. Bennett)	Director	March 31, 1982
RANDOLPH W. BROMERY (Randolph W. Bromery)	Director	March 31, 1982

Signature	Title	Date
J. G. CLARKE (J. G. Clarke)	Director	March 31, 1982
D. M. COX (D. M. Cox)	Director	March 31, 1982
J. F. DEAN (J. F. Dean)	Director	March 31, 1982
RICHARD DOBSON (Richard Dobson)	Director	March 31, 1982
EDWARD G. HARNESS (Edward G. Harness)	Director	March 31, 1982
JESS HAY (Jess Hay)	Director	March 31, 1982
D. S. MACNAUGHTON (D. S. MacNaughton)	Director	March 31, 1982
M. E. J. O'LOUGHLIN (M. E. J. O'Loughlin)	Director	March 31, 1982
MARTHA PETERSON (Martha Peterson)	Director	March 31, 1982
BERT PHILLIPS (Bert Phillips)	Director	March 31, 1982
L. G. RAWL (L. G. Rawl)	Director	March 31, 1982
JOHN M. RICHMAN (John M. Richman)	Director	March 31, 1982
HAROLD A. SHAUB (Harold A. Shaub)	Director	March 31, 1982
OTTO WOLFF VON AMERONGEN (Otto Wolff von Amerongen)	Director	March 31, 1982
A. C. HAMILTON (A. C. Hamilton)	Treasurer (Principal Financial Officer)	March 31, 1982
U. J. LEGRANGE (U. J. LeGrange)	Controller (Principal Accounting Officer)	March 31, 1982

INDEX TO FINANCIAL STATEMENTS

The consolidated financial statements, together with the report thereon of Price Waterhouse dated March 1, 1982, appearing on pages 25 to 36, the Supplemental Information on Inflation Accounting appearing on pages 38 to 40 and the Supplemental Information on Oil and Gas Activities appearing on pages 41 to 49 of the accompanying 1981 Annual Report to shareholders are incorporated by reference in this Annual Report on Form 10-K. With the exception of the aforementioned information, no other data appearing in the 1981 Annual Report to shareholders is deemed to be filed as part of this Annual Report on Form 10-K under Item 8. The following Consolidated Financial Statement Schedules should be read in conjunction with the consolidated financial statements in such 1981 Annual Report to shareholders. Consolidated Financial Statement Schedules not included with this Annual Report on Form 10-K have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

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Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment (Schedule VI) IV-7
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REPORT OF INDEPENDENT ACCOUNTANTS ON CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

Our examinations of the consolidated financial statements referred to in our report dated March 1, 1982 appearing on page 29 of the 1981 Annual Report to shareholders of Exxon Corporation, (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included examination of the Consolidated Financial Statement Schedules listed above. In our opinion, these Consolidated Financial Statement Schedules present fairly the information set forth therein when read in conjunction with the related consolidated financial statements.

153 East 53rd Street
New York, New York
March 1, 1982

PRICE WATERHOUSE

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the following Prospectuses constituting part of the Registration Statements on:

Form S-8 (No. 2-63961)	—1978 Stock Option Plan of Exxon Corporation;
Form S-8 (No. 2-67651)	—Reliance Electric Company Savings and Investment Plan;
Form S-8 (No. 2-71462)	—Thrift Plans of Exxon Corporation and Participating Affiliated Employers;
Form S-8 (No. 2-71463)	—Thrift Plan of the Materials Division of Exxon Enterprises, a division of Exxon Corporation;
Form S-8 (No. 2-74234)	—Exxon Employee Stock Ownership Plan;
Form S-16 (No. 2-74235)	—Exxon Dividend Reinvestment Plan;
Form S-16 (No. 2-75221)	—1,500,000 shares of Exxon Corporation Capital Stock and
Form S-16 (No. 2-76615)	—700,000 shares of Exxon Corporation Capital Stock

of our report dated March 1, 1982 appearing on page 29 of the 1981 Annual Report to shareholders of Exxon Corporation which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Consolidated Financial Statement Schedules which appears on page IV-4 of this Annual Report on Form 10-K.

153 East 53rd Street
New York, New York
March 30, 1982

PRICE WATERHOUSE

EXXON CORPORATION

Consolidated Property, Plant and Equipment (Schedule V)

1979, 1980 and 1981

(Expressed in thousands of dollars)

Classification	Balance at Beginning of Year	Additions at Cost	Retire- ments or Sales	Other Additions and/or (Deductions)	Balance at Close of Year
1979					
Petroleum and Natural Gas:					
Exploration and Production	$16,353,236	$3,399,186	$ 409,318	$(24,072)	$19,319,032
Refining and Marketing	12,119,018	971,025	216,345	(800)	12,872,898
International Marine	2,482,515	69,434	61,507	305	2,490,747
Total Petroleum and Natural Gas	30,954,769	4,439,645	687,170	(24,567)	34,682,677
Other Energy	800,119	312,911	15,130	6	1,097,906
Chemicals	3,074,766	411,036	19,063	(13,092)	3,453,647
Other	724,747	695,473 (2)	107,539	53,451	1,366,132
Total	$35,554,401	$5,859,065 (2)	$ 828,902	$ 15,798 (1)	$40,600,362
1980					
Petroleum and Natural Gas:					
Exploration and Production	$19,319,032	$3,832,043	$ 188,139	$ 10,541	$22,973,477
Refining and Marketing	12,872,898	1,167,986	245,832	(55,659)	13,739,393
International Marine	2,490,747	64,911	24,614	1	2,531,045
Total Petroleum and Natural Gas	34,682,677	5,064,940	458,585	(45,117)	39,243,915
Other Energy	1,097,906	684,508	49,692	1,360	1,734,082
Chemicals	3,453,647	398,561	25,255	(4,063)	3,822,890
Other	1,366,132	316,675	57,774	11,432	1,636,465
Total	$40,600,362	$6,464,684	$ 591,306	$(36,388) (1)	$46,437,352
1981					
Petroleum and Natural Gas:					
Exploration and Production	$22,973,477	$5,566,705	$ 913,615	$(55,897)	$27,570,670
Refining and Marketing	13,739,393	1,443,226	282,715	5,060	14,904,964
International Marine	2,531,045	77,588	98,921	(10,208)	2,499,504
Total Petroleum and Natural Gas	39,243,915	7,087,519	1,295,251	(61,045)	44,975,138
Other Energy	1,734,082	702,270	63,538	(652)	2,372,162
Chemicals	3,822,890	871,032	57,054	886	4,637,754
Other	1,636,465	342,128	88,529	20,811	1,910,875
Total	$46,437,352	$9,002,949	$1,504,372	$(40,000) (1)	$53,895,929

NOTES:

(1) Reflects transfers among functions and with respect to the total:

	1979	1980	1981
Charge to accumulated depreciation and depletion (Schedule VI—Note 2)	$(20,000)	$(40,000)	$(40,000)
Accumulated depreciation on certain assets acquired (Schedule VI—Note 2)	35,798	3,612	—
	$ 15,798	$(36,388)	$(40,000)

(2) Includes $508,336 added with the acquisition of Reliance Electric Company.

(3) Reference is made to page 29 of the 1981 Annual Report to shareholders for a description of the accounting for property, plant and equipment.

EXXON CORPORATION

Consolidated Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment (Schedule VI)

1979, 1980 and 1981

(Expressed in thousands of dollars)

Classification	Balance at Beginning of Year	Additions Charged to Income	Deductions for Retirements and Sales	Other Additions and/or (Deductions)	Balance at Close of Year
1979					
Petroleum and Natural Gas:					
Exploration and Production	$ 5,124,606	$1,076,137	$ 267,971	$(15,064)	$ 5,917,708
Refining and Marketing	5,253,302	553,626	179,261	8,282	5,635,949
International Marine	828,694	157,668	26,579	91	959,874
Total Petroleum and Natural Gas	11,206,602	1,787,431	473,811	(6,691)	12,513,531
Other Energy	186,995	38,757	3,098	1,495	224,149
Chemicals	1,196,092	171,166	25,118	10,672	1,352,812
Other	158,888	54,142	13,089	16,977	216,918
Total	$12,748,577	$2,051,496 (1)	$ 515,116	$ 22,453 (2)	$14,307,410
1980					
Petroleum and Natural Gas:					
Exploration and Production	$ 5,917,708	$1,153,972	$ 164,594	$16,770	$ 6,923,856
Refining and Marketing	5,635,949	603,140	178,214	(41,598)	6,019,277
International Marine	959,874	146,936	18,398	2	1,088,414
Total Petroleum and Natural Gas	12,513,531	1,904,048	361,206	(24,826)	14,031,547
Other Energy	224,149	48,493	44,412	1,763	229,993
Chemicals	1,352,812	199,784	18,049	(7,440)	1,527,107
Other	216,918	141,622	21,685	872	337,727
Total	$14,307,410	$2,293,947 (1)	$ 445,352	$(29,631) (2)	$16,126,374
1981					
Petroleum and Natural Gas:					
Exploration and Production	$ 6,923,856	$1,555,273	$ 799,568	$(13,535)	$ 7,666,026
Refining and Marketing	6,019,277	701,587	209,353	(16,666)	6,494,845
International Marine	1,088,414	133,706	37,231	(180)	1,184,709
Total Petroleum and Natural Gas	14,031,547	2,390,566	1,046,152	(30,381)	15,345,580
Other Energy	229,993	66,798	34,309	965	263,447
Chemicals	1,527,107	236,482	55,610	(1,471)	1,706,508
Other	337,727	167,429	20,663	1,451	485,944
Total	$16,126,374	$2,861,275 (1)	$1,156,734	$(29,436) (2)	$17,801,479

NOTES:

(1) Depreciation and depletion (page 26 of the 1981 Annual Report to shareholders) comprised:

	1979	1980	1981
Additions charged to income as above	$2,051,496	$2,293,947	$2,861,275
Amortization of intangibles	17,715	57,703	61,722
Losses/(Gains) on retirements	(42,147)	(69,345)	24,877
	$2,027,064	$2,282,305	$2,947,874

(2) Reflects transfers among functions and with respect to the total:

	1979	1980	1981
Credits to property, plant and equipment (Schedule V—Note 1)	$(20,000)	$(40,000)	$(40,000)
Accumulated depreciation on certain assets acquired (Schedule V—Note 1)	35,798	3,612	—
Charges and reclassifications to other balance sheet accounts (net)	6,655	6,757	10,564
	$ 22,453	$(29,631)	$(29,436)

(3) Reference is made to page 29 of the 1981 Annual Report to shareholders for a description of the accounting for depreciation and depletion.

EXXON CORPORATION

Consolidated Annuity and Other Reserves
(Valuation and Qualifying Accounts)
1979, 1980 and 1981 (Schedule VIII)

(Expressed in thousands of dollars)

Description	Balance at Beginning of Year	Additions Charged to Income	Losses and Payments Charged to Reserve	Other	Balance at Close of Year
1979					
Annuities	$ 703,011	$190,323	$ 81,445	$ 62,817(1)	$ 874,706
Employee service and separation allowances	136,273	39,321	22,940		152,654
Plant removal and site restoration	117,501	96,702			214,203
Other	142,937	53,461	24,080		172,318
	$1,099,722	$379,807	$128,465	$ 62,817	$1,413,881
1980					
Annuities	$ 874,706	$235,266	$118,990		$ 990,982
Employee service and separation allowances	152,654	50,588	29,804		173,438
Plant removal and site restoration	214,203	126,240	2,857		337,586
Other	172,318	45,418	48,949	$ 221,100(2)	389,887
	$1,413,881	$457,512	$200,600	$ 221,100	$1,891,893
1981					
Annuities	$ 990,982	$186,588	$161,562		$1,016,008
Employee service and separation allowances	173,438	53,260	55,200		171,498
Plant removal and site restoration	337,586	109,836	3,766		443,656
Other	389,887	106,750	86,617		410,020
	$1,891,893	$456,434	$307,145		$2,041,182

NOTES:

(1) Represents:

Charges to other balance sheet accounts	$30,628
Companies added to consolidation for first time	32,189
	$62,817

(2) Represents reclassifications from other balance sheet accounts.

EXXON CORPORATION

Consolidated Short-term Borrowings (Schedule IX)

1979, 1980 and 1981

(Expressed in thousands of dollars)

	Balance at close of year	Weighted average interest rate	Maximum amount outstanding during the year	Average amount outstanding during the year(1)	Weighted average interest rate during the year(2)
1979					
Banks and Bankers	$1,255,093	9.9%	$1,255,093	$826,676	9.8%
Holders of Commercial Paper	84,551	14.8%	105,780	90,382	12.8%
1980					
Banks and Bankers	1,152,125	14.5%	1,210,305	1,095,511	14.6%
Holders of Commercial Paper	43,559	15.8%	93,463	72,714	13.3%
1981					
Banks and Bankers	2,156,815	14.7%	2,566,946	1,722,040	15.8%
Holders of Commercial Paper	518,047	16.7%	851,526	589,220	16.2%

NOTES:

(1) Determined from quarterly balances for years 1979 and 1980 and from monthly balances for 1981.

(2) Represents the ratio of actual interest to average borrowings outstanding.

EXXON CORPORATION

Consolidated Supplementary Income Statement Information (Schedule X)

For the Years 1979, 1980 and 1981

(Expressed in thousands of dollars)

	Charged to Costs and Expenses		
Description	**1979**	**1980**	**1981**
Maintenance and repairs	$1,509,829	$1,735,395	$2,004,353
Import duties	900,418	952,662	753,754
Sales, use, value-added and turnover taxes	8,044,335	8,959,996	8,483,981
Specific taxes on petroleum industry	345,658	1,365,395*	3,507,972*

* Includes "windfall profit" tax of $594,943 in 1980 and $2,117,855 in 1981.

INDEX TO EXHIBITS

3(a). Registrant's Restated Certificate of Incorporation incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 1981.

3(b). Registrant's By-Laws, as amended, incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 1979.

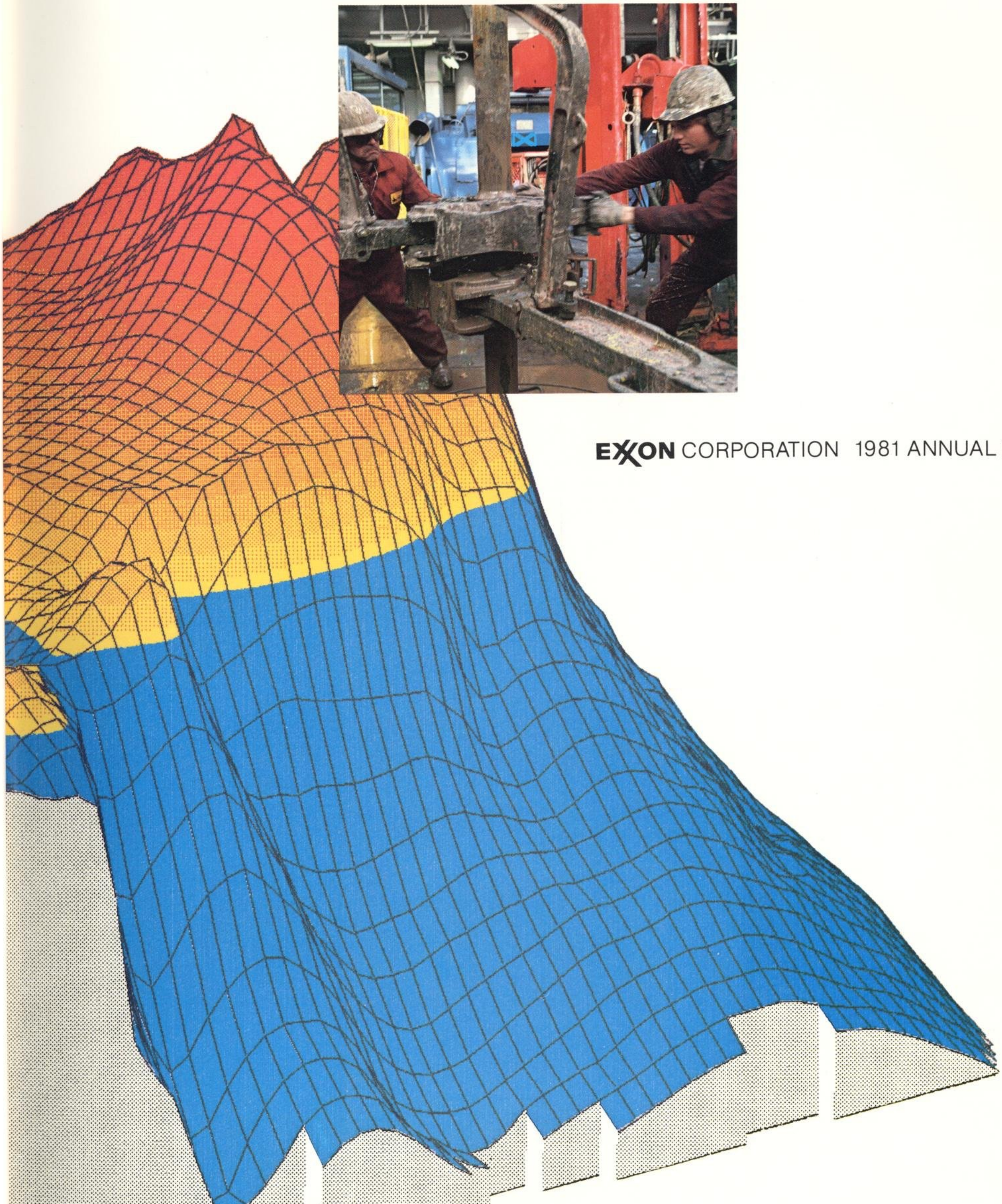
10(iii)(a). Registrant's 1978 Incentive Program, as amended.

10(iii)(b). Registrant's Plan for Deferral of Non-Employee Director Compensation and Fees, incorporated by reference to Exhibit 10(c)(ii) to the Registrant's Annual Report on Form 10-K for 1980.

13. Registrant's 1981 Annual Report to shareholders.

22. Subsidiaries of the Registrant.

The Registrant has not filed with this report copies of the instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed. The Registrant agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.



EXXON CORPORATION 1981 ANNUAL REPORT

Exxon Corporation
1251 Avenue of the Americas
New York, New York 10020
Telephone: (212) 398-3093

Divisions and affiliated companies of Exxon Corporation operate in the United States and nearly 100 other countries. The principal business is energy, involving exploration for and production of crude oil and natural gas, manufacturing of petroleum products, and transportation and sale of crude oil, natural gas and petroleum products; exploration for and mining and sale of coal and uranium, and fabrication of nuclear fuel. Exxon Chemical Company is a major manufacturer and marketer of petrochemicals. Exxon is also engaged in exploration for and mining of minerals other than coal and uranium. Reliance Electric Company, an affiliate, manufactures, markets and services a broad line of industrial equipment. Exxon conducts extensive research programs in support of these businesses and provides capital to innovative new ventures, some of which are not related to these businesses.

The terms *corporation, company, Exxon, our,* and *its,* as used in this report, sometimes refer not only to Exxon Corporation or to one of its divisions but collectively to all of the companies affiliated with Exxon Corporation or to any one or more of them. The shorter terms are used merely for convenience and simplicity.

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Financial Highlights

Unadjusted for inflation	1980***	**1981**
Earnings from operations* billions of dollars	$ 6.2	**$ 5.4**
Net income billions of dollars	$ 5.7	**$ 5.6**
Net income per share	$ 6.49	**$ 6.44**
Dividends per share	$ 2.70	**$ 3.00**
Shareholders' equity per share	$29.41	**$32.84**
Return on average shareholders' equity percent	23.6	**20.6**
Return on average capital employed percent	18.4	**14.4**
Revenue billions of dollars	$110.4	**$115.1**
Net income to revenue percent	5.1	**4.8**
Capital and exploration expenditures billions of dollars	$ 8.0	**$ 11.1**
Research and development costs millions of dollars	$ 489	**$ 630**

Adjusted for inflation (average1981 dollars)**		
Adjusted net income billions of dollars	$ 5.6	**$ 4.3**
Adjusted net income per share	$ 6.46	**$ 5.02**
Shareholders' equity per share	$52.78	**$54.06**
Return on average shareholders' equity percent	12.6	**9.4**

*Exclusive of corporate general and administrative costs, corporate interest income, interest expense, foreign exchange gains/losses and minority share of earnings, all net of related income taxes.

**Adjusted for general inflation, as described on pages 38, 39 and 40.

***Per share amounts adjusted to reflect May 1981 two-for-one stock split. See Note 3, page 30.

Cover In offshore exploration, even the point where the drill enters the earth is beyond the view of oilmen like these aboard the rig *Alaskan Star*, shown drilling a well for Exxon off the coast of Massachusetts. But computers, interpolating from data provided by wells and seismic soundings, can accurately map regions far below the earth's surface where oil may be found. The computer-plotted perspective drawing shows a structural trap composed of porous rock which holds petroleum trapped by the impermeable rock in which the structure is embedded. This formation is more than a mile below the sea bottom in Australia's Bass Strait; the colors denote distances below sea level, which range from 2,250 meters at the red peak to more than 2,375 meters in the blue area. The structure contains oil which is now being produced from the Halibut platform.

Left Another kind of offshore challenge is confronted by the 250,000-ton tanker *Esso Nederland*, breasting giant swells off the Cape of Good Hope while steaming toward Europe full of Saudi Arabian crude oil.

To the Shareholders

In August 1982, Exxon Corporation will be 100 years old. Born with the electric light and the telephone, older than radio, its centennial comes at the threshold of an age of molecular engineering and exploration of the solar system. This has indeed been a Century of Discovery.

The shareholders in this corporation, originally only a few, today number in the hundreds of thousands. You and your predecessors built Exxon by your willingness to invest in its future. The employees of the corporation and its affiliates, as diverse as the world in their nationalities and skills, have sustained Exxon by a willingness to undertake the new, the unfamiliar, the challenging. Discovery is a result of such efforts: your contributions to the corporation's success, and theirs, are recognized here with appreciation and thanks.

Both short-range and long-range factors influenced 1981 results.

During the past decade fundamental changes in the energy world have occurred more rapidly than at any time in the preceding century. The process of adjustment, which has yet to run its course, was reflected in Exxon's 1981 results. Other, more transitory factors also affected those results.

Depressed economic conditions in the United States, Canada and Europe, along with the cumulative effects of continued energy conservation, caused a drop in demand for petroleum products and chemicals. This led to significant excess capacity and higher unit costs in most of Exxon's operations. Higher taxes on crude oil and natural gas production and record oil and gas exploration costs also contributed to a 13 percent decline in operating earnings. On the other hand, the strengthening of the U.S. dollar in the first half of 1981 had a favorable effect on net income, which declined only 1.5 percent.

If, as we expect, the industrialized world's economies begin a gradual recovery later this year, a major adverse influence on short-term results will diminish. However, the effect of longer-range factors is less clear. Energy conservation and the substitution of other fuels for oil, first given impetus by the actions of the members of the Organization of Petroleum Exporting Countries (OPEC) in 1973-74, and reinforced by the oil price increases prompted by the Iranian revolution in 1978-79, could temper demand growth even with general economic recovery.

Some observers characterize the current oversupply of oil as a "glut" and talk about it as if it were a permanent feature of the energy world. It is well to recall that between 1975 and late 1978, oil supplies were also plentiful and real energy prices were stable. There was an inclination then to believe that the crisis was over, but the resulting surge in oil consumption was soon followed by a period of tight supplies in the first half of 1979. If complacency now sets in again, we may rediscover the truth of Santayana's observation that those who cannot remember the past are condemned to repeat it. A slackening of efforts to conserve energy and to develop new energy supplies could prove the so-called glut to be illusory, particularly if economic recovery is vigorous.

The future energy world does not look different in character, but there may be more time to adapt to it.

We must obviously take into account near-term considerations in protecting your investment in the company, and some of the steps we took in 1981 to adapt to the changing environment are cited in this Annual Report. At the same time, we must not let the near-term distract us from what needs doing for the long run. The future out to the year 2000—the context in which we are making investment decisions today—presents its own problems and challenges. Our planning is based on the assumption that world economic growth will average only about 3 percent per year, with energy demand growing more slowly than that because of conservation and more efficient use. The rate of energy demand growth now foreseen may give us more time to adapt to the future energy world than we previously thought, but it will not change the character of that world.

Worldwide energy demand in the year 2000 will still be greater than it is today, with sources other than oil supplying the lion's share of the growth as oil is increasingly reserved for transportation and petrochemical feedstock, where substitution of other fuels is not practicable. Supplies of oil, much of it yet

C. C. Garvin, Jr.

H. C. Kauffmann

to be discovered, will increase modestly, and by the turn of the century oil will probably be providing around one-third of all the energy consumed in the non-Communist world. The current adequate supplies of conventional oil and the favorable results of exploration have affected the pace at which synthetic fuels from coal and oil shale enter the energy picture but not the need for developing those alternative resources.

Exxon's primary objective is to be a profitable energy supplier. We have defined our strategies for attaining that objective.

As it enters its second century, Exxon's primary objective is to remain a growing and profitable supplier of energy to world markets. While petroleum will still be the largest part of our business for many years, we intend to grow as a supplier of other energy forms as the demand for them develops.

To achieve our primary objective, we plan to explore aggressively for new oil and gas reserves and to bring them into production as soon as practicable, particularly in the United States, where we expect to spend almost 60 percent of our exploration and production funds through 1985. For a number of years at least, we hope to forestall further declines in our current level of proven oil and gas reserves in the United States by replacing future production with new discoveries and extensions of existing reserves; we did so in 1981 for the first time since 1970. At the same time, we will continue our exploration and development program abroad in the expectation of making large discoveries, as we have in places like the North Sea.

We will continue to restructure our refining and marketing operations in light of changes in the marketplace, including the shift in demand from heavy fuel oil toward lighter products. Shutdowns, the conversion of refineries to produce lighter products, and the consolidation of marketing facilities are all elements of our strategy to be an efficient manufacturer and marketer of high value-added products.

We intend to become a major producer of thermal coal in the United States and in certain other countries and to establish a resource position which will support the growth of this business. Longer-range, we expect to be a profitable supplier of synthetic fuels as that industry emerges.

Although it is cyclical by nature, we also expect our petrochemical business to prosper because of our strong feedstock position and experience in managing the technologies involved. Exxon will be an energy and petrochemical company over the foreseeable future, but we plan to pursue a limited number of opportunities in other businesses to provide some measure of flexibility.

In all areas of our business, we intend to select only the most attractive investment opportunities from among the larger number we expect will be available.

Exxon's second century will see vast scientific and technological change.

The objectives and strategies described above are designed to carry Exxon well into its second century. If, as some believe, scientific knowledge grows exponentially, the next 100 years could make the last 100 look elementary by comparison. Beyond a doubt, Exxon's future will depend on technological innovation and the management of technological change. Our research and development expenditures have doubled over the last five years in real terms, after adjusting for inflation, as we continue to build the scientific and technical base needed to support our long-range business plans.

Exxon's strong financial position gives us room to maintain momentum toward our long-range objectives, despite unfavorable short-term conditions, and the flexibility to seize attractive but unexpected investment opportunities.

Finally, the ability to attract and develop strong managerial and technical talent with the confidence to deal effectively with change has always been one of Exxon's greatest strengths. It enabled Exxon to prosper and grow over the last 100 years and will sustain that growth in a second Century of Discovery.

FOR THE BOARD OF DIRECTORS
March 1, 1982

C C Garvin Jr.

C. C. GARVIN, JR., *Chairman*

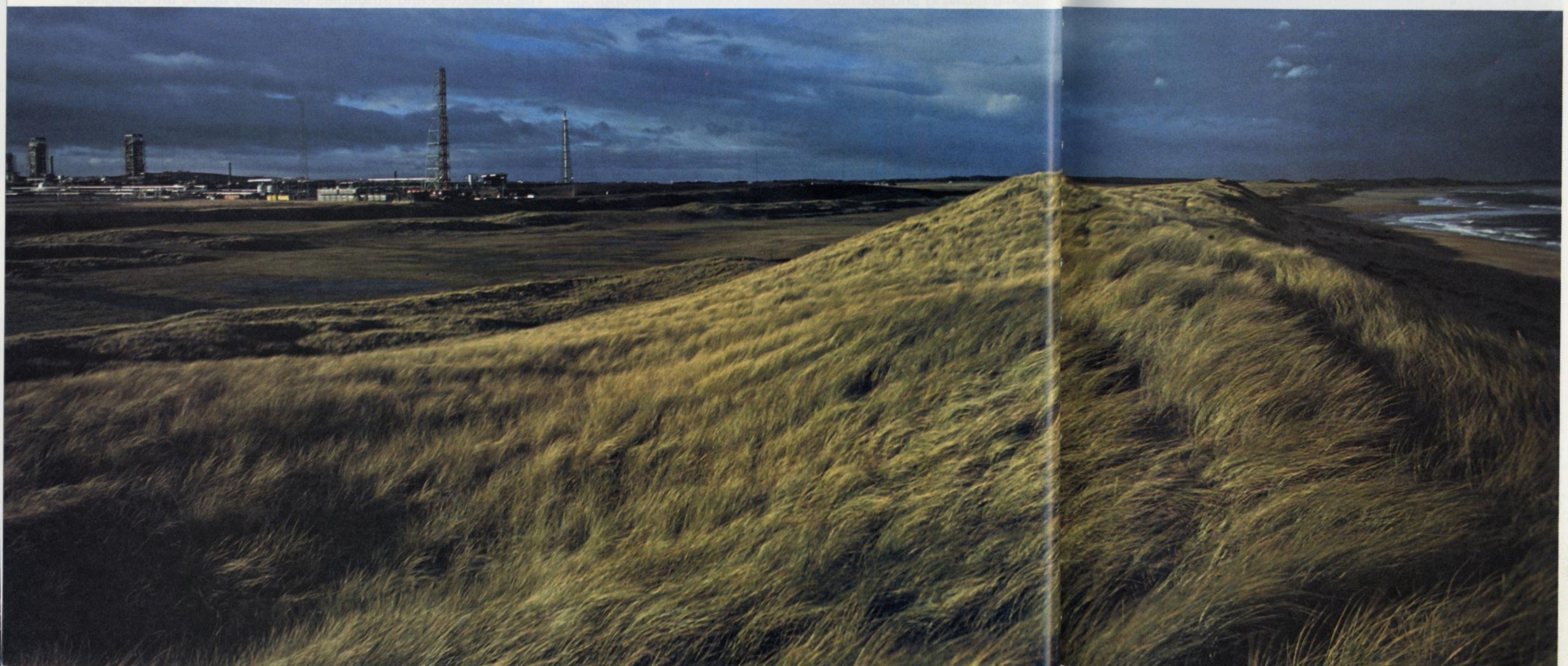
H. C. KAUFFMANN, *President*

REVIEW OF THE YEAR

Functional and geographic analysis of results	Earnings 1980	Earnings 1981	Average Capital Employed* 1980	Average Capital Employed* 1981
	millions of dollars			
Earnings from operations				
Energy operations				
Petroleum and natural gas				
United States				
Exploration and production	$2,131	$2,304	$ 7,306	$ 9,279
Refining and marketing	202	87	2,546	2,493
Foreign				
Exploration and production	1,869	1,912	5,095	5,174
Refining and marketing	1,702	1,023	7,541	8,853
International marine	34	3	1,438	1,320
Coal mining and development	3	11	358	418
Uranium and nuclear fuel fabrication	(32)	(50)	229	203
Other energy	18	48	708	1,282
Total energy operations	5,927	5,338	25,221	29,022
Chemical operations				
United States	129	133	1,480	1,780
Foreign	273	138	1,331	1,547
Reliance Electric operations	(6)	31	1,586	1,566
Minerals mining and development	(43)	(112)	273	326
Other operations	(37)	(105)	368	382
Earnings from operations	6,243	5,423	30,259	34,623
Corporate general and administrative costs	(498)	(348)		
Corporate interest income	316	300		
Interest expense	(410)	(383)	2,716	2,659
Foreign exchange gain/(loss)	194	710		
Minority interest	(195)	(135)		
Net income	$5,650	$5,567		

*Capital employed consists of shareholders' equity, debt and minority interest, including Exxon's share of amounts applicable to equity companies.

The self-propelled, semi-submersible rig *Alaskan Star* (left) has started exploratory drilling operations for Exxon on Georges Bank off the coast of Massachusetts. A gas separation plant at St. Fergus in northern Scotland (below) is scheduled for start-up in early 1982. It will process natural gas moved by subsea pipeline from fields in the North Sea in which Exxon has substantial interests. Dry gas will be sold to the British Gas Corporation. The separated liquids will undergo further processing to be sold as fuel and to provide feedstock for a major petrochemical plant in which Exxon has a 50 percent interest.



Petroleum and Natural Gas
Exploration and Production

Business Profile—Exploration and Production	1980	1981
	millions of dollars	
Earnings from operations		
United States	2,131	2,304
Foreign	1,869	1,912
Total	4,000	4,216
Average capital employed		
United States	7,306	9,279
Foreign	5,095	5,174
Total	12,401	14,453
Capital and exploration expenditures		
United States	2,395	4,353
Foreign	2,818	3,096
Total	5,213	7,449
Research and development costs	78	128
	percent	
Return on average capital employed		
United States	29.2	24.8
Foreign	36.7	37.0
Total	32.3	29.2
Net production and supplies—liquids	thousands of barrels daily	
Net production		
United States	787	752
Foreign	563	568
Proportional interest in production of equity companies	351	32
Long-term agreements with governments	1,802	2,020
Oil sands production—Canada	24	26
Other supplies available under special agreements	481	398
Total	4,008	3,796
Natural gas production available for sale	millions of cubic feet daily	
Net production		
United States	3,373	3,065
Foreign	1,264	1,364
Proportional interest in production of equity companies	2,396	2,191
Long-term agreements with governments	104	107
Total	7,137	6,727

Earnings from the upstream segment of the business increased 5 percent.

U.S. earnings were favorably affected by the full decontrol of crude oil prices early in the year, but the improvement was moderated by higher "windfall profit" and other taxes and by increased exploration expenditures. Foreign earnings were essentially level with 1980. While selling prices for Exxon-produced crude oil and natural gas rose, the effects were offset by increased operating expenses and significantly higher taxes, particularly in Canada and the United Kingdom.

U.S. reserves increased. Worldwide reserves declined slightly.

As a result of an increase in gas reserves, Exxon's combined oil and gas reserves in the United States showed an increase for the first time in more than a decade. Reserve additions due to discoveries, extensions, improved recovery and revisions in recovery estimates for existing fields more than offset volumes produced. Additions were particularly significant in the lower 48 states, where they exceeded production by 20 percent.

Excluding the effects of Exxon's withdrawal from Libya (see page 9), the company's worldwide reserve base declined by 2 percent, reflecting minor downward revisions of recovery estimates.

Intensified U.S. exploration led to several discoveries.

Exploration drilling on Exxon USA's prospects onshore and offshore continued at the highest levels since the mid-1960s.

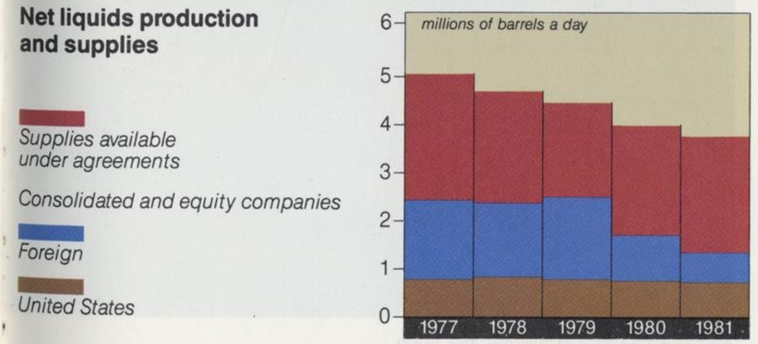
The company made two significant natural gas discoveries in the overthrust area of southwestern Wyoming, and participated in several gas finds in Louisiana, Texas and Oklahoma. Exploration drilling also confirmed commercial quantities of oil and gas at Pescado, an earlier discovery off southern California.

European exploration efforts led to gas discoveries in Norway.

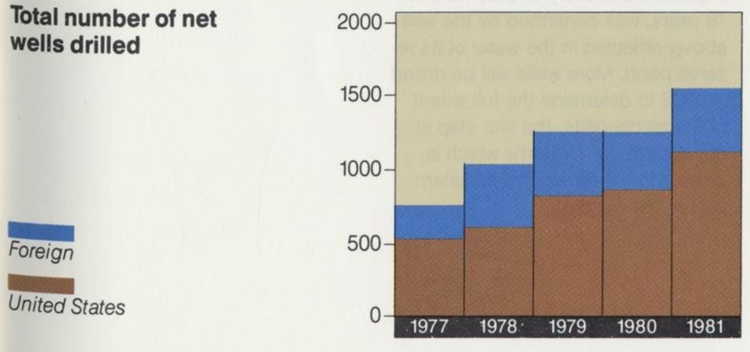
Exxon has a 25 percent share in a discovery made on acreage acquired early in the year in the Barents Sea, north of the Arctic Circle. In the area of the Sleipner field in the Norwegian North Sea, the company participated in three gas discoveries and was awarded a 40 percent share of an adjacent block of acreage.

Drilling crewman Boonsen Peersom moves rig equipment for Exxon's first well on a big exploration tract in Thailand. The well made a gas discovery.

Net liquids production and supplies



Total number of net wells drilled



Oil find confirmed in Colombia.

A confirmation well at the 1980 Arauca discovery in the northeastern part of the country proved the presence of significant quantities of oil. If the reserves are proved commercial by further drilling, production will require construction of a pipeline across the Andes at altitudes as great as 11,000 feet.

Onshore gas find made in Thailand.

A five-well program is planned to test the commerciality of the Nam Phong discovery and evaluate other prospects on Exxon's 12-million-acre concession on the Khorat Plateau. The company obtained exploration rights on another 5 million acres in this area, and will conduct a drilling program there following evaluation of seismic results.

More exploration acreage acquired in the U.S. offshore and in frontier areas abroad.

Exxon USA spent a record $1.1 billion for offshore exploration leases in the Gulf of Mexico, off the east coast and off California.

Elsewhere, Exxon acquired exploration rights on more than 100 million acres in unexplored areas where large deposits of oil and gas may still lie undiscovered. While the largest acreage additions were in Australia and Mali, there were sizable acquisitions in Brazil, Somalia and Thailand and smaller but attractive acquisitions in Spain, Italy and eight other countries. Exxon completed a total of 128 net exploration wells outside North America.

Exxon USA pushed projects to develop existing fields.

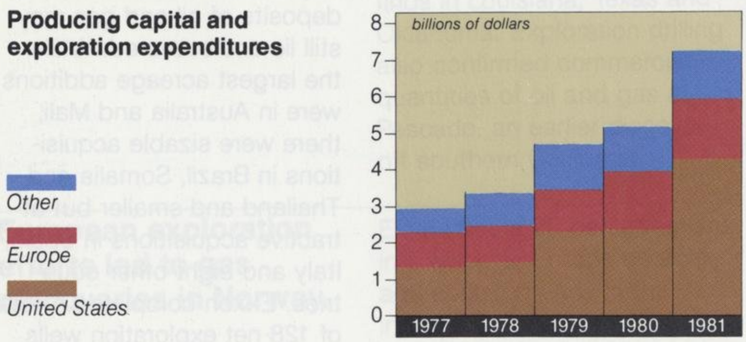
Development expenditures of $1.9 billion set a new record, and development wells drilled were up 30 percent to 934, as Exxon USA's development drilling program was at its most active level in over 20 years.

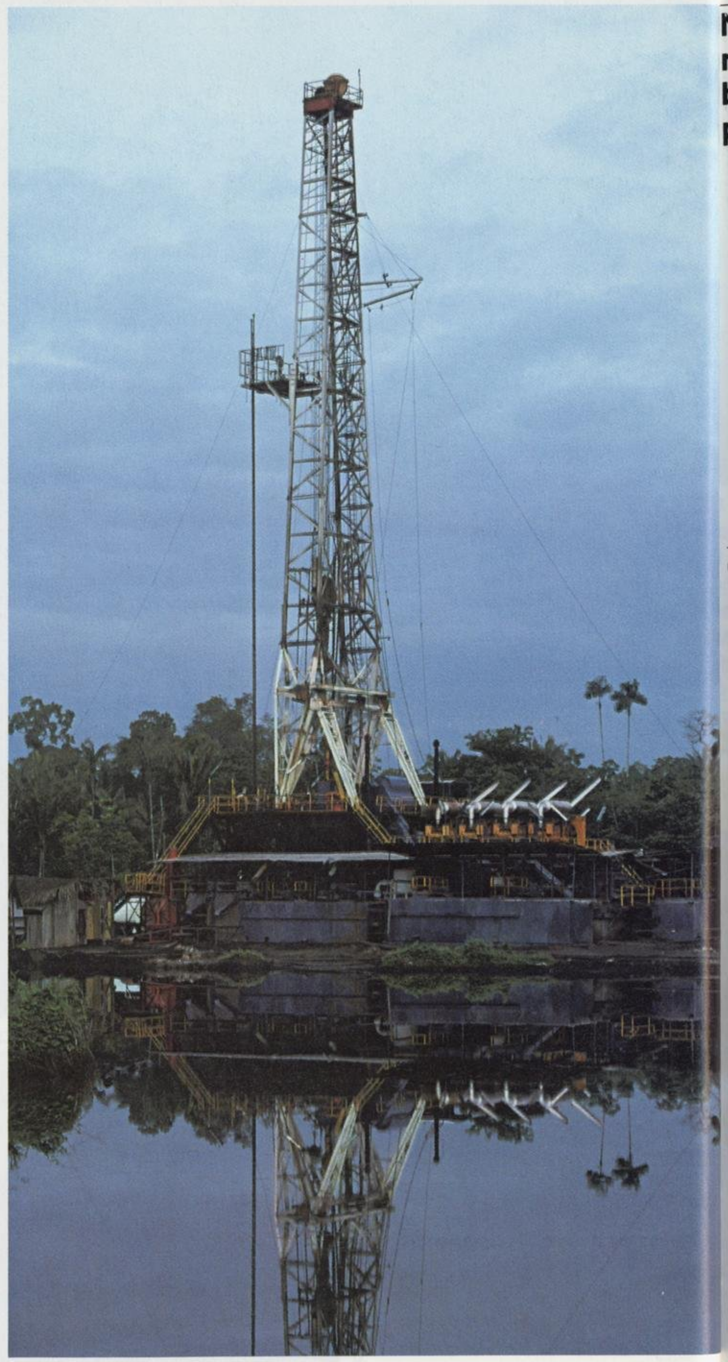
Six new production platforms were installed in the Gulf of Mexico on acreage leased in previous years.

Exxon's net share of oil production reached 29,000 barrels a day from the Hondo field offshore southern California. Production began in April, after more than 10 years of regulatory delays.

A pilot operation at the Loudon field in Illinois established that oil which cannot be produced by conventional means can be recovered by injecting surfactant chemicals into the field. In its Jay and Blackjack Creek fields in Florida, Exxon USA began major tertiary recovery projects in which nitrogen injection will be used to increase oil recovery. The Jay field project is the largest in the industry to use this nitrogen process.

Producing capital and exploration expenditures





An Exxon oil find at Arauca, the most important discovery in Colombia in 18 years, was confirmed by the well above, reflected in the water of its reserve pond. More wells will be drilled in 1982 to determine the full extent of the oil deposits, the first step in developing the property, which is located in the remote northeastern part of the country.

North Sea production reached 165,000 barrels a day. Two more platforms installed.

Exxon's net share of liquids production from fields in the North Sea increased 30 percent. Natural gas sales from Exxon's own production, all in the U.K., rose 24 percent to 376 million cubic feet a day. In U.K. waters, one platform was set in the North Cormorant field, in which Exxon has a 50 percent share. Another was installed in the Statfjord field in adjacent Norwegian waters; Exxon has an approximate 8.4 percent share in this field.

Canadian government approved plan to expand production from old oil field.

The project, at the 61-year-old Norman Wells field which lies under the Mackenzie River 90 miles south of the Arctic Circle, involves construction of artificial islands to serve as drilling and producing platforms and a 540-mile pipeline to transport crude oil to the south. It would increase production from 3,000 to 28,000 barrels a day by the mid-1980s. The government's approval was granted on condition that major construction be delayed until 1983, to allow it time to negotiate land claims with northern native groups.

Canadian heavy oil project halted.

Project work on the proposed development of heavy oil deposits at Cold Lake, Alberta, was suspended in July pending an agreement between the Federal and provincial governments on oil prices. The agreement reached in September provided for insufficient return on investment to justify reactivating the project. A pilot operation is being continued at a production rate of 8,700 barrels a day.

Exxon withdrew from operations in Libya.

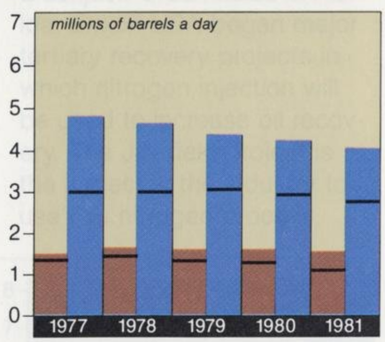
In November, the company notified the Libyan government that it was relinquishing concessionary interests in that country. An agreement was negotiated that resulted in the orderly withdrawal from all operations and transfer to the government, as of December 1, of the company's Libyan properties, which included crude oil producing facilities and a liquefied natural gas plant with associated LNG export facilities. The agreement also resulted in a payment to Exxon somewhat lower than the net book value of the assets transferred.

Exploring for oil in the Australian outback, members of an Exxon seismic crew known as "jug hustlers" lay a line of geophones on the company's 40 million-acre concession in central Queensland.

Refining and Marketing

Business Profile—Refining and Marketing	1980	1981
	millions of dollars	
Earnings from operations		
United States	202	87
Foreign	1,702	1,023
Total	1,904	1,110
Average capital employed		
United States	2,546	2,493
Foreign	7,541	8,853
Total	10,087	11,346
Capital expenditures		
United States	250	478
Foreign	947	1,066
Total	1,197	1,544
Research and development costs	93	110
	percent	
Return on average capital employed		
United States	7.9	3.5
Foreign	22.6	11.6
Total	18.9	9.8
	thousands of barrels daily	
Petroleum product sales		
United States	1,503	1,295
Foreign	3,450	3,306
Total	4,953	4,601
Refinery crude oil runs		
United States	1,246	1,111
Foreign	2,903	2,767
Total	4,149	3,878

Refining capacity and level of crude runs

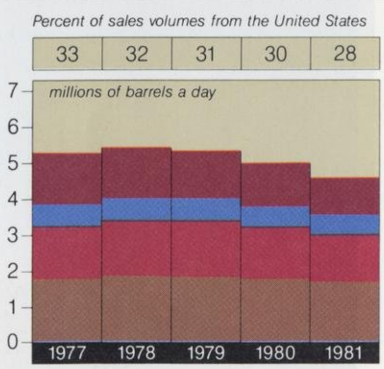


Level of crude runs

Foreign capacity

United States capacity

Petroleum product sales volumes



Heavy fuels

Specialty products

Home heating oils, kerosene, diesel oils

Aviation fuels, gasoline, naphthas

Lower world demand affected sales volumes and earnings in the downstream segment of the business.

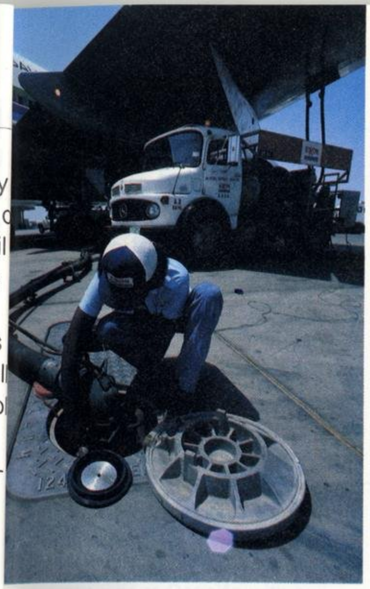
The economic recession, more efficient use of energy and continued substitution o other forms of energy for oil and gas lowered worldwide demand for petroleum products. Exxon's refinery runs and sales volumes were well below 1980 levels. Lower volumes and higher costs depressed margins, particularly in U.S. and European markets. Weak foreign currencies also depressed margins abroad, because affiliates pay for their crude oil in U.S. dollars and could not always promptly recover those higher costs in local currency market prices.

Affiliates continued to adapt operations to changing business conditions.

Exxon announced plans to shut down petroleum refining operations at Cologne, West Germany, although chemical operations are continuing there. This move, along with a previously announced FLEXICOKING project at Rotterdam, is part of a worldwide program to improve the efficiency of refining and marketing operations and adapt them to lower projections of total demand combined with growing requirements for a lighter product mix. The company spent $140 million on capital improvements to increase energy efficiency in refining and marketing.

Imperial announced a major refinery expansion in Alberta.

An investment of $250 million at the Strathcona refinery outside Edmonton will bring its total year-round refining capacity to 173,000 barrels a day, with supporting facilities to produce jet and diesel fuels and asphalt, which are in strong market demand in western Canada. At year-end, engineering work was well advanced on the project scheduled for completion by 1983.



t the vast King Abdulaziz International Airport, which opened in 1981 t Jeddah, Saudi Arabia, aircraft fueling service is provided by Aviation Services Saudi Arabia, Ltd., a joint venture of Exxon and a Saudi company. The crewman above connects a hose o a fuel hydrant preparatory to filling he tanks of a jetliner.

The look of the future is exemplified by this Dallas service station, one of several prototype stations around the world which introduced Exxon's new retail identification system in 1981. To be phased in over the next few years, the system covers service station architecture, lighting, signs, pumps and product packaging. It features simple, clean lines as well as stronger identification and more consistency in the use of trademarks, integrated in what a national magazine calls a "quietly assertive unit that should calm America's roadside clutter." Existing stations can be modified to incorporate the new design at a relatively modest cost. The fuel pump shown here is the multi-product dispenser introduced in 1981 by Exxon's Gilbarco affiliate.

International Marine

Business Profile—International Marine	1980	1981
	millions of dollars	
Earnings from operations	34	3
Average capital employed	1,438	1,320
Capital expenditures	65	78
Research and development costs	5	3
	millions of deadweight tons	
Average capacity, owned and chartered		
Owned vessels	16.8	16.8
Chartered vessels	8.6	6.7
Total	25.4	23.5

Transportation requirements reduced due to lower oil demand.

The company took further steps to reduce the size of its international fleet in light of lower projections for crude oil demand. Five ships totaling 717,000 deadweight tons were retired, continuing a program started in 1975 to dispose of older, less efficient vessels.

Coal Mining and Development

Business Profile—Coal Mining and Development	1980	1981
	millions of dollars	
Earnings from operations		
Operating mines	22	33
New business and mine development costs	(19)	(22)
	3	11
Research and development costs	2	4
Average capital employed	358	418
Capital and exploration expenditures	52	182
Revenue	159	204
	millions of short tons	
Recoverable reserves	10,500	10,630
Production	11.4	14.4
Design capacity		
Existing operations	36.0	37.5
Under construction	9.3	9.8
Mines		
In operation	4	5
Under development	2	2

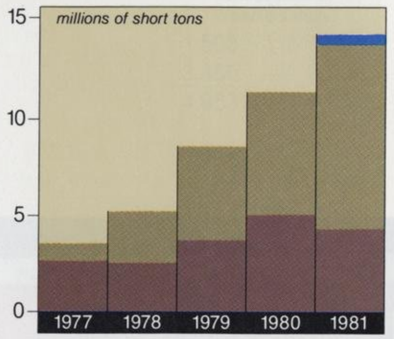
Coal production

Canada—surface

United States

Surface

Underground



U.S. production and earnings increased despite strike.

Exxon USA's coal output reached a record 13.9 million tons, as the continued build-up of production in Wyoming more than offset a 10-week shutdown of the company's eastern underground mines caused by a strike.

Imperial acquired Canadian mine, plans expansion.

Imperial plans to expand the production capacity of the Byron Creek mine in British Columbia to at least 2.2 million tons of thermal coal per year for sales within Canada and for export to the Far East.

Colombian coal sold for delivery in Ireland.

The contract with the Electricity Board of Ireland calls for delivery of 1.8 millio metric tons of coal over six years beginning in 1986. It will come from the $3 billion Cerrejón project, in whic Exxon is a partner with a Colombian government company.

Exxon bought share of Australian coal deposit.

The Gloucester thermal coal deposit in New South Wales has reserves suitable for a 2 million ton-per-year mine. Exxon acquired a minority interest in the deposit from private owners, and mine development planning is under way.

On Colombia's Guajira peninsula, workers last year completed the roadbed for a 100-mile access road linking coal deposits at Cerrejón with a site on the coast where a coal port is under construction. Exxon's joint venture at Cerrejón is scheduled to start up in 1986 and to produce 15 million metric tons of coal per year by 1989, nearly all of it for export.

Uranium Mining and Nuclear Fuel Fabrication

Business Profile—Uranium Mining and Nuclear Fuel Fabrication	1980	1981
	millions of dollars	
(Losses) from operations		
Operating results	(18)	(41)
Exploration costs	(14)	(9)
	(32)	(50)
Research and development costs	17	14
Average capital employed	229	203
Capital and exploration expenditures	72	42
Revenue	183	273
	thousands of metric tons	
Uranium concentrates		
Recoverable reserves—contained U_3O_8		26
Ore milled		1,036
Production of U_3O_8—millions of pounds	3.6	3.1
Mines		
In operation	3	3

Seven fuel fabrication contracts signed. Major litigation settled.

Exxon Nuclear Company signed new contracts or contract extensions with seven utilities for the fabrication of nuclear fuel for delivery over the next nine years. The company substantially completed the renegotiation of uranium and fuel fabrication contracts dating from the early 1970s. Uranium contract and antitrust litigation with Gulf Oil Corporation was settled. Litigation continues with two utilities over other issues.

Uranium exploration curtailed in light of reduced demand projections. U.S. mines to be shut down.

Increased losses were mainly due to the booking of costs associated with the planned shutdown of U.S. mining operations by year-end 1983.

Affiliates stopped uranium exploration, and Imperial deferred development engineering at its deposit in Saskatchewan. A pilot extraction operation was successfully completed at the Yeelirrie deposit in Western Australia.

Laser enrichment research project terminated.

A joint venture to develop techniques for separating uranium isotopes with laser beams was ended. Exxon has concluded its research activities in nuclear enrichment and reprocessing because of uncertainties in the outlook for private participation in these operations.

Centerpiece of a $340 million project to develop the Exxon Donor Solvent process, this pilot plant (above) at Baytown, Texas, can convert 250 tons of coal per day into liquids suitable for use in gasoline, heating oil and other products. Key to the process is the continuous recycling of a solvent to the four-tower reactor at center, where it is enriched with hydrogen gas. The hydrogenated solvent is mixed with powdered coal and fed to liquefaction reactors, where coal is converted to liquid products.

On the high mesas of northwestern Colorado (right), graders level a site where retorting facilities will be built to process oil shale mined from surrounding deposits. This site, nearly 1,000 feet above the mine entrance, was selected to minimize the environmental impact of retorting operations. Exxon has a 60 percent interest in the Colony project, scheduled to start up in 1986 with an ultimate production target of 47,000 barrels a day of upgraded synthetic oil.

Other Energy Ventures

Business Profile—Other Energy	1980	1981
	millions of dollars	
Earnings from operations		
Operating results	32	50
Business development costs	(14)	(2
	18	48
Research and development costs	51	70
Average capital employed	708	1,282
Capital expenditures	602	518

Exxon coal liquefaction process successfully tested in pilot plant.

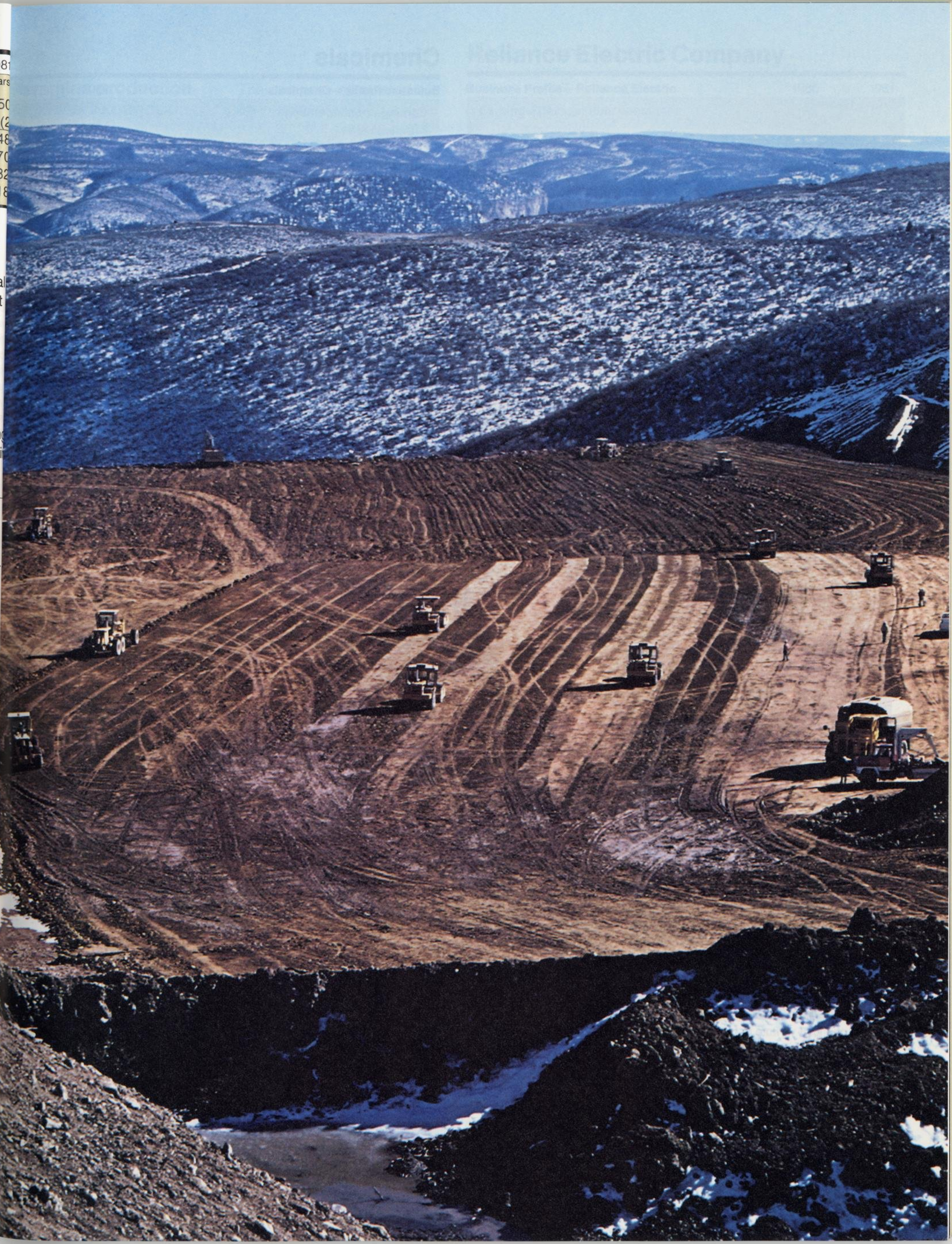
The Baytown, Texas, pilot plant developing the Exxon Donor Solvent process for making liquid fuels from coal completed a successful test on Illinois coal and began a test on Wyoming coal. The research program is funded by the U.S. government, Exxon and other private investors, with Exxon acting as operator. Pilot plant testing is scheduled for completion in October 1982.

Australian oil shale project delayed for reappraisal.

Exxon renegotiated arrangements with two Australian companies which are participants in a joint venture for the possible future development of the Rundle shale deposit in Queensland after technical and engineering studies indicated that costs would be substantially higher than originally estimated. Further investigations are under way to assess the retorting technologies for processing the shale and the extent of the mineable resource.

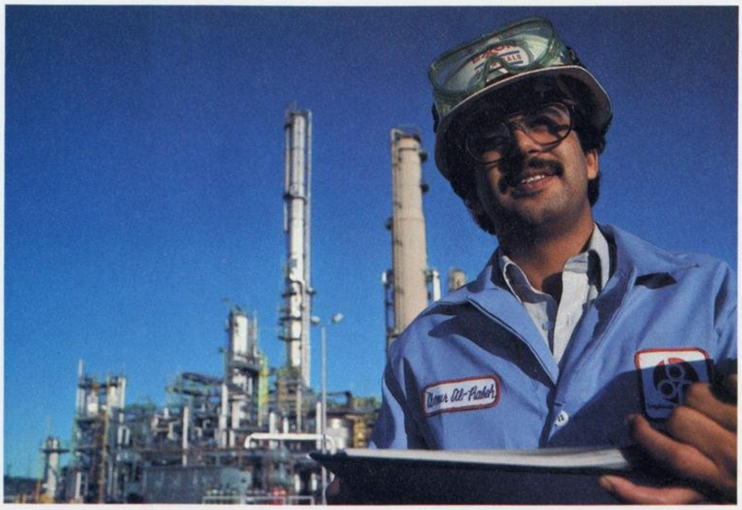
Exxon to participate in new power generation plant in Hong Kong.

An Exxon affiliate signed agreements for a 60 percent participation with China Light & Power Company in the first phase of an expansion of generating facilities to meet the Crown Colony's demand for electric power in the late 1980s. The $2.5 billion coal-fired plant will be located next to generating facilities which an affiliate of the two companies is already building.



Chemicals

Business Profile—Chemicals	1980	1981
	millions of dollars	
Earnings from operations		
United States	129	133
Foreign	273	138
Total	402	271
Average capital employed		
United States	1,480	1,780
Foreign	1,331	1,547
Total	2,811	3,327
Capital expenditures		
United States	260	394
Foreign	155	503
Total	415	897
Research and development costs	72	93
	percent	
Return on average capital employed		
United States	8.7	7.5
Foreign	20.5	8.9
Total	14.3	8.1



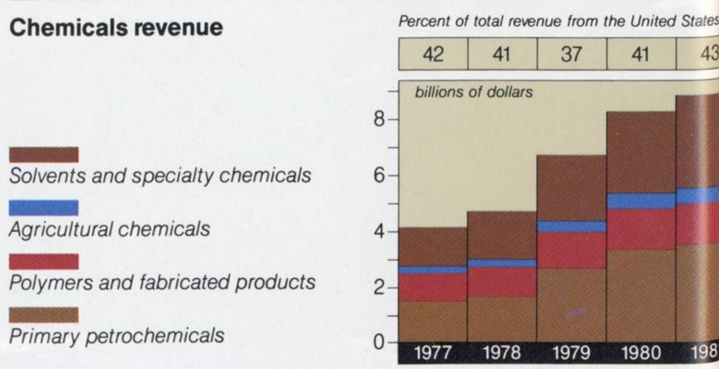
As part of a joint venture to build and operate a linear low-density polyethylene (LLDPE) plant in Saudi Arabia, Exxon Chemical is conducting extensive training programs at its facilities in Texas and Louisiana for Saudi Arabians who will play key roles in managing and operating the new plant when it opens late in 1984. Chemist Amir Al-Rabeh (above) is getting in-depth operating experience at the company's olefins plant in Baytown, Texas. Instructor Michael Reid is shown with Saudi Arabian students in the training center at Mont Belvieu, Texas, where Exxon Chemical is about to start up an LLDPE plant that uses the same technology planned for the Saudi venture.

Improved margins helped U.S. earnings as foreign earnings declined.

Sales revenues of Exxon Chemical Company were essentially flat and worldwide earnings were off 33 percent reflecting lower demand for petrochemicals. U.S. earnings, which had been depressed in 1980, rose 3 percent. In foreign markets, which had been stronger in 1980, earnings were down 49 percent due to lower volumes and margins, particularly in Europe and Canada.

High-technology specialty businesses, including specialty solvents, synthetic elastomers, petroleum resins, oilfield chemicals and Paramins lubricant additives, accounted for 25 percent of total revenues and 58 percent of total earnings. The most severe earnings declines were in the commodity businesses, particularly plastics and fertilizers.

Chemicals revenue

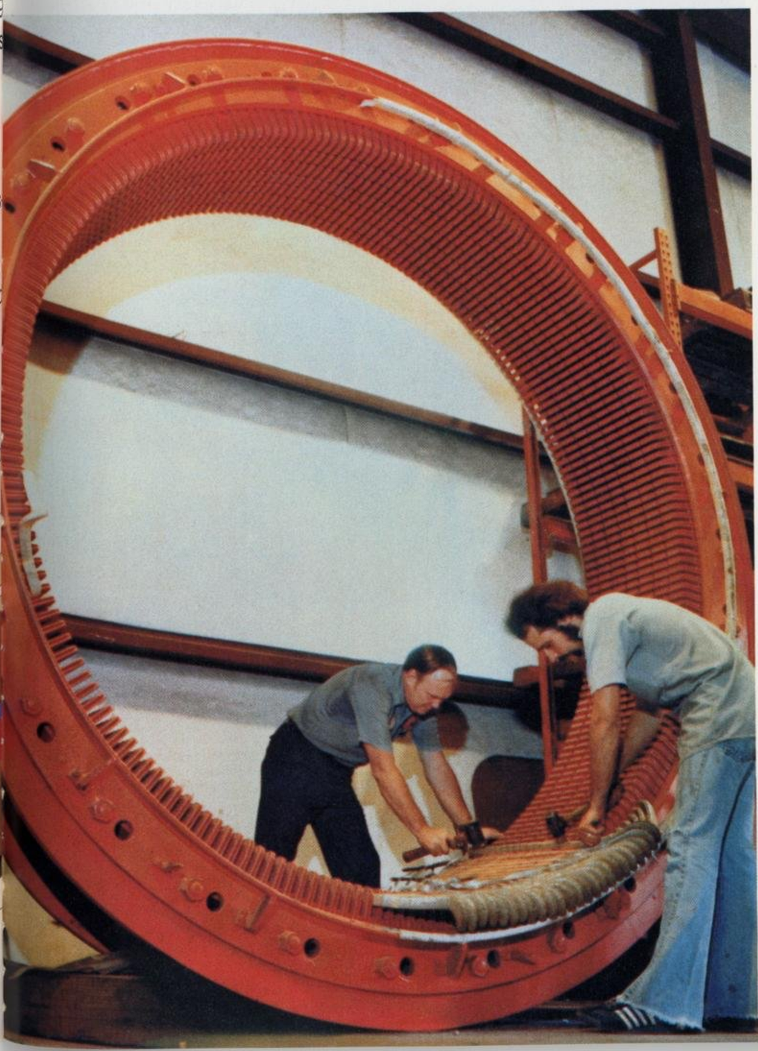


Paramins production facilities expanded.

The company completed a major expansion of the Paramins additive plant in Brazil, and started up a plant in Venezuela in a joint venture with a private company. Construction began on a major plant in Singapore designed to serve the Asia-Pacific market.

Work started on big plastics project in Saudi Arabia.

Construction began on a 260,000 ton-per-year linear low-density polyethylene plant at Al-Jubail, a joint venture of Exxon Chemical and Saudi Basic Industries Corporation, a government company. The plant is scheduled for start-up in late 1984.



Technicians rewind the stator of a large AC motor at Reliance Electric's Cleveland Service Center, one of many regional centers operated by the company's industrial services department. The department's experts also make field calls and service both Reliance equipment and electrical and mechanical equipment made by others.

Reliance Electric Company

Business Profile—Reliance Electric	1980	1981
	millions of dollars	
Earnings/(losses) from operations		
Operating results	1	39
Business development costs	(7)	(8)
	(6)	31
Research and development costs	29	34
Average capital employed	1,586	1,566
Capital expenditures	83	102

Sales and earnings increased despite recession.

Results improved in the face of adverse economic conditions in many key markets, both in the United States and abroad. Sales of electric motors and mechanical power transmission products showed sizable gains. The company made sales gains in its telecommunications business in spite of a severe decline in housing starts and other construction activity which strongly affects this business.

Development work ended on alternating current synthesis project.

In March, Reliance terminated further development work on the Exxon alternating current synthesis project. Although the project's original concept appeared promising in laboratory work, it was determined that it would not be cost-effective. An alternative concept was explored, but did not offer a significant competitive advantage over existing products, and the activity was terminated in August.

Minerals Mining and Development

Business Profile—Minerals Mining and Development	1980	1981
	millions of dollars	
(Losses) from operations		
Operating results	(12)	(62)
Mine pre-development and development costs	(18)	(31)
Exploration costs	(13)	(19)
	(43)	(112)
Research and development costs	5	6
Average capital employed	273	326
Capital and exploration expenditures	122	115
Revenue	71	83
	thousands of metric tons	
Recoverable reserves—contained metal		
Copper		9,954
Lead		337
Zinc		4,234
Molybdenum		123
Production		
Copper	35	52
Lead/zinc concentrates	13	4
Mines		
In operation		
Copper	2	3
Lead/zinc	1	—
Under development		
Copper	1	—

Copper output rose in Chile.

Compañia Minera Disputada produced 39,200 metric tons of copper in both blister and concentrate form, up 34 percent, but low copper selling prices resulted in an operating loss.

Minerals find confirmed in Australia.

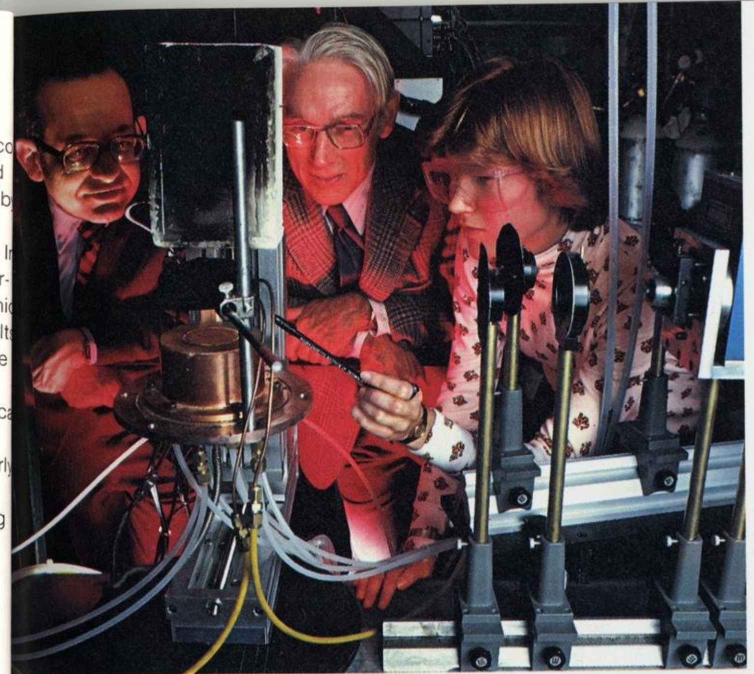
Drilling confirmed a significant zinc/copper orebody at Golden Grove in the Western Australia interior. Exxon has a 31.2 percent share of the property.

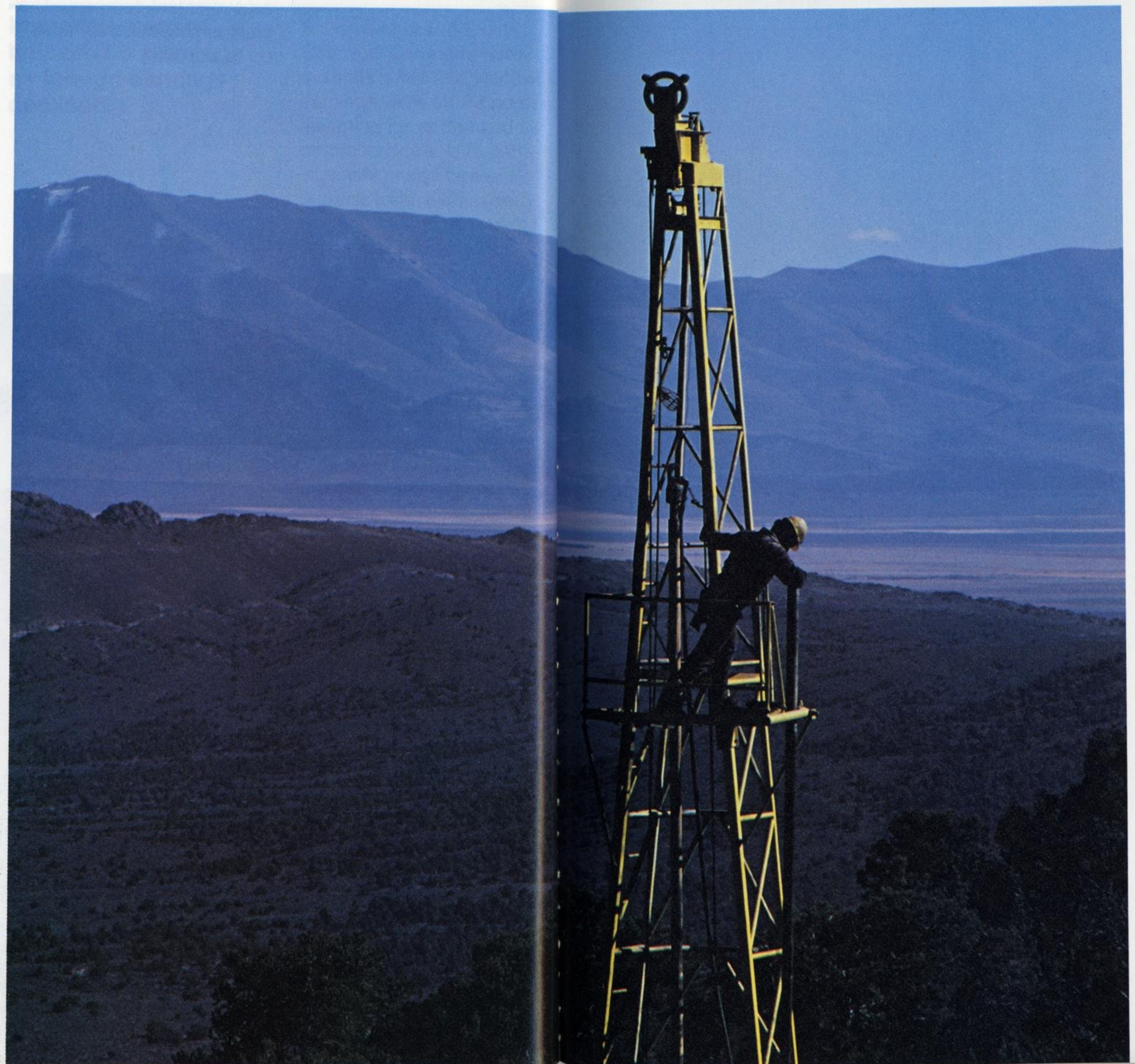
Exploration rights awarded in Papua New Guinea.

Exxon will explore for copper and other metals on concessions totaling 52,000 square kilometers in Papua New Guinea, including New Britain and New Ireland islands and a large tract on the country's mainland.

After 2½ years of exploratory drilling on the slopes of Mt. Hope in central Nevada, Exxon confirmed the discovery of a major deposit of molybdenum ore. The rig (right) is drilling one of 70 core holes planned in a program to delineate the deposit.

A fundamental understanding of co bustion is the goal of a sponsored research project being carried on b Exxon Research and Engineering Company and the Massachusetts I stitute of Technology. Exxon underwrites the cost of the research, whic is being done at MIT, and the result will be published. Shown (right) are Dr. Adel F. Sarofim and Dr. John P. Longwell, MIT professors of chemica engineering who are the project's principal investigators, and Kimberl E. Ritrievi, a Ph.D. candidate in chemical engineering who is doing project research.





Other Operations

Business Profile—Other Operations	1980	1981
	millions of dollars	
(Losses) from operations,		
Operating results	(27)	(99)
Business development costs	(10)	(6)
	(37)	(105)
Research and development costs	79	97
Average capital employed	368	382
Capital expenditures	219	168

Exxon Office Systems streamlined its business, introduced new line of information processors.

The company introduced the Exxon 500 Series Information Processor, which will be the initial work station in an evolving line of systems products for the office.

Manufacturing facilities at Orlando, Florida, are being consolidated with operations at Lionville, Pennsylvania. The company's work force was reduced from 5,700 to 3,900 during the year. Increased losses for Exxon Office Systems were mainly due to one-time costs associated with streamlining the organization and disposition of obsolete inventory.

Multi-product dispenser marketed by Gilbarco.

Gilbarco, Inc., an affiliate, is a leading manufacturer of service station pumps and equipment. Its new dispenser, installed at some 100 modernized stations in the United States, is equipped with six high-hang hoses and computerized controls, and can dispense three products or grades of fuel from each side. The device reduces space requirements for service station islands and simplifies transactions for customers and cashiers.

Public Service Programs

Support for public service activities increased by 18 percent.

Contributions in the United States totaled $45 million, including $22 million in grants by the Exxon Education Foundation.

Additional grants for engineering education will mark Exxon's centennial.

The Exxon Education Foundation announced a $15 million program to help relieve serious faculty shortages in the engineering field. Funds will go to 66 U.S. colleges and universities to create 100 teaching fellowships and to provide 100 salary support grants for junior faculty.

The Foundation also gave $1.8 million to the engineering schools of six traditionally black colleges to support faculty development.

Exxon started a matching gifts program to aid cultural groups.

Gifts by employees or annuitants to U.S. museums, performing arts groups, historical societies and other nonprofit cultural institutions are matched dollar for dollar by Exxon. The Exxon Education Foundation continued its program to match gifts to colleges and universities on a 3-to-1 basis.

Public TV performance a "triple play" for Exxon arts support programs.

The premiere of Carlisle Floyd's opera *Willie Stark* inaugurated the ninth season of *Great Performances,* the television series which has been supported by Exxon since its inception. The work was developed at the Exxon-funded Music Theater Workshop of the National Opera Institute. Conductor John DeMain had trained under an Exxon/National Endowment for the Arts program managed by Affiliate Artists to help young conductors develop their talent.

Equal Employment Opportunity

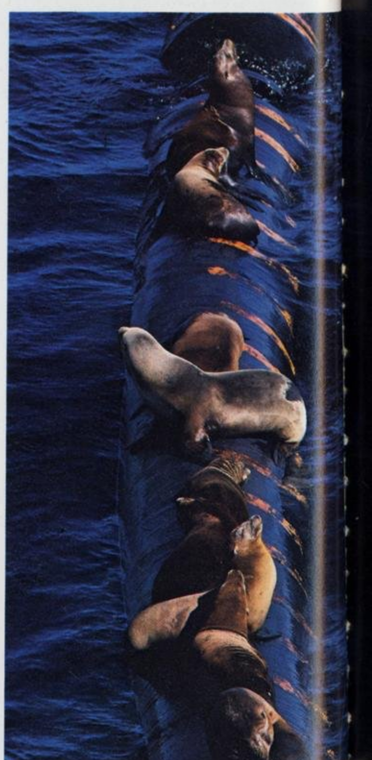
Employment of minorities and women continued to grow.

At year-end, minority employees accounted for 17.2 percent of Exxon's U.S. work force and women 26.7 percent.

More than one-third of the company's U.S. employees are in managerial or professional positions. Minority employees held 6.6 percent of managerial jobs at year-end compared to 5.9 percent at the end of 1980, and women held 7.7 percent against 6.8 percent a year earlier. Professional jobs held by minorities increased from 10.1 to 10.5 percent and those held by women from 14.9 to 16.6 percent.

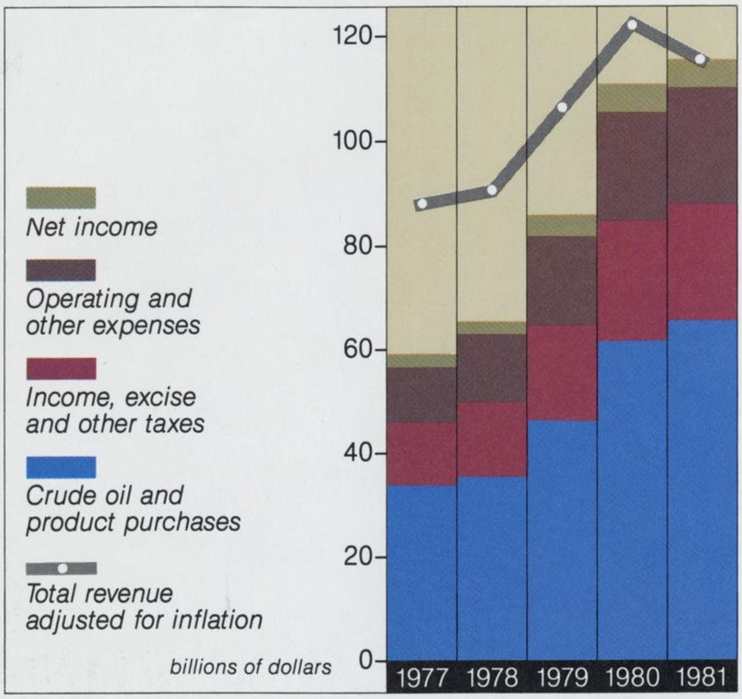
Exxon hired 11,216 persons in the United States: 19.8 percent represented minorities and 40.6 percent were women. The company actively recruited college graduates in business administration, accounting, science and engineering. Minorities represented 12.8 percent of graduates hired and women 21.6 percent.

Crude oil produced at the Hondo platform off southern California (far right) is moved by subsea pipeline to an offshore storage and treating ship moored two miles away. The vessel shown here is a work boat moored to the platform and a nearby buoy. The sun deck for seals is the buoyant pipeline used to transfer crude oil from the storage vessel to tankers.



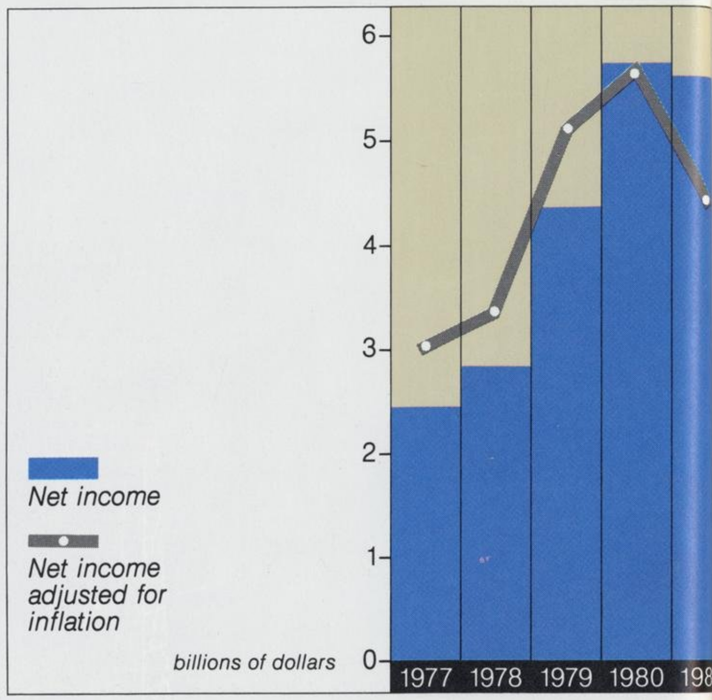
Revenue has doubled, but so have total costs.

Net income in 1981 was 4.8 percent of revenue, about the average for the previous four years.



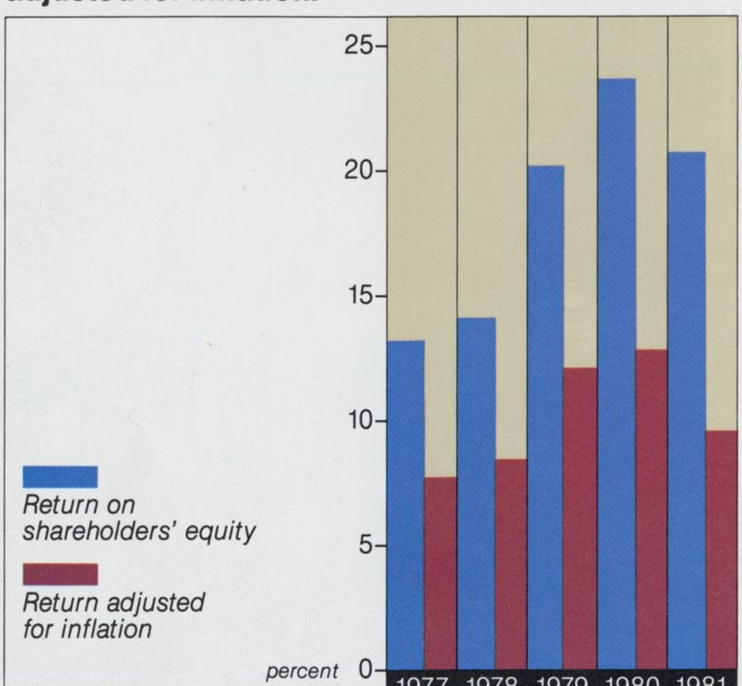
Net income has grown at an average annual rate of 23 percent.

Net income in 1981 was 1.5 percent lower than in 1980. Adjusted for inflation, it was 23 percent lower.



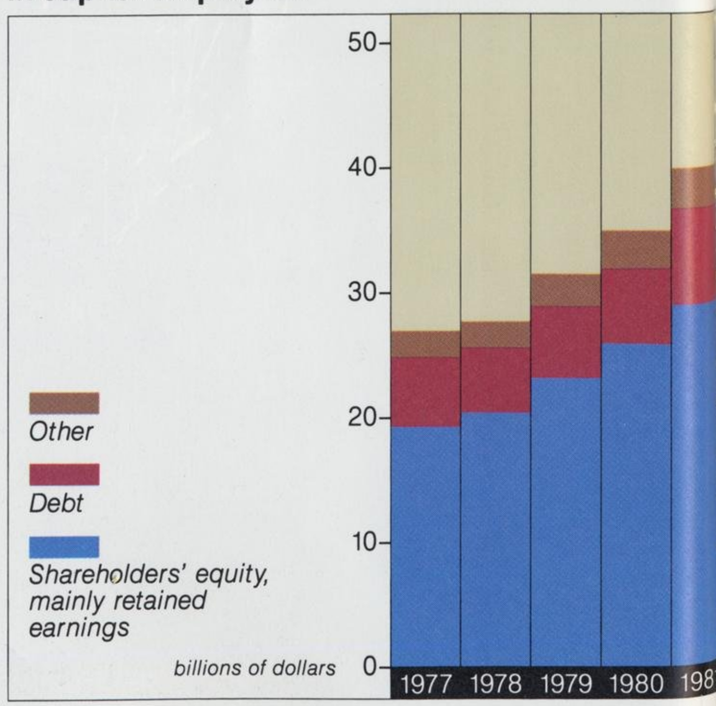
Exxon's return on equity has averaged 18 percent, or 10 percent adjusted for inflation.

In 1981, the return decreased due to lower earnings and increased investment.



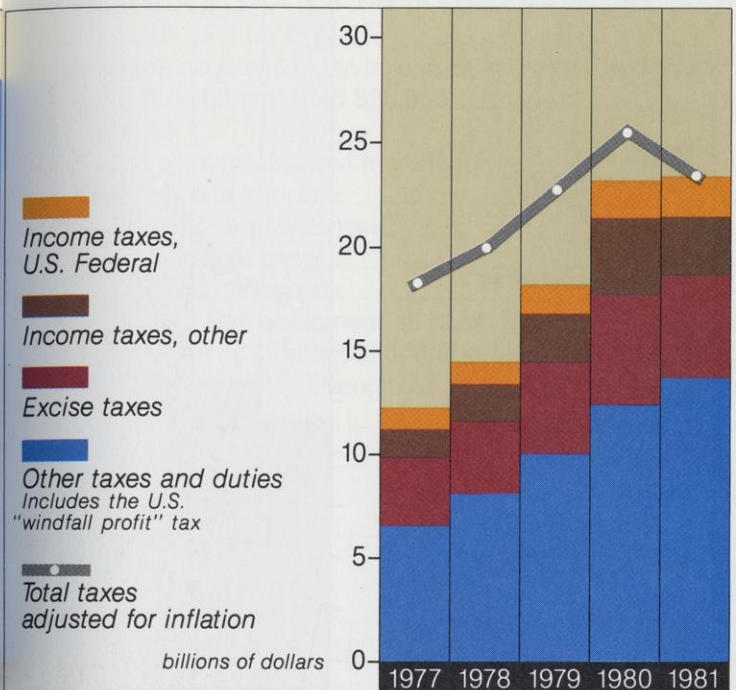
Retained earnings have provided most of the 50 percent growth in capital employed.

At year-end 1981, debt amounted to 21 percent of total capital employed in the business.



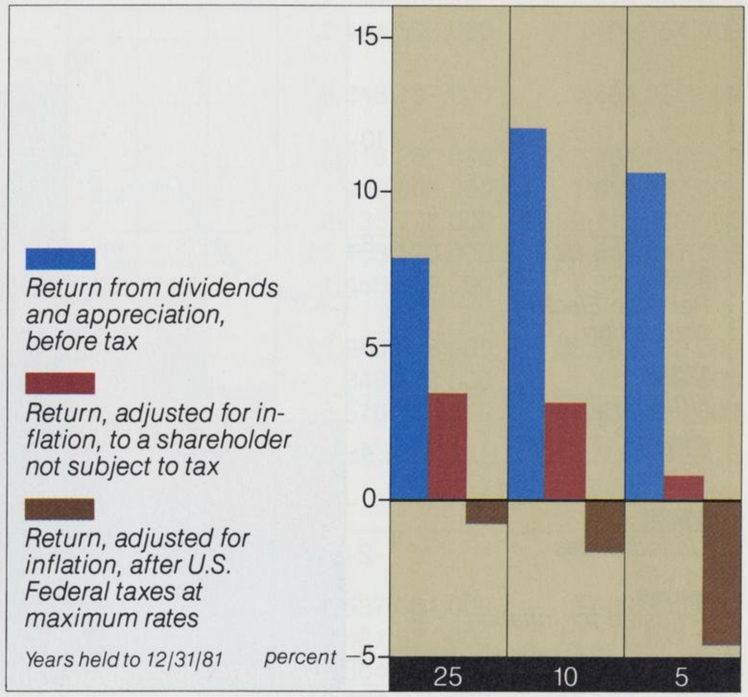
Taxes have increased 18 percent per year, about the same as revenue growth.

Although net income decreased in 1981, other taxes and duties not based on income increased 12 percent.



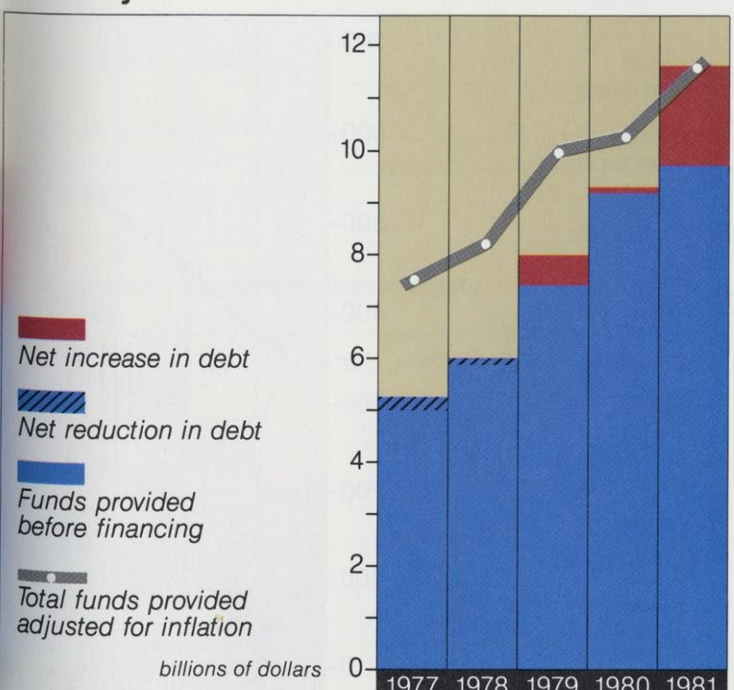
Inflation and taxes have reduced the return to a shareholder from holding Exxon stock.

Downturn of the stock price to below book value at year-end 1981 further reduced the shareholder's return.



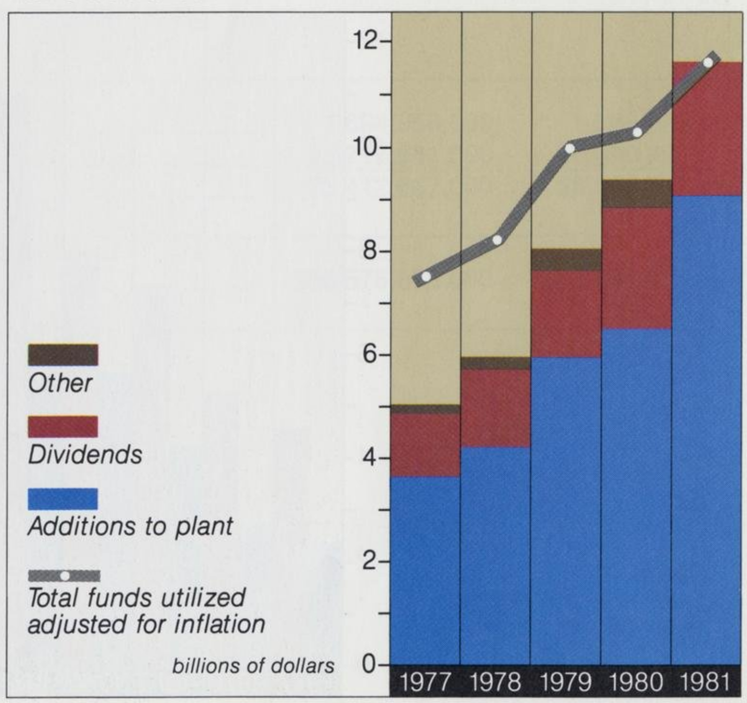
About 95 percent of funds provided have been generated internally.

In 1981, $1.9 billion was added to debt, 17 percent of the total funds provided.



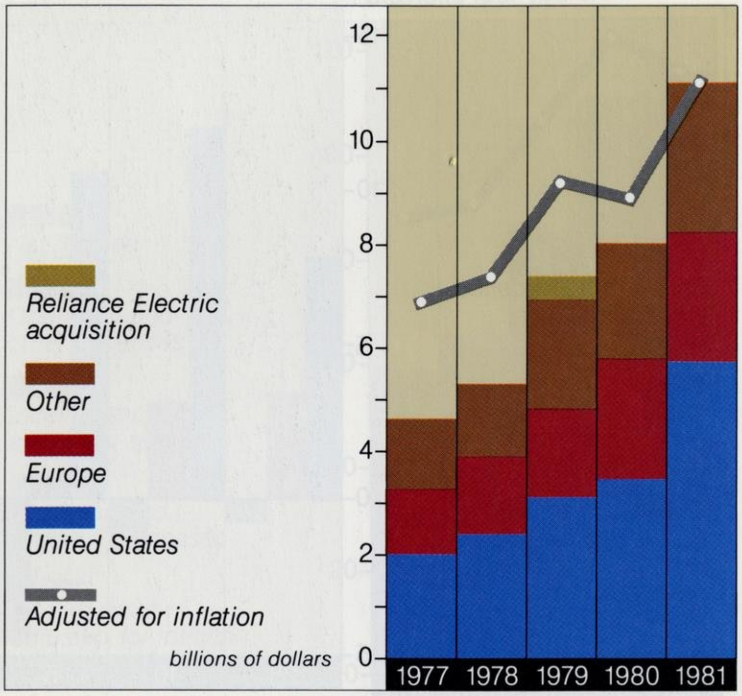
Additions to plant have taken 73 percent of funds utilized. Dividends have doubled.

In 1981, additions to plant increased about 40 percent and accounted for 78 percent of the funds utilized.



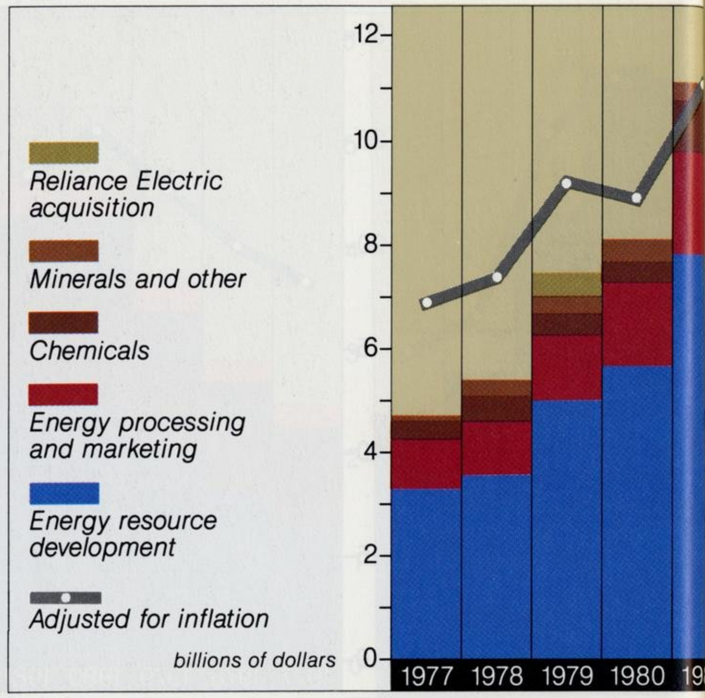
Capital and exploration expenditures have almost tripled.

About 75 percent of these expenditures have been in the United States and Europe.



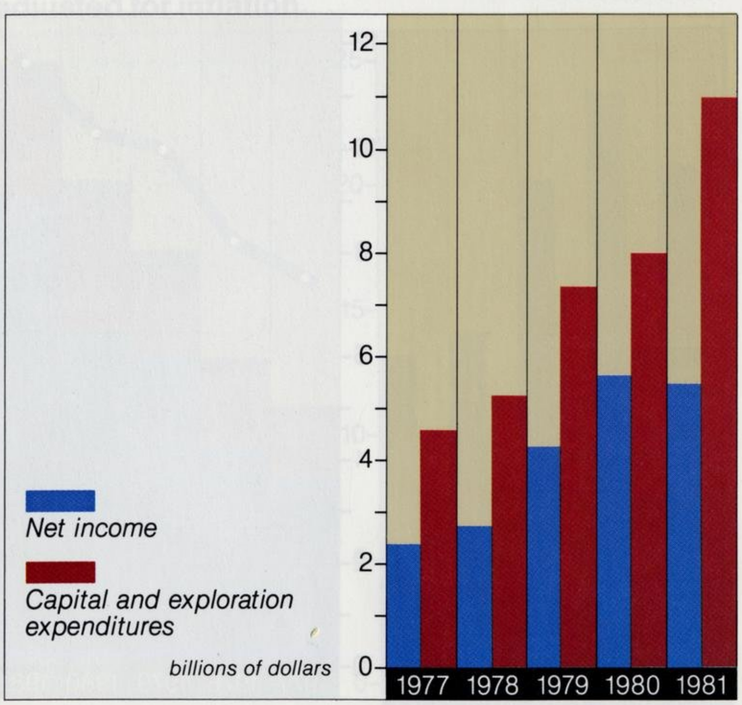
Almost 90 percent of capital and exploration expenditures have been energy related.

Another 7 percent of these expenditures have gone for chemicals.



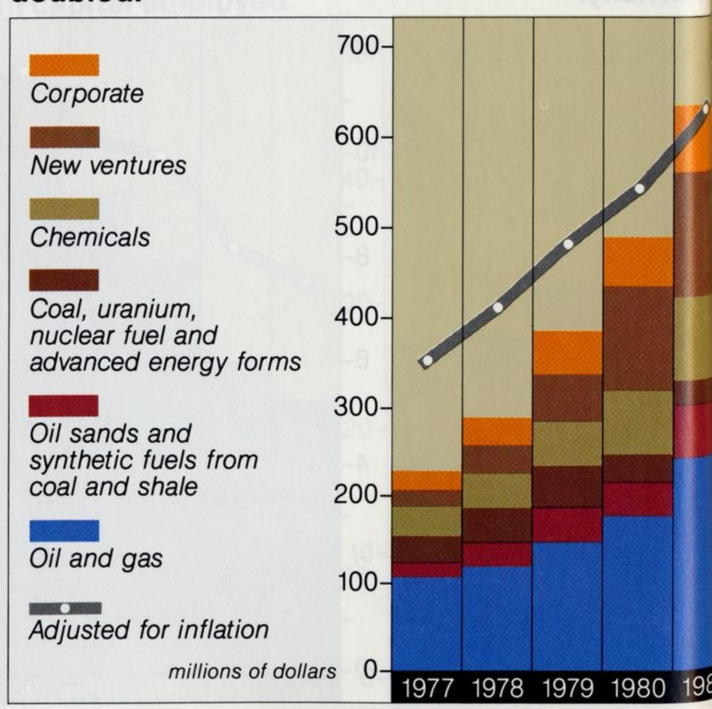
Exxon has consistently invested more than it has earned.

In 1981, record capital and exploration expenditures were twice net income.



Research and development expenditures for oil and gas have doubled.

Those for other energy forms have also doubled. In 1981, R&D expenditures were up about 30 percent.



Consolidated Balance Sheet

Assets	December 31, 1980	December 31, 1981
Current assets		
Cash, including time deposits of $1,967,569,000 and $1,922,987,000	$ 2,761,557,000	$ 2,479,367,000
Marketable securities	2,164,508,000	1,404,154,000
Notes and accounts receivable, less estimated doubtful amounts of $153,760,000 and $145,828,000	9,848,767,000	9,664,888,000
Inventories		
Crude oil, products and merchandise	5,613,250,000	5,964,312,000
Materials and supplies	936,663,000	1,619,757,000
Prepaid taxes and expenses	2,133,778,000	2,715,969,000
Total current assets	23,458,523,000	**23,848,447,000**
Investments and advances	1,458,659,000	1,574,618,000
Property, plant and equipment, at cost, less accumulated depreciation and depletion of $16,126,374,000 and $17,801,479,000 (Note 1)	30,310,978,000	36,094,450,000
Other assets, including intangibles	1,348,398,000	1,413,540,000
Total assets	56,576,558,000	**62,931,055,000**

Liabilities	December 31, 1980	December 31, 1981
Current liabilities		
Notes and loans payable	1,537,384,000	3,032,343,000
Accounts payable and accrued liabilities	12,481,874,000	12,718,631,000
Income taxes payable	2,864,982,000	1,992,578,000
Total current liabilities	16,884,240,000	**17,743,552,000**
Long-term debt	4,717,130,000	5,153,444,000
Annuity and other reserves	1,891,893,000	2,041,182,000
Deferred income tax credits	6,218,015,000	7,958,954,000
Deferred income	138,932,000	144,347,000
Equity of minority shareholders in affiliated companies	1,313,711,000	1,372,660,000
Total liabilities	31,163,921,000	**34,414,139,000**

Shareholders' equity	December 31, 1980	December 31, 1981
Capital stock (Note 3)	1,694,956,000	1,826,023,000
Earnings reinvested	23,717,681,000	26,690,893,000
Total shareholders' equity	25,412,637,000	**28,516,916,000**
Total liabilities and shareholders' equity	$56,576,558,000	**$62,931,055,000**

The information on pages 28 through 36 is an integral part of these statements.

Consolidated Statement of Income and Earnings Reinvested

Revenue	1979	1980	19
Sales and other operating revenue, including excise taxes	$83,555,471,000	$108,448,834,000	**$113,196,747,0**
Earnings from equity interests and other revenue	1,411,865,000	1,931,795,000	1,951,574,0
	84,967,336,000	110,380,629,000	**115,148,321,0**
Costs and other deductions			
Crude oil and product purchases	45,746,461,000	60,915,085,000	64,323,796,0
Operating expenses	8,481,740,000	10,871,704,000	11,697,822,0
Selling, general and administrative expenses	4,291,395,000	5,461,123,000	5,231,545,0
Depreciation and depletion	2,027,064,000	2,282,305,000	2,947,874,0
Exploration expenses, including dry holes	1,052,134,000	1,151,590,000	1,652,760,0
Income, excise and other taxes	18,334,996,000	23,208,112,000	23,323,855,0
Interest expense	493,989,000	727,995,000	843,465,0
Foreign exchange (gain)/loss (Note 2)	102,957,000	(81,924,000)	(574,792,0
Income applicable to minority interests	141,357,000	194,549,000	134,515,0
	80,672,093,000	104,730,539,000	**109,580,840,0**
Net income	$ 4,295,243,000	$ 5,650,090,000	**$ 5,567,481,0**
Per share*	$4.87	$6.49	$6.
Earnings reinvested			
Balance at beginning of year	$17,839,829,000	$ 20,415,982,000	$ 23,717,681,0
Net income	4,295,243,000	5,650,090,000	5,567,481,0
Dividends ($1.95 per share in 1979, $2.70 in 1980 and $3.00 in 1981*)	(1,719,090,000)	(2,348,391,000)	(2,594,269,0
Balance at end of year	$20,415,982,000	$ 23,717,681,000	**$ 26,690,893,0**

*Reflects May 1981 two-for-one stock split. See Note 3, page 30.
The information on pages 28 through 36 is an integral part of these statements.

Consolidated Statement of Funds Provided and Utilized

EXXON CORPORATION

	1979	1980	1981
Funds from operations			
Net income			
Accruing to Exxon shareholders	$4,295,243,000	$ 5,650,090,000	$ 5,567,481,000
Accruing to minority interests	141,357,000	194,549,000	134,515,000
Costs charged to income not requiring funds			
Depreciation and depletion	2,027,064,000	2,282,305,000	2,947,874,000
Additions to deferred income tax credits–net	864,234,000	1,832,933,000	1,740,939,000
Additions to annuity and other reserves–net	279,512,000	478,012,000	149,289,000
Dividends received in excess of/(less than) equity in current earnings of equity companies (Note 1)	90,471,000	340,168,000	(111,655,000)
Funds provided from operations	7,697,881,000	10,778,057,000	**10,428,443,000**
Funds from other sources, excluding financing activities			
Sales of property, plant and equipment	356,386,000	213,290,000	278,785,000
Other reductions/(increases) in investments and advances	(24,953,000)	(324,226,000)	(4,304,000)
Reduction/(increase) in other long-term assets–net	50,562,000	193,748,000	(35,273,000)
Changes in working capital components, excluding short-term debt and cash items			
Reduction/(increase) in notes and accounts receivable	(2,285,496,000)	(837,530,000)	183,879,000
Reduction/(increase) in inventories	(1,183,726,000)	(1,069,219,000)	(1,034,156,000)
Reduction/(increase) in prepaid taxes and expenses	(888,715,000)	(654,969,000)	(582,191,000)
Increase/(reduction) in accounts payable	2,729,910,000	636,513,000	236,757,000
Increase/(reduction) in income taxes payable	645,585,000	694,852,000	(872,404,000)
Funds from other sources, excluding short-term debt and cash items	(600,447,000)	(1,147,541,000)	**(1,828,907,000)**
Total funds available before financing activities	7,097,434,000	9,630,516,000	**8,599,536,000**
Funds from /(used in) financing activities			
Additions to long-term debt	985,414,000	1,288,902,000	905,070,000
Reductions in long-term debt	(803,470,000)	(829,790,000)	(468,756,000)
Net additions/(reductions) in short-term debt	467,189,000	(330,540,000)	1,494,959,000
Funds from/(used in) financing activities	649,133,000	128,572,000	**1,931,273,000**
Total funds provided, excluding changes in cash items	7,746,567,000	9,759,088,000	**10,530,809,000**
Utilization of funds			
Additions to property, plant and equipment	5,350,729,000	6,464,684,000	9,002,949,000
Acquisition of Reliance Electric Company, net of $628 million of acquired working capital	608,038,000	—	—
Cash dividends to Exxon shareholders	1,719,090,000	2,348,391,000	2,594,269,000
Cash dividends to minority interests	64,250,000	86,543,000	107,202,000
Acquisition/(disposition) of Exxon shares–net	252,800,000	441,013,000	(131,067,000)
Funds utilized	7,994,907,000	9,340,631,000	**11,573,353,000**
Increase/(decrease) in cash and marketable securities	$ (248,340,000)	$ 418,457,000	**$ (1,042,544,000)**

The information on pages 28 through 36 is an integral part of these statements.

Distribution of Earnings and Assets

(millions of dollars)

Segment	1979 Petroleum	1979 Chemicals	1979 Corporate total	1980 Petroleum	1980 Chemicals	1980 Corporate total	1981 Petroleum	1981 Chemicals	1981 Corp
Sales and operating revenue									
Non-affiliated	$76,162	$5,807	$83,555	$ 98,274	$6,936	$108,449	$102,387	$7,126	$113,
Intersegment	2,760	878	—	4,100	1,292	—	4,373	1,323	
Total	$78,922	$6,685	$83,555	$102,374	$8,228	$108,449	**$106,760**	**$8,449**	**$113,1**
Earnings of consolidated companies before income taxes, corporate and financial items	$ 7,381	$ 687	$ 7,909	$ 10,393	$ 567	$ 10,883	$ 8,870	$ 366	$ 8,9
Less: Related income taxes	(3,677)	(250)	(3,827)	(5,591)	(184)	(5,796)	(4,728)	(110)	(4,7
Plus: Earnings from operations of equity companies (See Note 5, page 30)	925	19	945	1,136	19	1,156	1,187	15	1,2
Earnings from operations	$ 4,629	$ 456	5,027	$ 5,938	$ 402	6,243	**$ 5,329**	**$ 271**	**5,4**
Less: Corporate and financial items, net of related income taxes:									
Corporate general and administrative costs			(359)			(498)			(34
Corporate interest income			210			316			30
Interest expense			(304)			(410)			(38
Foreign exchange gain/(loss)			(138)			194			71
Minority interest			(141)			(195)			(13
Net income			$ 4,295			$ 5,650			**$ 5,56**
Identifiable assets	$37,880	$3,766	$49,490	$ 42,782	$4,162	$ 56,577	$ 48,570	$4,937	$ 62,93
Depreciation and depletion	1,754	169	2,027	1,846	201	2,282	2,422	239	2,94
Capital expenditures	4,440	411	5,859	5,065	399	6,465	7,088	871	9,00

Geographic		Sales and other operating revenue: Non-affiliated	Interarea	Total	Earnings from operations	Identifiable assets
1979	**Petroleum and chemicals**					
	United States	$ 21,493	$ 479	$ 21,972	$1,748	$15,357
	Other Western Hemisphere	12,578	3,366	15,944	570	5,722
	Eastern Hemisphere	47,794	5,702	53,496	2,767	19,270
	International marine	104	1,204	1,308	—	1,521
	Other/eliminations	1,586	(10,751)	(9,165)	(58)	7,614
	Corporate total	$ 83,555	—	$ 83,555	$5,027	$49,490
1980	**Petroleum and chemicals**					
	United States	$ 27,466	$ 593	$ 28,059	$2,462	$17,544
	Other Western Hemisphere	15,115	4,365	19,480	564	6,320
	Eastern Hemisphere	62,488	5,477	67,965	3,280	22,076
	International marine	141	1,268	1,409	34	1,593
	Other/eliminations	3,239	(11,703)	(8,464)	(97)	9,044
	Corporate total	$108,449	—	$108,449	$6,243	$56,577
1981	**Petroleum and chemicals**					
	United States	$ 29,413	$ 896	$ 30,309	$2,524	$20,831
	Other Western Hemisphere	17,204	3,727	20,931	278	7,503
	Eastern Hemisphere	62,830	5,870	68,700	2,795	23,995
	International marine	66	1,169	1,235	3	1,427
	Other/eliminations	3,684	(11,662)	(7,978)	(177)	9,175
	Corporate total	**$113,197**	**—**	**$113,197**	**$5,423**	**$62,931**

Transfers between business activities or areas are at estimated market prices. International marine results are derived from revenues based on charges to other activities at weighted average industry charter cost.

Report of Independent Accountants

To the Shareholders of Exxon Corporation

In our opinion, the consolidated financial statements appearing on pages 25 through 36 present fairly the financial position of Exxon Corporation and its subsidiary companies at December 31, 1980 and 1981 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

153 East 53rd Street
New York, New York
March 1, 1982

Price Waterhouse

Notes to Financial Statements

The accompanying financial statements and the supporting and supplemental material are the responsibility of the management of Exxon Corporation.

The corporation's financial reporting is in agreement with the Organization for Economic Cooperation and Development guidelines for multinational enterprises.

1. Summary of accounting policies

Principles of consolidation The consolidated financial statements include the accounts of those significant subsidiaries owned directly or indirectly more than 50 percent.

Amounts representing the corporation's percentage interest in the underlying net assets of less than majority-owned companies in which a significant equity ownership interest is held are included in "Investments and advances." The corporation's share of the net income of these companies is included in the consolidated statement of income caption "Earnings from equity interests and other revenue."

Investments in all other less than majority-owned companies, none of which is significant, are included in "Investments and advances" at cost or less. Dividends from these companies are included in income as received.

Marketable securities Marketable securities are stated at the lower of cost or market.

Inventories Crude oil, products and merchandise inventories are carried at the lower of current market value or cost (generally determined under the last-in, first-out method). Costs include all applicable purchase costs and operating expenses, but not general and administrative expenses or research and development costs. Inventories of materials and supplies are valued at cost or less.

Property, plant and equipment The corporation's exploration and production activities are accounted for under the "successful efforts" method. Under this method, costs of productive wells and development dry holes, both tangible and intangible, as well as productive acreage are capitalized and amortized on the unit of production method. Costs of that portion of undeveloped acreage likely to be unproductive, based largely on historical experience, are amortized over the period of exploration. Other exploratory expenditures, including geophysical costs, other dry hole costs and annual lease rentals, are expensed as incurred.

Depreciation, depletion and amortization, based on cost less estimated salvage value of the asset, are determined under either the unit of production method or the straight-line method as applied, generally, to groups of assets. Unit of production rates are based on oil, gas and other mineral reserves estimated to be recoverable from existing facilities. The straight-line method of depreciation is based on estimated asset service life taking obsolescence into consideration.

Maintenance and repairs are expensed as incurred. Major renewals and major improvements are capitalized, and the assets replaced are retired.

Upon normal retirement or replacement, the cost of properties, less salvage, is charged to the allowance for depreciation. Gains or losses arising from abnormal retirements or sales are included in operating results currently.

Income taxes Income tax reductions arising from percentage depletion and U.S. investment credits are included in operating results as realized.

2. Miscellaneous financial information

Research and development costs totaled $381 million in 1979, $489 million in 1980 and $630 million in 1981.

Net income includes net foreign exchange losses of $138 million in 1979 and gains of $194 million in 1980 and $710 million in 1981, of which $35 million, $112 million and $135 million, respectively, relating to equity companies, are included in "Earnings from equity interests and other revenue."

Cost of marketable securities was $2,209 million at year-end 1980 and $1,465 million at year-end 1981.

During 1979, interest costs were generally expensed as incurred. Interest capitalized in 1980 and 1981, in conformity with Financial Accounting Standards Board Statement No. 34–Capitalization of Interest Cost, was $44 million and $172 million, respectively.

Net income includes amounts attributed to the sale of relatively low-cost crude and products obtained from drawdowns of LIFO inventory quantities estimated at $157 million in 1980 and $261 million in 1981.

3. Capital

On May 15, 1981, the authorized capital stock was increased from 500,000,000 shares without par value to 1,000,000,000 shares without par value and the issued shares were split on a two-for-one basis. All common stock data and per share amounts presented in this report have been adjusted for the stock split.

At December 31, 1981, there were 906,409,024 shares issued. Of the issued shares, 42,247,990 shares at year-end 1980 and 38,040,815 shares at year-end 1981 were held in treasury at a net cost of $1,127,298,000 and $996,231,000, respectively. During 1980 and 1981, the company acquired for treasury 14,040,200 shares at a cost of $458,769,000 and 1,000 shares at a cost of $34,000, respectively. In 1980 and 1981, 565,946 shares and 4,208,175 shares for $17,756,000 and $131,101,000, respectively, were utilized in connection with stock options exercised, bonuses and stock appreciation rights under incentive programs, sales to an agent under a dividend reinvestment plan, sales to trustees under employe thrift and stock ownership plans and an exchange for deben tures of the corporation.

4. Investments and advances

Components of investments and advances were as follows:

	1980	
	(millions of dollar	
In less than majority-owned companies		
Carried at equity in underlying assets		
Investments	$ 939	$1,0
Advances	52	
	991	**1,1**
Carried at cost or less	160	1,
	1,151	**1,2**
Long-term receivables and miscellaneous investments at cost or less	308	3
Total	$1,459	**$1,5**

5. Equity company information

The summarized financial information set out below excludes Aramco, in which the government of Saudi Arabia acquired during 1980 the beneficial interest in substantially all of the assets and operations. Aramco continues to have access to a significant volume of Saudi Arabian crude oil. Exxon's share of earnings of Aramco, after application of adjustments related to crude oil purchased, totaled $144 million, $205 million and $244 million in 1979, 1980 and 1981, respectively.

These data include all other companies for which Exxon's share of net income is included in consolidated net income (see Note 1). Exxon's earnings of these companies consist in large part of earnings of natural gas production and distribution companies in the Netherlands and West Germany.

	1979		1980		1981	
	Total	Exxon share	Total	Exxon share	Total	Exxo shar
	(millions of dollars)					
Total revenues, of which 13%, 16% and 15% in 1979, 1980 and 1981, respectively, were from companies included in the Exxon consolidation	$14,538	$4,453	$21,072	$6,522	$24,180	$7,423
Earnings from operations before income taxes	$ 3,251	$1,427	$ 4,134	$1,811	$ 4,163	$1,817
Less: Related income taxes	(1,404)	(626)	(1,998)	(860)	(1,971)	(859
Earnings from operations	1,847	801	2,136	951	2,192	958
Less: Interest expense	(404)	(132)	(531)	(173)	(730)	(227
Related income taxes on interest expense	196	64	263	86	395	122
Foreign exchange translation gain/(loss)	(105)	(35)	339	112	351	135
Net income	$ 1,534	$ 698	$ 2,207	$ 976	**$ 2,208**	**$ 988**
Current assets	$ 5,846	$2,064	$ 7,600	$2,583	$ 8,119	$2,725
Property, plant and equipment, less accumulated depreciation	5,172	1,906	5,361	2,008	5,648	2,174
Other long-term assets	240	95	345	134	462	189
Total assets	11,258	4,065	13,306	4,725	14,229	5,088
Short-term debt	2,197	737	3,060	1,001	2,921	951
Other current liabilities	4,236	1,627	4,999	1,856	5,387	1,983
Long-term debt	2,906	923	2,623	844	2,509	807
Other long-term liabilities	670	262	726	292	923	386
Net assets	$ 1,249	$ 516	$ 1,898	$ 732	**$ 2,489**	**$ 961**

6. Income, excise and other taxes

	1979			1980			1981		
	United States	Foreign	Total	United States	Foreign (millions of dollars)	Total	United States	Foreign	Total
Income taxes									
Federal or national-current	$ 882	$ 2,500	$ 3,382	$1,231	$ 2,730	$ 3,961	$ 831	$ 2,023	$ 2,854
-deferred-net	199	(64)	135	459	717	1,176	569	576	1,145
U.S. tax on foreign operations	74		74	72		72	7		7
	1,155	2,436	3,591	1,762	3,447	5,209	**1,407**	**2,599**	**4,006**
State	111		111	219		219	204		204
Total income tax expense	1,266	2,436	3,702	1,981	3,447	5,428	1,611	2,599	4,210
Excise taxes	972	3,477	4,449	897	4,409	5,306	784	4,305	5,089
Other taxes and duties	622	9,562	10,184	1,493†	10,981	12,474†	3,318†	10,707	14,025†
Total	$2,860	$15,475	$18,335	$4,371	$18,837	$23,208	**$5,713**	**$17,611**	**$23,324**
Memo:									
Exxon share of income taxes of equity companies (not included above)	$ 6	$ 5,284	$ 5,290	$ 6	$ 3,135	$ 3,141	$ 8	$ 951	$ 959
Effective income tax rate including income taxes of equity companies and state income taxes-percent	45.8	73.0	67.7	48.9	64.6	60.3	43.7	50.4	48.1

A reconciliation between income tax expense and a theoretical U.S. tax computed by applying a rate of 46 percent to earnings before federal income taxes follows:

	1979 US	1979 Foreign	1979 Total	1980 US	1980 Foreign	1980 Total	1981 US	1981 Foreign	1981 Total
Earnings before federal income taxes	$2,499	$ 5,387	$ 7,886	$3,691	$ 7,168	$10,859	$3,473	$ 6,100	$ 9,573
Theoretical tax	$1,149	$ 2,478	$ 3,627	$1,698	$ 3,297	$ 4,995	$1,598	$ 2,806	$ 4,404
Adjustments for equity companies, foreign exchange (gains)/losses, foreign taxes in excess of theoretical amounts—net		278	278		198	198		(157)	(157)
U.K. tax credits related to inventories		(320)	(320)		(48)	(48)		(50)	(50)
U.S. investment tax credit	(122)		(122)	(108)		(108)	(199)		(199)
U.S. tax on foreign operations	74		74	72		72	7		7
Other	54		54	100		100	1		1
Federal or national income tax expense	$1,155	$ 2,436	$ 3,591	$1,762	$ 3,447	$ 5,209	$1,407	$ 2,599	$ 4,006

Net deferred income tax expense, above, represents the sum of tax effects related to timing differences, generally between amounts reportable currently for tax purposes and related amounts included in earnings for financial reporting, as follows:

Income taxes do not include $46 million, $59 million and $50 million in 1979, 1980 and 1981, respectively, of state franchise taxes which are based on income.

Possible taxes, beyond those provided, on remittances of undistributed earnings of subsidiary companies, after giving consideration to amounts which are reinvested indefinitely, are not expected to be material.

	1979	1980	1981 United States	1981 Foreign	1981 Total
			(millions of dollars)		
Tax effects of timing differences for:					
Depreciation	$720	$1,302	$228	$917	$1,145
Inventories	(787)	(546)	20	(459)	(439)
Intangible development costs	341	420	402	129	531
Other	(139)	—	(81)	(11)	(92)
Net deferred income taxes	$135	$1,176	$569	$576	$1,145

†Includes U.S. "windfall profit" tax of $595 million and $2,118 million in 1980 and 1981, respectively.

7. Long-term debt

At December 31, 1981, long-term debt consisted of $3,983 million due in U.S. dollars and $1,170 million representing the U.S. dollar equivalent at year-end exchange rates of amounts payable in foreign currencies. These amounts exclude that portion of long-term debt, totaling $233 million, which matures within one year and is included in current liabilities. Long-term borrowings at year-end 1981 are summarized below, with weighted average interest rates in parentheses.

Exxon Corporation		(millions of dollars)	
Capitalized lease obligations (5.9% pollution control industrial revenue bonds due 1999)		$110	
30-year 6½% debentures–due July 15, 1998		201	
30-year 6% debentures–due November 1, 1997		183	
5.8% pollution control revenue bonds–due 2006		55	
6.7% pollution control revenue bonds–due 2005		38	
6% pollution control revenue bonds–due 2009		5	
Other obligations–due 1983-2010		35	**$627**
Exxon Pipeline Company			
8⅞% guaranteed debentures–due 2000		300	
5.50% marine terminal revenue bonds–due 2007		250	
8¼% guaranteed debentures–due 2001		250	
9% guaranteed debentures–due 2004		209	
7.65% guaranteed notes–due 1983		150	
7½% guaranteed notes–due 1998		140	
Other obligations–due 1987-2008		75	**1,374**
Other consolidated subsidiaries			
Capitalized lease obligations*			
United States dollars	$ 26		
Other currencies	136	162	
United States dollars (13.2%)		1,956	
British pounds (14.1%)		383	
Canadian dollars (9.0%)		233	
French francs (14.0%)		215	
Hong Kong dollars (12.7%)		95	
Norwegian kroner (11.6%)		39	
Finnish markkaa (10.1%)		23	
Swiss francs (6.8%)		13	
Italian lire (16.8%)		7	
Belgian francs (8.2%)		6	
Swedish kroner (14.1%)		6	
German marks (6.7%)		4	
Other currencies (11.4%)		10	**3,152**
			$5,153

*At an average imputed interest rate of 11.1%.

The amounts of long-term debt maturing, together with sinking fund payments required, in each of the four years after December 31, 1982, in millions of dollars, are: 1983–$415; 1984–$366; 1985–$283; 1986–$252.

The corporation is obligated to certain companies to provide specified minimum revenue from crude or product shipments or by other means. The effect on the corporation's financial statements of such total obligations at December 31, 1981, developed in conformity with Financial Accounting Standards Board Statement No. 47—Disclosure of Long-Term Obligations, was not significant.

8. Annuity and other reserves

Annuity reserves amounted to $991 million and $1,016 million at December 31, 1980 and 1981, respectively. Employee service and separation payment reserves amounted to $173 million and $171 million at December 31, 1980 and 1981, respectively. Other reserves totaling $728 million and $854 million at December 31, 1980 and 1981, respectively, covered numerous items, including site restoration.

Under U.S. annuity plans, benefits to former employees and their beneficiaries are paid primarily from funds which have been provided by the corporation to outside trustees and insurance companies. Such funding by the corporation corresponds to annuity cost charged against earnings and takes into account actuarial estimates which indicate the amount of assets the trustees and insurance companies would need to hold currently to be able to meet projected benefits from the future income and sales proceeds of those assets. For these estimates, the average assumed future rate of return on assets was 7.7 percent as of year-end 1980 and 7.8 percent as year-end 1981. On these assumptions, the following table shows the assets which would have been required to equal the estimated present value of future benefits projected as of the end of 1980 and the end of 1981.

Domestic Annuity Plans, as of:	Dec. 31, 1980	Dec. 31, 1981
	(millions of dollars)	
Assets available for benefits	$3,449	$3,67[illegible]
Present value of assets required to provide funds for future payment of:		
—Projected benefits payable in the absence of any future employment service by the recipients		
—vested	2,420	2,835
—nonvested	118	118
—Additional projected benefits related to past service but dependent on continued service and projected future salary increases	861*	1,098
Total	3,399	4,051
Excess of assets available	$ 50	
Excess of projected benefits		$ 376

*Restated for change in actuarial calculation reflecting benefits expected to commence prior to normal retirement.

Under annuity plans outside the U.S., obligations for projected benefits are also determined using actuarial estimates. Benefits to former employees and their beneficiaries are paid either directly by affiliates, representing amounts previously provided as book reserves, or from funds provided to outside trustees and insurance companies. A comparison of assets available for benefits with amounts which would have been required to equal the estimated present value of future benefits projected as of the end of 1980 and the end of 1981 is presented below. The assumed future rate of return on the required assets varies from plan to plan, and ranged from 4 to 15 percent in both 1980 and 1981.

Foreign Annuity Plans, as of:	Dec. 31, 1980	Dec. 31, 1981
	(millions of dollars)	
Assets available for benefits including book reserves	$2,512	$2,542
Present value of assets required to provide for future payment of:		
—Projected benefits payable in the absence of any future employment service by the recipients		
—vested	1,791	1,738
—nonvested	243	187
—Additional projected benefits related to past service but dependent on continued service and projected future salary increases	1,103	1,082
Total	3,137	3,007
Excess of projected benefits	$ 625	$ 465

The charges to consolidated income for the domestic and foreign annuity plans were $546 million, $713 million and $582 million for the years 1979, 1980 and 1981, respectively.

9. Litigation

The antitrust proceeding commenced by the Federal Trade Commission in 1973 (FTC Proceeding No. 8934) in which Exxon and various other petroleum companies were named as respondents was dismissed by the FTC on September 16, 1981, without a ruling on the merits.

The corporation, together with a number of other petroleum companies, is named as a defendant in pending antitrust lawsuits in which several states allege violations of federal and state monopoly and restraint of trade statutes and seek injunctive relief and money damages. The allegations of unlawful practices in these actions have been denied, and the corporation believes these cases can be successfully defended.

Exxon is a party to a number of suits in several states in which royalty owners claim substantially higher payments than those which have been and are being made by Exxon for gas royalty. Several of these cases have been tried with varying results. The Texas Supreme Court, in cases involving gas sold intrastate, but produced and sold before such gas became subject to federal price regulation under the Natural Gas Policy Act in 1978, held that Exxon's method for determining market value of the gas was improper. Exxon has settled a substantial portion of the claims relating to this decision. In a subsequent Exxon case involving price regulated interstate gas, the Texas Supreme Court upheld Exxon's position that, in determining the value of royalties on interstate gas, consideration should be given to comparable sales of interstate gas subject to similar price regulation, and not to intrastate or other sales.

Prior to January 28, 1981, Exxon's United States petroleum operations were subject to Department of Energy (DOE) regulations and, while these regulations are no longer in force, Exxon continues to be subject to audit by the DOE. The DOE has issued Notices of Probable Violation or filed lawsuits alleging that, in various periods since September 1973, Exxon priced certain crude oil, natural gas liquids, and refined petroleum products in excess of levels permitted by DOE regulations. In its announcements concerning these Notices of Probable Violation and related litigation, the DOE has indicated that the total amount of the alleged overpricing is approximately $1,317 million. Since some of the alleged overpricing relates to activities which continued beyond the periods covered by the allegations, cumulative amounts may be higher than those stated in the allegations. Some of the regulations were vague and ambiguous and in many cases the DOE sought to apply them on a retroactive basis. Exxon has attempted in good faith to comply with these regulations and believes it correctly applied them. The corporation continues to defend its position in these matters.

The FTC in 1979 commenced proceedings against the corporation alleging that its acquisition of Reliance Electric Company violated federal anti-merger laws. FTC staff counsel have indicated that they may request divestiture of all or portions of Reliance.

In addition there are various other lawsuits pending against Exxon and certain of its consolidated subsidiaries in which claims are made in substantial amounts.

The corporation is advised by its general counsel that, in his opinion, the outcome of the matters referred to in this note will not be materially important in relation to the consolidated financial position of the corporation.

10. Other contingencies

The corporation and certain of the consolidated subsidiaries were contingently liable at December 31, 1981, for $615 million for guarantees of notes, loans and performance under contracts. This includes $364 million representing guarantees of foreign excise taxes and customs duties of other companies, entered into as a normal business practice, under reciprocal arrangements.

Additionally, the corporation and its affiliates have numerous long-term sales commitments in their various business activities, all of which are expected to be fulfilled with no adverse consequences material to the corporation's consolidated financial position.

The Controller General of Venezuela has filed income tax claims of approximately $275 million for the period January 1, 1970, to March 18, 1971, against the corporation's affiliates operating in Venezuela in that period. The claims relate to alleged retroactive application of tax export values established by the government on March 8, 1971, to be effective from March 18, 1971. The corporation and its affiliates believ that there is no legal foundation for the claims, and the affiliates are defending their interest vigorously, utilizing the applicable procedures established under Venezuelan law.

The operations and earnings of the corporation and its affiliates throughout the world have been and may in the futu be affected from time to time in varying degree by political developments and laws and regulations, such as forced dive titure of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claim expropriation of property; cancellation of contract rights; and pollution controls. Both the likelihood of such occurrenc and their overall effect upon the corporation vary greatly from country to country and are not predictable.

11. Investment in property, plant and equipment

Petroleum and natural gas	Additions–1981 United States	Additions–1981 Foreign	Additions–1981 Total	Investment Dec. 31, 1980 Less accumulated depreciation and depletion	Investm Dec. 31, 19 At cost	Investm Dec. 31, 19 Le accumulat depreciati and depleti
	(millions of dollars)					
Exploration and production	$3,572	$1,995	$5,567	$16,050	$27,571	$19,90
Refining and marketing	478	965	1,443	7,720	14,905	8,41
International marine	—	—	78	1,442	2,499	1,31
Total petroleum and natural gas	4,050	2,960	7,088	25,212	44,975	29,63
Other energy	198	504	702	1,504	2,372	2,10
Chemicals	394	477	871	2,296	4,638	2,93
Other	245	97	342	1,299	1,911	1,42
Total	**$4,887**	**$4,038**	**$9,003**	$30,311	**$53,896**	**$36,09**

12. Stock option plans

The 1978 Incentive Program makes provision for the grant of options on a maximum of 10,000,000 shares* of corporation stock over the five-year period ending May 31, 1983. As under earlier plans, options may be granted at prices not less than 100 percent of market value on the date of grant. Options granted under the 1978 plan are exercisable after one year of continuous employment following date of grant.

The 1978 plan also provides for granting stock appreciation rights to holders of options under present and past plans, which permit them to surrender exercisable options in exchange for shares of the corporation's stock having an aggregate market value, at the time of surrender, equal to the difference between the option price and market value of shares covered by surrendered options, or to receive such difference in cash under the conditions provided for in the stock appreciation rights.

Outstanding options for 8,990,830* and 10,443,521 shares at December 31, 1980 and 1981, respectively, had stock appreciation rights attached. In anticipation of settlement of such rights at market value of the shares covered by the options to which attached, $96 million was charged to earnings in 1980 and $61 million was credited to earnings in 1981. The exercise of such rights releases the corporation from the obligation of providing stock under the option at the option price.

Changes that occurred during 1981 in options outstanding are summarized below.*

	1968 plan	1973 plan	1978 pla
		number of shares	
Outstanding at December 31, 1980	378,040	3,105,832	5,542,358
Granted at $31.94 per share	—	—	2,024,500
Less: Exercised	23,800	40,427	16,972
Expired	2,000	1,600	50,400
Surrendered	143,440	212,470	88,300
Outstanding at December 31, 1981	208,800	2,851,335	7,411,186
Available for grant after December 31, 1981	None	None	2,116,450

*Reflects May 1981 two-for-one stock split. See Note 3, page 30.

The average option price per share of the options outstanding at December 31, 1981, was $29.94 for the combined 1968, 1973 and 1978 plans.*

The effect on reported earnings per share from the assumed exercise of stock options outstanding at year-end 1979, 1980 or 1981 would be insignificant.

13. Bonus plan

The 1978 Incentive Program makes provision, in a manner similar to earlier plans, for grants of bonuses in respect of each of the five years beginning with 1978 which are not to exceed 3 percent of the amount by which net income in a given year exceeds 6 percent of capital invested (as defined in the plan). Bonuses may be granted to eligible employees of the corporation and of those affiliates at least 95 percent owned. Under the 1978 plan, bonuses may be granted in cash, shares of the corporation's stock or earnings bonus units, which are rights entitling the grantee to receive on the settlement date, with certain limitations, an amount of cash equal to the corporation's cumulative earnings per share as reflected in its quarterly earnings statements, commencing with earnings for the first full quarter following the date of grant to and including the last full quarter preceding the date of settlement. Bonuses other than units may be paid in cash or shares of the corporation's stock in full at the time of allotment or retirement or in annual installments. Any unpaid amounts are subject to certain forfeiture provisions contained in the plan.

Grants in cash and shares of the corporation's stock are charged to earnings in the year of grant. Amounts earned under earnings bonus units are accrued as they occur. Total charges to earnings in 1979, 1980 and 1981 were $24,245,000, $29,779,000 and $28,094,000, respectively, reflecting grants substantially less than the maximum permitted under the plan.

*Reflects May 1981 two-for-one stock split.
See Note 3, page 30

14. Additional working capital data

Consolidated notes and accounts receivable include the following:

	1980	1981
	(millions of dollars)	
Trade, less reserves of $139 million and $132 million	$8,620	$8,389
Other, less reserves of $15 million and $14 million	1,229	1,276
	$9,849	$9,665

Notes, loans, accounts payable and accrued liabilities include the following:

	1980	1981
	(millions of dollars)	
Bank loans	$ 1,152	$ 2,157
Commercial paper	44	518
Trade payables	6,884	7,274
Obligations to equity companies	2,736	2,387
Accrued taxes other than income taxes	1,430	1,612
Other	1,773	1,803
	$14,019	$15,751

Unused lines of credit for short-term financing available at December 31, 1981, totaled approximately $2,710 million.

15. Leased facilities

At December 31, 1981, the corporation and its consolidated subsidiaries held noncancelable operating charters and leases covering tankers, service stations and other properties for which minimum lease commitments were as follows:

	Minimum commitment after reduction for related rental income		Related rental income
	Tankers	Other	
	(millions of dollars)		
1982	$225	$374	$ 36
1983	197	317	36
1984	167	219	33
1985	115	160	29
1986	12	123	24
1987 and beyond	28	533	224

Net rental expense for 1979, 1980 and 1981 totaled $759 million, $932 million and $1,182 million, respectively, after being reduced by related rental income of $100 million, $84 million and $77 million, respectively.

16. Costs–oil and gas producing activities

Information summarizing the capitalized costs of oil and gas producing activities at December 31, 1980 and 1981, and the costs incurred in oil and gas producing activities during 1979, 1980 and 1981, appears on pages 41 and 42.

17. Summarized quarterly financial data (Unaudited)

	millions of dollars			
1979	Sales and other operating revenue	Gross profit*	Net income	Per share**
First	$ 18,417	$ 5,900	$ 955	$1.08
Second	18,292	6,137	830	.94
Third	21,486	7,355	1,145	1.30
Fourth	25,360	7,908	1,365	1.55
Total	**$ 83,555**	**$27,300**	**$4,295**	**$4.87**
1980				
First	$ 27,124	$ 8,499	$1,925	$2.20
Second	25,831	8,282	1,030	1.18
Third	26,362	8,751	1,355	1.56
Fourth	29,132	8,848	1,340	1.55
Total	**$108,449**	**$34,380**	**$5,650**	**$6.49**
1981				
First	$ 29,714	$ 8,564	$1,600	$1.85
Second	26,959	8,604	1,825	2.11
Third	27,321	8,305	1,075	1.25
Fourth	29,203	8,754	1,067	1.23
Total	**$113,197**	**$34,227**	**$5,567**	**$6.44**

*Gross profit equals sales and other operating revenue less estimated costs associated with products sold.

18. Stock prices**

The price range of Exxon stock based on the Composite Tape the several exchanges where Exxon stock is traded is shown below. The principal market where Exxon stock (XON) is traded is the New York Stock Exchange although the stock is traded most major exchanges.

Quarter	1980		1981	
	High	Low	High	L
First	33.875	26.000	41.000	33.8
Second	34.938	27.250	35.625	31.8
Third	36.563	33.250	36.000	29.6
Fourth	44.375	34.188	33.125	29.5

At February 9, 1982, there were 789,450 holders of record Exxon stock.

19. Dividends per share**

Quarter	1980	1981	19
First	$ .60	$ .75	$.
Second	.65	.75	
Third	.70	.75	
Fourth	.75	.75	
	$2.70	$3.00	

**Reflects May 1981 two-for-one stock split. See Note 3, page 30.

Year 1980 compared with Year 1979

Net income and earnings from operations showed further year-to-year growth in 1980, as market conditions, which strengthened in 1979, continued strong through much of 1980. The underlying components of revenue, costs and taxes were all significantly higher than the prior year due to the continued high rate of general inflation and further cost increases in raw materials for the corporation's major petroleum and chemical operations. The cost of crude oil continued to escalate during 1980 on increases by OPEC producing countries.

Prices of supplies from non-OPEC sources, including the U.S., moved upward as well. These increases resulted in higher values for Exxon's own crude and natural gas production. Market conditions generally permitted much of these increased values, after applicable government take, to be recovered through higher petroleum and chemical product selling prices.

Sales volumes of petroleum products, natural gas and chemical products were all lower in 1980. Income, excise and other taxes, in total, were up 27 percent on increased worldwide revenues, improved profit and imposition of new and increased taxes specific to the petroleum industry by governments around the world, such as the U.S. "windfall profit" tax which resulted in additional payments to the Federal government of almost $600 million.

Earnings from operations, in total, were up 24 percent from 1979. Petroleum earnings were up 28 percent reflecting the factors mentioned above. Chemical's earnings declined 12 percent due to lower sales volumes and margins in the United States attributable to the economic slowdown. There were foreign exchange gains of $194 million in 1980 versus losses of $138 million in 1979. Net income of $5,650 million was up 32 percent from the prior year.

During 1980, funds available from operations and other sources, before financing, increased 36 percent over the prior year. Financing activities added a net $129 million giving the corporation total funds provided of $9.8 billion. Funds totaling $9.3 billion were primarily used to finance additions to property, plant and equipment and to pay cash dividends to shareholders. In addition, cash and marketable securities increased by $418 million, to $4.9 billion.

Net working capital totaled $6.6 billion at the end of 1980, up 43 percent over year-end 1979. Total debt compared to shareholders' equity plus debt declined during 1980 and at year-end was 20 percent. The corporation maintained its strong financial position and flexibility to meet future financial needs, including expected capital and exploration expenditures of $11 billion in 1981.

Year 1981 compared with Year 1980

Following two years of significant growth, net income declined 1.5 percent in 1981, to $5,567 million. Earnings from operations declined 13 percent, but this was offset in large part by an increase in foreign exchange translation gains related to the strengthening of the U.S. dollar. The deterioration in earnings from operations occurred for both the petroleum (down 10 percent) and chemical (down 33 percent) segments and reflected the effects of the depressed industry operating environment including weak product demand, excess production capacity and higher raw material and operating costs.

Total revenues rose 4 percent in 1981, as higher prices for most products more than offset the revenue effect of lower petroleum product, natural gas and chemical product sales volumes. However, these higher net revenues failed to fully recover escalating raw material and operating costs.

Crude oil supply prices were higher worldwide as a result of OPEC member price actions in late 1980 and early 1981. While these increases led to higher values for Exxon's own production, this benefit was reduced substantially by the imposition of new and increased petroleum production taxes as well as increased costs related to intensified exploration activity.

Despite lower taxable income and reduced volume related excise taxes, total taxes were slightly higher than in 1980 as a result of significantly higher production taxes. The U.S. "windfall profit" tax alone resulted in payments to the Federal government of $2.1 billion (versus $595 million in 1980).

During 1981, funds available from operations and other sources, before financing, decreased 11 percent to $8.6 billion. These funds together with a net of $1.9 billion obtained from financing activities, resulted in total funds provided of $10.5 billion. Total fund requirements were $11.6 billion, primarily for additions to property, plant and equipment (up 39 percent) and cash dividends to shareholders (up 11 percent). The excess of requirements over funds provided resulted in a drawdown of $1.0 billion in cash and marketable securities.

Net working capital totaled $6.1 billion at year-end 1981, a decrease of 7 percent from 1980. Total debt compared to shareholders' equity plus debt at year-end 1981 stood at 22 percent. Thus, the corporation continues in a strong financial position. In 1982, the corporation plans to spend $13.5 billion on capital and exploration activities, a 22 percent increase over the prior year. Although access to financial markets will be sought from time to time, the corporation continues to rely primarily upon internally generated funds to cover these requirements.

Supplemental Information on Inflation Accounting

Background During 1981, inflation in the United States continued at a high rate which further eroded the purchasing power of the dollar. This trend causes a distortion in the conventional measures of financial performance.

Historical dollar accounting (as reflected in the financial statements) does not provide for the change in the purchasing power of the dollar due to inflation. Since the purchasing power of the dollar has declined significantly (the 1981 dollar, for example, is worth only $.45 compared with the 1971 dollar), this decline should be considered for a proper assessment of economic results.

Inflation affects monetary assets, such as cash and receivables, which lose a part of their purchasing power during periods of inflation since they will purchase fewer goods or services in the future. Conversely, holders of liabilities benefit during periods of inflation because less purchasing power will be required to satisfy these obligations in the future. Thus, a 1971 debt of one dollar can be satisfied with a payment of a 1981 dollar which has the equivalent purchasing power of $.45.

Inflation also affects plant and equipment, which is reflected in the financial statements at the purchasing power of the dollars of the years in which the investments were made rather than in today's purchasing power. This tends to understate depreciation charges in the current year, and thus overstate earnings.

The information on this and the following two pages is presented in an experimental fashion in an attempt to overcome these shortcomings of historical accounting.

General Methodology The supplemental data presented here include adjustments made to the historical dollar results in accordance with Financial Accounting Standards Board Statement No. 33–Financial Reporting and Changing Prices, as modified by Statement No. 39. Two methods are used in these adjustments to show the effect of (1) general inflation and (2) changes in specific costs.

The first method adjusts the historical dollars in the financial statements to dollars of the same general purchasing power. For example, if the inflation rate is 5 percent from one year to the next year, then 5 percent more dollars are needed in the second year just to maintain the same general purchasing power. This adjustment to common units of measurement–constant dollars–is accomplished by using an index which measures general inflation. Statement No. 33 prescribes the use of the Consumer Price Index for All Urban Consumers (CPI). Thus, the constant dollar method starts with historical dollars as recorded using generally accepted accounting principles and adjusts these amounts to reflect changes in purchasing power using the CPI to show the effect of general inflation.

The second method adjusts for the current, or specific, costs of inventory and plant and equipment. Current replacement costs have been used for these items. That is, specific prices that would have to be paid currently have been used as replacement costs for the inventory of crude oil and products and for property, plant and equipment.

For the most part, the specific cost data used here represent replacement in-place and in-kind. No consideration has been given to possible replacement of assets of a different type, at a different location or with improved operating cost efficiencies. The specific costs used, while believed reasonable, are necessarily subjective. They do not necessarily represent amounts for which the assets could be sold or costs which will be incurred, or the manner and extent in which actual replacement of assets will occur.

More specifically, land, other than oil and gas acreage, has been valued based on appraisal or estimated current market prices. Oil and gas acreage costs have been updated using the constant dollar (CPI) index. Development costs of oil and gas properties were measured by use of appropriate indices or estimates of current drilling, material and equipment costs. Other plant and equipment, for the most part, was updated by use of internally developed construction cost indices. Items such as automotive equipment and office buildings were costed at current market prices.

Supplemental Data Adjustments for the effect of changing prices under both the aforementioned methods are reflected in the tables on the following pages and in subsequent comments.

Table I shows the results of operations in 1981 as reflected in the Consolidated Statement of Income (page 26), as adjusted for general inflation, and as adjusted for specific costs. Adjustments under both methods reflect an increase in the 1981 cost of goods sold as shown in the historical dollar accounts for the $261 million of profit realized on sales of quantities from LIFO inventories, this being the amount necessary to bring total cost of goods sold to current costs in average 1981 dollars. Depreciation is adjusted upward by $2,030 million for general inflation to restate this cost in terms of 1981 dollars, based on the restatement of property, plant and equipment as shown in Table II. In adjusting for specific costs, an additional depreciation charge of $622 million is necessary to reflect the increases of the specific costs of the facilities over the effect of general inflation. The two depreciation adjustments maintain the same methods, useful lives and salvage values as used in computing historical depreciation.

After these adjustments, the income from continuing operations is lowered in terms of constant purchasing power (general inflation) and further lowered on the basis of specific prices. Dividends paid in 1981 represent 47 percent, 79 percent and 98 percent, respectively, of historical, constant dollar and specific cost incomes.

Statement No. 33 requires that income taxes paid not be modified for the effects of either general inflation or specific cost adjustments. Therefore, the 48 percent effective tax rate for historical earnings becomes an effective 54 percent for the results adjusted for general inflation and 59 percent for the specific cost results. This indicates the hidden additional tax that results from inflation which restricts capital recovery.

Table I also shows changes in shareholders' equity, other than income from continuing operations, which occurred during the year as a result of inflation. The first of these is a gain, applicable to both methods, resulting from the effect of the decline in the purchasing power of the dollar on the net monetary amounts owed by the company. Most of the company's current assets, except inventories, and the current liabilities and long-term debt are considered to be monetary items. This gain represents the decline in the amount of purchasing power required at the end of 1981 to pay these net liabilities versus the amount that would have been required to pay them at the end of 1980.

The second change in shareholders' equity is applicable only to the specific cost method and represents the additional increase or decrease during the year in the specific prices for inventory and property, plant and equipment over or less than the increase attributed to the effects of general inflation as measured by the CPI. This additional cost of plant and equipment is charged to income from continuing operations by means of the increased depreciation charge previously mentioned.

These changes in shareholders' equity, when added to income from continuing operations, result in adjusted net income of $4,343 million using the general inflation method. Under the specific cost method, the $3,576 million net change in shareholders' equity from these items excludes foreign exchange effects on asset values for property, plant and equipment.

Table I–Income from continuing operations and changes in shareholders' equity adjusted for changing prices
For the year ended December 31, 1981

	As reported on page 26	Adjusted for General inflation	Adjusted for Specific costs
	(millions of dollars)	(millions of average 1981 dollars)	
Income from continuing operations			
Total revenue	$115,148	$115,148	$115,148
Costs and other deductions			
Crude oil and product purchases	64,324	64,585	64,585
Depreciation and depletion	2,948	4,978	5,600
Other costs and deductions	18,985	18,985	18,985
Income, excise and other taxes	23,324	23,324	23,324
Total costs and other deductions	109,581	111,872	112,494
Income from continuing operations	5,567	3,276	2,654
Gain from decline in the purchasing power of net amounts owed		1,067	1,067
Excess of increase (decrease) in specific prices over general inflation			
Inventories			(344)
Property, plant and equipment			199
Net income	**$ 5,567**		
Adjusted net income		**$ 4,343**	
Net change in shareholders' equity from above	$ 5,567	$ 4,343	**$ 3,576**

Table II presents a summarized balance sheet at year-end 1981 based on the historical dollar balance sheet shown on page 25 and as adjusted for inflation.

Adjustments to the balance sheet for general inflation include the restatement of inventories and property, plant and equipment on the basis of constant dollars using the CPI index. The adjustments shown in the table restate these prior year additions in terms of average 1981 dollars. For example, an inventory or plant addition made in 1971 is increased in amount (about doubled) to reflect the increased number of 1981 dollars required to equal the general purchasing power originally invested.

Under the specific cost method, additional adjustments are necessary for those items which have increased in cost faster than the CPI. Inventories and plant have been restated based upon the cost of replacing them at current costs. Since the purchase prices of crude oil and petroleum products have increased faster than general inflation, particularly in the late 1970s and since the inventories have been carried on the LIFO basis, the specific costs of the inventories is about $6 billion greater than after restatement for general inflation. The adjustment to property, plant and equipment, made in a similar fashion, results in an additional $11 billion adjustment.

Under both inflation-adjustment methods, the Table II categories of "All other assets" and "Total liabilities" have been restated from the year-end 1981 dollar amounts to average 1981 dollar amounts using the CPI.

The sum of all the foregoing balance sheet adjustments results in the restatement of shareholders' equity–the invest-

Table II–Summarized balance sheet adjusted for changing prices at December 31, 1981

	As reported on page 25	Adjusted for General inflation	Adjusted for Specific costs
Assets	(millions of dollars)	(millions of average 1981 dollars)	
Inventories	$ 7,584	$ 11,075	$ 17,095
Property, plant and equipment	36,094	50,561	61,257
All other assets	19,253	18,723	18,723
Total assets	62,931	80,359	97,075
Total liabilities	34,414	33,414	33,414
Shareholders' equity	**$ 28,517**	**$ 46,945**	**$ 63,661**

ment base. The adjustments for general inflation increase the historical shareholders' equity of about $29 billion to a basis of $47 billion. In other words, it would take $47 billion 1981 dollars to provide the same purchasing power as the $29 billion historical dollars represented in the financial statements. Additional adjustments for specific costs raise the shareholders' equity on this basis to $64 billion.

Table III summarizes the earnings results, shareholders' equity and returns over a five-year period. In this table, the historical cost data for the years 1977 through 1980 have been adjusted for the effects of general inflation and for specific costs in the same manner as has been discussed for the year 1981. Income from continuing operations is composed of the same factors as shown in Table I. As shown, the returns on average shareholders' equity are considerably lower than reflected in the financial statements when both the results and the investment base are adjusted for the effects of general inflation and for specific costs. These decreases in returns show the erosion taking place in the capital base of the company from the continuing high levels of inflation being faced by the general public, the oil and gas industry, and Exxon.

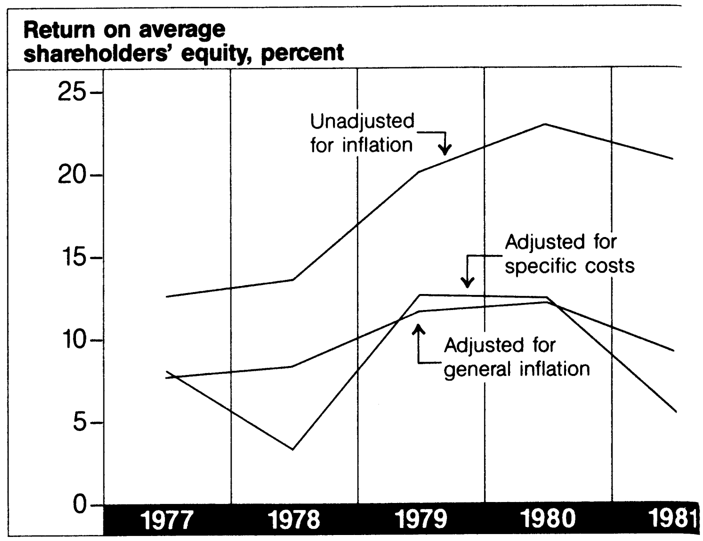


Table III–Summary of income, shareholders' equity and return (millions of dollars except per share amounts)

	Years ended December 31				
Unadjusted for inflation	1977	1978	1979	1980	19
Income from continuing operations (net income)	$ 2,443	$ 2,763	$ 4,295	$ 5,650	$ 5,5
Per share*	2.73	3.10	4.87	6.49	6
Shareholders' equity at year-end	19,121	20,229	22,552	25,413	28,5
Return of net income on average shareholders' equity, percent	**13.1**	**14.0**	**20.1**	**23.6**	**20**
Adjusted for general inflation (average 1981 dollars)					
Income from continuing operations	2,485	2,570	3,824	4,338	3,27
Per share*	2.77	2.88	4.34	4.99	3.1
Gain from decline in purchasing power of net amounts owed	552	774	1,251	1,280	1,08
Adjusted net income	3,037	3,344	5,075	5,618	4,34
Per share*	3.39	3.75	5.76	6.46	5.0
Shareholders' equity at year-end	39,904	40,846	43,446	45,610	46,94
Return of adjusted net income on average shareholders' equity, percent	**7.7**	**8.3**	**12.0**	**12.6**	**9.4**
Adjusted for specific costs (average 1981 dollars)					
Income from continuing operations	1,673	1,559	2,994	3,460	2,654
Per share*	1.87	1.75	3.40	3.98	3.01
Gain from decline in purchasing power of net amounts owed	552	774	1,251	1,280	1,067
Excess of increase (decrease) in specific prices over general inflation	2,265	(472)	3,382	3,327	(149
Net change in shareholders' equity	4,490	1,861	7,627	8,067	3,576
Per share*	5.01	2.09	8.65	9.27	4.13
Shareholders' equity at year-end	55,936	55,396	60,481	65,359	63,661
Return of net change in shareholders' equity on average shareholders' equity, percent	**8.2**	**3.3**	**13.2**	**12.8**	**5.5**

Table IV–Supplementary data adjusted for general inflation (average 1981 dollars)

	1977	1978	1979	1980	1981
Total revenue (millions)	$87,738	$90,735	$106,463	$121,831	$115,148
Dividends per share*	2.25	2.30	2.44	2.98	3.00
Market price at year-end, per share*	35¼	33	32⅝	42½	30
Average consumer price index (1967 = 100)	181.5	195.4	217.4	246.8	272.4

*Reflects May 1981 two-for-one stock split. See Note 3, page 30.

Supplemental Information on Oil and Gas Exploration and Production Activities

This section provides historical revenue, cost, operating earnings and reserve information regarding Exxon's oil and gas exploration and production operations during 1979, 1980 and 1981. Operating earnings shown for the exploration and production activity are the same as those reflected in the primary financial statements, and as shown on pages 4 and 5.

The first set of tables provide both oil and gas exploration and production costs that were capitalized at the end of 1980 and 1981 and costs which were incurred by the exploration and production function during 1979, 1980 and 1981. The following two pages (pages 43 and 44) show the company's oil and natural gas reserves at year-end 1979, 1980 and 1981 and a summary of the major changes to these reserves–such as new discoveries and production–during these three years. These reserves are shown for consolidated affiliates, for the company's proportional interest in proved reserves of equity companies and for supplies available under long-term agreements with foreign governments. Additional production information may be found on page 51. The third table, on page 45, summarizes the operating earnings of the oil and gas exploration and production function for 1979, 1980 and 1981. Throughout this section, the information is shown for the six major geographic areas in which the company operates.

In the third table, the average earnings per barrel of production for consolidated companies have been computed by using net production quantities for the divisor. The volumes of crude oil and natural gas liquids production are shown in the reserves table on page 43. The net production volumes of natural gas delivered for sale by the producing function used in the per barrel calculation are shown on page 51. The volumes of natural gas were converted to oil equivalent barrels based on a conversion factor of six thousand cubic feet per barrel. Crude oil, natural gas liquids and natural gas volumes from equity companies' production and from supplies available under long-term agreements with foreign governments are also reported on page 51.

The company believes this table (on page 45) (used in conjunction with the other information in this section concerning capitalized costs, costs incurred, reserves and production all of which are presented on a geographic basis) provides interested persons with relevant information to assist in an evaluation of the company's oil and natural gas exploration and production operations and the development of reasonable interpretations concerning the value of the oil and natural gas reserves. It is the company's opinion that this information is more meaningful for this purpose than the supplemental information on the basis of reserve recognition accounting, as prescribed by the Securities and Exchange Commission, which is contained in the following section of this Annual Report.

The tables on the following page summarize the capitalized costs at December 31, 1980 and 1981 and the costs incurred in oil and gas producing activities during 1979, 1980 and 1981. The definitions of terms used in developing these tables are consistent with those described in Financial Accounting Standards Board Statement No. 19–Financial Accounting and Reporting by Oil and Gas Producing Companies.

The amounts shown in the table for total capitalized costs less the accumulated depreciation are $2,693 million less in 1980 and $2,854 million less in 1981 than those reported as investment in property, plant and equipment–exploration and production in Note 11 on page 34 mainly due to excluding from the data shown on the following page certain transportation and research assets and assets related to the oil sands operations of Syncrude and Cold Lake in Canada and including in the data accumulated site restoration costs, both as required by the Statement.

The amounts reported as costs incurred in oil and gas producing activities include both capitalized costs and costs charged to expense. Exxon's 1980 costs incurred were $8,623 million, up 25 percent from 1979 mainly due to higher production (lifting) costs. These costs include the effect of the continuing increase in the Australian excise tax and the imposition of the "windfall profit" tax in the United States as well as the general inflationary trend of other operating costs.

Exxon's 1981 costs incurred were $13,769 million, up 60 percent from 1980. Principal factors in the increase were higher development and exploration expenditures and the full year effect of the "windfall profit" tax in the United States.

Oil and Gas Exploration and Production

(millions of dollars)

	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Austr Far
Capitalized costs							
As of December 31, 1980							
Property (acreage) costs							
Proved	$ 1,125	$ 977	$ 104	$ 6	$ 28	$ 1	$
Unproved	2,538	2,214	215	4	40	9	—
Total property costs	3,663	3,191	319	10	68	10	
Producing assets	12,220	7,106	1,080	68	2,620	360	[illegible]
Support facilities	409	213	46	8	76	16	
Incomplete construction	3,580	973	132	42	2,153	44	2
Total capitalized costs	**$19,872**	**$11,483**	**$1,577**	**$128**	**$4,917**	**$430**	**$1,33**
Accumulated depreciation, depletion, amortization and valuation provisions	$ 6,515	$ 4,574	$ 456	$ 65	$ 768	$250	$ 40
Proportional interest of capitalized costs by equity companies	$ 807	—	—	—	$ 712	—	$ 9
As of December 31, 1981							
Property (acreage) costs							
Proved	$ 1,222	$ 1,030	$ 132	$ 6	$ 29	$ 1	$ 2
Unproved	3,281	2,972	204	4	42	9	5
Total property costs	4,503	4,002	336	10	71	10	7
Producing assets	14,509	8,594	1,094	75	3,454	65	1,22
Support facilities	504	252	68	12	93	9	7
Incomplete construction	4,751	1,433	159	81	2,556	61	46
Total capitalized costs	**$24,267**	**$14,281**	**$1,657**	**$178**	**$6,174**	**$145**	**$1,83**
Accumulated depreciation, depletion, amortization and valuation provisions	$ 7,216	$ 5,073	$ 544	$ 70	$ 972	$ 22	$ 53
Proportional interest of capitalized costs by equity companies	$ 909	—	—	—	$ 796	—	$ 11
Costs incurred							
During 1979							
Property acquisition costs							
Proved acreage	$ 9	$ 1	—	$ 6	—	—	$ 2
Unproved acreage	1,124	1,029	$ 92	—	—	—	3
Total property costs	1,133	1,030	92	6	—	—	5
Exploration costs	1,233	541	278	110	$ 123	$ 41	140
Development costs	1,968	754	163	11	824	29	187
Production (lifting) costs*	2,544	895	133	10	310	75	1,121
Total costs incurred	**$ 6,878**	**$ 3,220**	**$ 666**	**$137**	**$1,257**	**$145**	**$1,453**
Depreciation, depletion, amortization and valuation provisions	$ 1,029	$ 707	$ 33	$ 8	$ 179	$ 12	$ 90
Proportional interest of costs incurred by equity companies**	$ 270	—	—	—	$ 208	—	$ 62
During 1980							
Property acquisition costs							
Proved acreage	$ 1	—	—	—	—	—	$ 1
Unproved acreage	583	$ 478	$ 56	—	$ 40	$ 5	4
Total property costs	584	478	56	—	40	5	5
Exploration costs	1,549	760	203	$128	227	53	178
Development costs	2,462	1,056	123	4	1,082	49	148
Production (lifting) costs*	4,028	1,974	167	17	338	84	1,448
Total costs incurred	**$ 8,623**	**$ 4,268**	**$ 549**	**$149**	**$1,687**	**$191**	**$1,779**
Depreciation, depletion, amortization and valuation provisions	$ 1,119	$ 753	$ 42	$ 9	$ 187	$ 12	$ 116
Proportional interest of costs incurred by equity companies**	$ 381	—	—	—	$ 287	—	$ 94
During 1981							
Property acquisition costs							
Proved acreage	—	—	—	—	—	—	—
Unproved acreage	$ 1,284	$ 1,258	$ 15	—	$ 1	—	$ 10
Total property costs	1,284	1,258	15	—	1	—	10
Exploration costs	2,014	954	126	$200	382	$121	231
Development costs	3,621	1,938	92	12	1,172	37	370
Production (lifting) costs*	6,850	3,875	239	20	796	157	1,763
Total costs incurred	**$13,769**	**$ 8,025**	**$ 472**	**$232**	**$2,351**	**$315**	**$2,374**
Depreciation, depletion, amortization and valuation provisions	$ 1,489	$ 1,030	$ 92	$ 6	$ 209	$ 19	$ 133
Proportional interest of costs incurred by equity companies	$ 445	—	—	—	$ 300	—	$ 145

*These costs include taxes such as the U.S. "windfall profit" tax and the Australian excise tax.

**Data for Aramco are not included. See footnote on page 44.

Oil and Gas Reserves

The following information, describing changes during the years and balances of oil and gas reserves at year-end 1979, 1980 and 1981, is presented in accordance with Financial Accounting Standards Board (FASB) Statement No. 19–Financial Accounting and Reporting by Oil and Gas Producing Companies, as amended by Statement No. 25. The definitions of proved reserves used in these tables are those developed by the Department of Energy for its Financial Reporting System and adopted by the FASB.

Proved reserves are the estimated quantitites of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. They include some reserves which may or may not be producible within the lives of existing agreements. In some cases, substantial new investments in additional wells and related facilities will be required to recover these proved reserves, including a major pipeline in the case of Alaskan gas reserves.

Proved reserves include 100 percent of each majority-owned affiliate's participation in proved reserves and Exxon's ownership percentage of the proved reserves of equity companies, but exclude royalties and quantities due others when produced. Gas reserves exclude the gaseous equivalent of liquids expected to be removed from the gas on leases, at field facilities and at gas processing plants. These liquids are included in the category net proved reserves of crude oil and natural gas liquids.

Net proved developed reserves are those volumes which are expected to be recovered through existing wells with existing equipment and operating methods. Undeveloped reserves are those volumes which are expected to be recovered as a

	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
Crude oil and natural gas liquids				(millions of barrels)			
Net proved developed and undeveloped reserves							
Beginning of year 1979	**6,513**	**3,435**	**669**	**30**	**972**	**426**	**981**
Revisions of previous estimates	(135)	(186)	(107)	(1)	124	—	35
Improved recovery	137	4	115	—	18	—	—
Purchases of minerals-in-place	—	—	—	—	—	—	—
Extensions, discoveries, and other additions	299	32	3	2	99	—	163
Production	(519)	(288)	(51)	(5)	(56)	(28)	(91)
Sales of minerals-in-place	—	—	—	—	—	—	—
End of year 1979	**6,295**	**2,997**	**629**	**26**	**1,157**	**398**	**1,088**
Revisions of previous estimates	630	78	(14)	(1)	552	—	15
Improved recovery	45	44	—	—	1	—	—
Purchases of minerals-in-place	—	—	—	—	—	—	—
Extensions, discoveries, and other additions	254	23	1	—	112	—	118
Production	(494)	(288)	(42)	(4)	(57)	(21)	(82)
Sales of minerals-in-place	—	—	—	—	—	—	—
End of year 1980	**6,730**	**2,854**	**574**	**21**	**1,765**	**377**	**1,139**
Revisions of previous estimates	(83)	31	(53)	—	(75)	2	12
Improved recovery	24	21	—	—	—	3	—
Purchases of minerals-in-place	—	—	—	—	—	—	—
Extensions, discoveries, and other additions	329	191	2	19	27	—	90
Production	(482)	(275)	(34)	(4)	(71)	(14)	(84)
Surrender of Libyan reserves	(361)***	—	—	—	—	(361)***	—
End of year 1981	**6,157**	**2,822**	**489**	**36**	**1,646**	**7**	**1,157**
Net proved developed reserves (included above)							
Beginning of year 1979	4,732	2,900	599	26	192	420	595
End of year 1979	4,199**	2,347**	565	23	273	392	599
End of year 1980	3,934	2,281	490	20	316	276	551
End of year 1981	3,636	2,185	408	19	470	3	551
Proportional interest in proved reserves of equity companies–end of year 1979*	67	—	—	—	41		26
–end of year 1980	75	—	—	—	47	—	28
–end of year 1981	80	—	—	—	52	—	28
Supplies available under long-term agreements with foreign governments*							
End of year 1979	608	—	—	—	—	608	—
Received during the year 1979	18	—	—	—	—	18	—
End of year 1980	593	—	—	—	—	593	—
Received during the year 1980	14	—	—	—	—	14	—
End of year 1981	544***	—	—	—	—	544***	—
Received during the year 1981	11	—	—	—	—	11	—
Oil sands reserves							
End of year 1979	295	—	295	—	—	—	—
End of year 1980	303	—	303	—	—	—	—
End of year 1981	294	—	294	—	—	—	—

See footnotes on page 44.

result of future investments, pending or in progress, to drill new wells, to recomplete existing wells, and/or to install facilities to collect and deliver the production from existing and future wells.

The United States net proved oil reserves include oil attributable to a secondary recovery program which is not yet in operation in the Prudhoe Bay field in Alaska. Reserves attributable to oil and gas discoveries reported in the Mackenzie Delta region of Canada, and certain oil and gas discoveries elsewhere in the U.S. and Canada and in Malaysia, Thailand, Australia, the U.K., Norway, West Germany and Colombia were not considered proved as of year-end 1981 due to geological, technological and economic uncertainties and therefore are not included in the tabulation.

Supplies available under long-term agreements with foreign governments include (i) Exxon's share of concessionary reserves in Abu Dhabi and (ii), for the years 1979 and 1980, gas and natural gas liquids volumes expected at that time to be acquired in the future from the government company in Libya.

Crude oil and natural gas liquids and natural gas production quantities shown are the net volumes withdrawn from Exxon's oil and gas reserves. These differ from the quantities of oil and gas delivered for sale by the producing function, as reported on page 51, due to inventory changes and, especially in the case of natural gas, volumes consumed and/or vented. Such quantities were not significant for crude oil and natural gas liquids. For natural gas, such quantities amounted to approximately 290 billion cubic feet in 1979, 212 billion cubic feet in 1980, and 190 billion cubic feet in 1981.

	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
			(billions of cubic feet)				
Natural gas							
Net proved developed and undeveloped reserves							
Beginning of year 1979	**29,259**	**18,170**	**1,338**	**329**	**4,790**	**1,459**	**3,173**
Revisions of previous estimates	97	(112)	146	(3)	(100)	8	158
Improved recovery	5	2	—	—	3	—	—
Purchases of minerals-in-place	29	2	—	27	—	—	—
Extensions, discoveries, and other additions	870	587	96	—	140	—	47
Production	(2,137)	(1,449)	(85)	(29)	(408)	(85)	(81
Sales of minerals-in-place	(14)	—	—	—	(14)	—	—
End of year 1979	**28,109**	**17,200**	**1,495**	**324**	**4,411**	**1,382**	**3,297**
Revisions of previous estimates	496	152	(77)	4	387	—	30
Improved recovery	182	52	—	—	130	—	—
Purchases of minerals-in-place	—	—	—	—	—	—	—
Extensions, discoveries, and other additions	2,380	612	34	13	1,661	—	60
Production	(1,909)	(1,329)	(77)	(32)	(318)	(60)	(93
Sales of minerals-in-place	(17)	—	(17)	—	—	—	—
End of year 1980	**29,241**	**16,687**	**1,358**	**309**	**6,271**	**1,322**	**3,294**
Revisions of previous estimates	224	502	(4)	(13)	(222)	1	(40
Improved recovery	9	9	—	—	—	—	—
Purchases of minerals-in-place	—	—	—	—	—	—	—
Extensions, discoveries, and other additions	1,401	941	8	17	293	—	142
Production	(1,807)	(1,215)	(69)	(33)	(344)	(35)	(111
Surrender of Libyan reserves	(1,283)***	—	—	—	—	(1,283)***	—
End of year 1981	**27,785**	**16,924**	**1,293**	**280**	**5,998**	**5**	**3,285**
Net proved developed reserves (included above)							
Beginning of year 1979	24,639	16,628	872	257	3,241	1,403	2,238
End of year 1979	23,459	15,766	1,191	252	2,944	1,325	1,981
End of year 1980	23,722	16,133	1,094	238	3,006	1,216	2,035
End of year 1981	22,906	15,886	1,021	208	3,097	5	2,689
Proportional interest in proved reserves of equity companies–end of year 1979*	17,000	—	—	—	16,761		239
–end of year 1980	16,194	—	—	—	15,961	—	233
–end of year 1981	16,067	—	—	—	15,845	—	222
Supplies available under long-term agreements with foreign governments*							
End of year 1979	1,881	—	—	—	—	1,881	—
Received during the year 1979	106	—	—	—	—	106	—
End of year 1980	1,809	—	—	—	—	1,809	—
Received during the year 1980	72	—	—	—	—	72	—
End of year 1981	—***	—	—	—	—	—***	—
Received during the year 1981	39	—	—	—	—	39	—

*These and other tables, as noted, in this report do not include reserve, supply, cost and other data relating to Exxon's interest in the Arabian American Oil Company (Aramco) because the government of Saudi Arabia prohibits the disclosure of confidential information under a directive issued by the Minister of Petroleum and Mineral Resources bearing Number 1030/Z. During 1980, the government acquired the beneficial interest in substantially all of Aramco's assets and operations. However, Aramco continues to have access to a significant volume of Saudi Arabian crude oil.

**291 million barrels of proved reserves, classified as developed in the 1978 data, were reclassified as undeveloped in the 1979 information.

***Under the terms of an agreement effective December 1, 1981, Exxon assigned its rights, assets and properties in Libya to the National Oil Corporation. Consequently, no reserves for Libya are included in the year-end 1981 data.

Operating Earnings	Worldwide	Total	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
Year 1979	(millions)				(dollars per unit)			
Revenue								
Crude oil and NGL (unit: barrel)	$ 7,054	$ 13.58	$ 10.43	$ 10.85	$ 2.64	$ 20.44	$ 22.53	$ 19.90
Natural gas (unit: thousand cubic feet)	2,078	1.08	0.95	1.44	0.57	1.60	2.21	0.52
					(unit: barrel of net production*)			
Total revenue	9,132	10.87	8.35	10.37	3.00	15.21	17.39	18.08
Less costs:								
Production (lifting) costs**	2,544	3.03	1.74	2.03	1.13	2.77	2.22	11.03
Exploration expense	971	1.16	0.92	2.16	13.83	0.99	0.86	0.90
Depreciation, depletion and amortization expense	1,029	1.22	1.37	0.50	0.92	1.60	0.35	0.89
	4,588	5.46	4.32	5.68	(12.88)	9.85	13.96	5.26
Related income tax	2,558	3.05	1.89	2.63	0.27	6.40	13.99	2.19
Operating earnings from own production	2,030	2.41	2.43	3.05	(13.15)	3.45	(0.03)	3.07
Proportional interest in operating earnings of equity companies	685	0.70				3.32	0.18	1.57
Earnings related to other supplies available under agreements with foreign governments	37							
Other operating earnings***	265							
Total operating earnings from exploration and production	**$ 3,017**							
Year 1980	(millions)				(dollars per unit)			
Revenue								
Crude oil and NGL (unit: barrel)	$ 10,757	$ 21.70	$ 17.93	$ 13.07	$ 3.88	$ 34.61	$ 31.75	$ 29.73
Natural gas (unit: thousand cubic feet)	2,277	1.29	1.15	1.99	0.61	1.75	2.98	0.69
					(unit: barrel of net production*)			
Total revenue	13,034	16.77	13.62	12.91	3.67	24.46	24.50	26.23
Less costs:								
Production (lifting) costs**	4,028	5.18	4.00	3.09	1.89	3.35	3.23	15.41
Exploration expense	1,079	1.39	0.96	3.50	11.00	1.65	1.46	1.18
Depreciation, depletion and amortization expense	1,119	1.44	1.52	0.78	1.00	1.85	0.46	1.23
	6,808	8.76	7.14	5.54	(10.22)	17.61	19.35	8.41
Related income tax	3,904	5.02	3.25	3.19	0.33	12.09	20.15	4.03
Operating earnings from own production	2,904	3.74	3.89	2.35	(10.55)	5.52	(0.80)	4.38
Proportional interest in operating earnings of equity companies	841	0.91				4.11	0.27	3.11
Earnings related to other supplies available under agreements with foreign governments	2							
Other operating earnings***	253							
Total operating earnings from exploration and production	**$ 4,000**							
Year 1981	(millions)				(dollars per unit)			
Revenue								
Crude oil and NGL (unit: barrel)	$ 14,310	$ 29.78	$ 28.51	$ 15.90	$ 4.84	$ 37.47	$ 36.98	$ 33.33
Natural gas (unit: thousand cubic feet)	2,489	1.52	1.47	1.95	0.55	1.86	3.71	0.57
					(unit: barrel of net production*)			
Total revenue	16,799	22.37	20.59	15.00	4.22	27.64	23.18	29.11
Less costs:								
Production (lifting) costs**	6,850	9.12	8.41	5.31	2.22	6.63	9.23	17.81
Exploration expense	1,572	2.09	1.69	3.31	17.11	2.21	6.12	1.20
Depreciation, depletion and amortization expense	1,489	1.98	2.23	2.05	0.67	1.74	1.12	1.34
	6,888	9.18	8.26	4.33	(15.78)	17.06	6.71	8.76
Related income tax	3,880	5.17	3.68	3.69	0.44	12.48	6.65	4.09
Operating earnings from own production	3,008	4.01	4.58	0.64	(16.22)	4.58	0.06	4.67
Proportional interest in operating earnings of equity companies	933	1.07				4.83	0.34	3.61
Earnings related to other supplies available under agreements with foreign governments	58							
Other operating earnings***	217							
Total operating earnings from exploration and production	**$ 4,216**							
Revenue (millions)								
Year 1979–Sales to third parties	$ 3,380		$ 1,135	$ 121	$ 27	$ 542	$ 5	$ 1,550
Sales to consolidated affiliates	5,752		3,164	555	—	1,161	585	287
Year 1980–Sales to third parties	4,496		1,291	444	33	546	11	2,171
Sales to consolidated affiliates	8,538		5,439	253	—	1,925	626	295
Year 1981–Sales to third parties	5,038		1,590	511	38	574	53	2,272
Sales to consolidated affiliates	11,761		7,904	164	—	2,743	340	610

*Natural gas is included by conversion to crude oil equivalent.

**Includes taxes other than income taxes. Specifically included are U.S. "windfall profit" tax: $1.20 (1980), $4.59 (1981) and Australian excise tax: $9.53 (1979), $12.32 (1980), $14.19 (1981).

**Includes earnings related to transportation of oil and gas, sale of supplies from other sources, oil sands operations and technical services agreements.

Supplemental Information on the Basis of Reserve Recognition Accounting

Regulations of the Securities and Exchange Commission (SEC) require that certain additional information on oil and gas exploration and production activities be provided. The information in this section is presented in compliance with these regulations.

The data discussed on previous pages are historical information and may be reconciled to other financial and operating information published by Exxon. The following information departs significantly from that approach and attempts to portray future activities of Exxon in oil and gas producing in a highly arbitrary fashion.

The requirement to publish such information regarding future activities was part of the SEC's attempted development of a new method of accounting for oil and gas producing activities called "Reserve Recognition Accounting" (RRA). On February 26, 1981, the SEC announced that it no longer considered RRA to be a potential method of accounting for the primary financial statements. At the same time, the SEC stated it would support an undertaking by the Financial Accounting Standards Board (FASB) to develop a comprehensive package of disclosures for companies engaged in oil and gas producing activities. The FASB initiated such a project in March 1981, and it appears that the FASB will adopt new disclosure standards for oil and gas producers during 1982. At that time, it is expected that the SEC will amend its rules to be consistent with the FASB disclosure standards and will eliminate the requirement for supplemental disclosure on the basis of RRA.

RRA would have departed significantly from historical accounting practices. Exxon has taken exception to the SEC's proposal and has indicated the following major concerns with the concept of RRA and the data developed using that concept.

Financial reporting for the oil and gas producing segment of the oil industry would include forecasts of future production rates and future investments in an estimation of potential cash flows. Such reporting would be completely different from the historical cost reporting of the remainder of the oil industry and of all other industries.

The difficulties and uncertainties of estimating the volumes of oil and gas reserves and their production rates appear not to have been appropriately considered, making comparability between companies, and segments thereof, very difficult at best. Quantification of reserves is far from a precise science. A variety of methods and techniques are used to estimate reserves and the answers obtained are subject to wide fluctuations because they are dependent on judgmental interpretations of geologic and reservoir data. The same is true of estimates of future production schedules. While, in management's judgment, the quantities are reasonable, there is no methodology or certification process in place now, or likely to be in place in the near future, which would permit independent verification of such volumes and rates.

The regulations prescribe that future net revenues be determined by applying December 31, 1981 prices and costs to the projected production schedules for Exxon's net proved oil and gas reserves as of December 31, 1981. In Exxon's opinion, applying these arbitrary assumptions to the estimated future production schedule for the various categories of reserves can lead to financial reporting which is more likely to mislead than inform.

In addition to these general areas of concern, the following cautions should be noted when reviewing the information. The regulations make no provision for deducting exploration expenses, amortization of acquisition costs (bonus payments), depreciation of capitalized production investments, purchase costs of royalty oil and gas, income taxes, or other payments to governments. Thus, the "future net revenues" and the present value of such revenues, as computed under the regulations, present neither a true "future value" nor "present value." In view of Exxon's concern that the absence of taxes, which are a considerable and in some cases a major cost, from the calculation would cause the information to be seriously misunderstood and misleading, particularly in the case of some foreign operations, the undiscounted and present value information presented here is shown on both a before-tax and after-tax basis.

The data set forth in this section should not be interpreted as necessarily representing current profitability or amounts which Exxon will receive, or costs which will be incurred, or the manner in which oil and gas will be produced from the respective oil and natural gas reserves. The arbitrary 10 percent discount rate used in the determination of the present value of estimated future net revenues represents neither a cost of capital nor a borrowing rate and, additionally, does not necessarily reflect political risks. Actual future selling prices and related producing costs, development costs, production schedules, reserves and their classifications, and other matters may differ significantly from data assumed or portrayed.

The company does not agree that the presentation on page 49 is the proper basis to reflect the results of oil and gas operations. However, the company believes that the table on page 45 when used in conjunction with the other information in the section on Supplemental Information on Oil and Gas Exploration and Production Activities provides relevant information to assist in an evaluation of the company's oil and gas exploration and production operations and in the development of reasonable interpretations concerning the value of the oil and natural gas reserves.

Future net revenues	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
	(millions of dollars)						
Future net revenues from proved developed and undeveloped oil and gas reserves							
Consolidated affiliates*							
Estimated future net revenues from estimated production as of December 31, 1981							
1982	$ 7,159	$ 3,730	$ 284	$ (5)	$ 2,760	$ 20	$ 370
1983	8,236	3,521	212	(16)	3,973	15	531
1984	8,210	2,946	183	(66)	4,315	31	801
Remainder	108,437	49,256	5,105	486	40,304	69	13,217
Sub-total (before income taxes)	132,042	59,453	5,784	399	51,352	135	14,919
Related income taxes	(73,997)	(27,669)	(3,764)	(181)	(35,057)	(68)	(7,258)
Total	**$ 58,045**	**$31,784**	**$2,020**	**$218**	**$16,295**	**$ 67**	**$ 7,661**
Present value of estimated future net revenues as of December 31, 1981	$ 61,527	$25,638	$2,168	$192	$26,791	$ 99	$ 6,639
Related income taxes	(35,592)	(11,763)	(1,536)	(101)	(18,803)	(48)	(3,341)
Total	**$ 25,935**	**$13,875**	**$ 632**	**$ 91**	**$ 7,988**	**$ 51**	**$ 3,298**
December 31, 1980	$ 68,075	$26,331	$2,344	$ 56	$27,653	$5,237	$ 6,454
Related income taxes	(39,488)	(12,377)	(1,391)	(19)	(17,446)	(5,011)	(3,244)
Total	**$ 28,587**	**$13,954**	**$ 953**	**$ 37**	**$10,207**	**$ 226**	**$ 3,210**
December 31, 1979	$ 47,239	$21,644	$2,888	$ 62	$12,739	$4,269	$ 5,637
Related income taxes	(26,579)	(10,606)	(1,675)	(25)	(7,455)	(4,045)	(2,773)
Total	**$ 20,660**	**$11,038**	**$1,213**	**$ 37**	**$ 5,284**	**$ 224**	**$ 2,864**
Future net revenues from proved developed oil and gas reserves (included above)							
Consolidated affiliates*							
Estimated future net revenues from estimated production as of December 31, 1981							
1982	$ 8,272	$ 4,151	$ 406	$ 6	$ 2,739	$ 31	$ 939
1983	7,224	3,729	395	1	2,535	18	546
1984	5,980	3,046	339	—	2,192	11	392
Remainder	57,302	39,066	4,279	13	9,987	(2)	3,959
Sub-total (before income taxes)	78,778	49,992	5,419	20	17,453	58	5,836
Related income taxes	(41,410)	(23,277)	(3,519)	(7)	(11,649)	(29)	(2,929)
Total	**$ 37,368**	**$26,715**	**$1,900**	**$ 13**	**$ 5,804**	**$ 29**	**$ 2,907**
Present value of estimated future net revenues as of December 31, 1981	$ 40,424	$23,307	$2,378	$ 13	$11,867	$ 57	$ 2,802
Related income taxes	(21,718)	(10,749)	(1,561)	(4)	(7,960)	(30)	(1,414)
Total	**$ 18,706**	**$12,558**	**$ 817**	**$ 9**	**$ 3,907**	**$ 27**	**$ 1,388**
December 31, 1980	$ 44,256	$23,648	$2,249	$ 47	$10,111	$4,919	$ 3,282
Related income taxes	(25,254)	(11,125)	(1,345)	(10)	(6,416)	(4,704)	(1,654)
Total	**$ 19,002**	**$12,523**	**$ 904**	**$ 37**	**$ 3,695**	**$ 215**	**$ 1,628**
December 31, 1979	$ 34,354	$18,861	$2,546	$ 41	$ 5,354	$4,263	$ 3,289
Related income taxes	(19,469)	(9,242)	(1,477)	(16)	(3,063)	(4,041)	(1,630)
Total	**$ 14,885**	**$ 9,619**	**$1,069**	**$ 25**	**$ 2,291**	**$ 222**	**$ 1,659**
Future net revenues from proved oil and gas reserves of equity companies**							
Estimated future net revenues from estimated production as of December 31, 1981							
1982	$ 1,376	—	—	—	$ 1,298	—	$ 78
1983	1,311	—	—	—	1,244	—	67
1984	1,220	—	—	—	1,204	—	16
Remainder	21,612	—	—	—	21,453	—	159
Sub-total (before income taxes)	25,519	—	—	—	25,199	—	320
Related income taxes	(12,276)	—	—	—	(12,097)	—	(179)
Total	**$ 13,243**	**—**	**—**	**—**	**$13,102**	**—**	**$ 141**
Present value of estimated future net revenues as of December 31, 1981	$ 8,602	—	—	—	$ 8,415	—	$ 187
Related income taxes	(4,142)	—	—	—	(4,038)	—	(104)
Total	**$ 4,460**	**—**	**—**	**—**	**$ 4,377**	**—**	**$ 83**
December 31, 1980	$ 8,838	—	—	—	$ 8,699	—	$ 139
Related income taxes	(4,252)	—	—	—	(4,174)	—	(78)
Total	**$ 4,586**	**—**	**—**	**—**	**$ 4,525**	**—**	**$ 61**
December 31, 1979	$ 6,940	—	—	—	$ 6,712	—	$ 228
Related income taxes	(3,350)	—	—	—	(3,222)	—	(128)
Total	**$ 3,590**	**—**	**—**	**—**	**$ 3,490**	**—**	**$ 100**

*1981 data reflect the surrender of Libyan reserves. **Data for Aramco are not included. See footnotes on page 44.

Future net revenues (continued)	Total Worldwide	United States	Canada	Other Western Hemisphere	Europe	Middle East and Africa	Australia and Far East
				(millions of dollars)			
Future net revenues from supplies available under long-term agreements with foreign governments*							
Estimated future net revenues as of December 31, 1981							
1982	$ 217	—	—	—	—	$ 217	—
1983	217	—	—	—	—	217	—
1984	217	—	—	—	—	217	—
Remainder	5,200	—	—	—	—	5,200	—
Sub-total (before income taxes)	5,851	—	—	—	—	5,851	—
Related income taxes	(5,616)	—	—	—	—	(5,616)	—
Total	**$ 235**	**—**	**—**	**—**	**—**	**$ 235**	**—**
Present value of estimated future net revenues as of December 31, 1981	$ 1,906	—	—	—	—	$ 1,906	—
Related income taxes	(1,829)	—	—	—	—	(1,829)	—
Total	**$ 77**	**—**	**—**	**—**	**—**	**$ 77**	**—**
December 31, 1980	$ 4,493	—	—	—	—	$ 4,493	—
Related income taxes	(4,161)	—	—	—	—	(4,161)	—
Total	**$ 332**	**—**	**—**	**—**	**—**	**$ 332**	**—**
December 31, 1979	$ 3,987	—	—	—	—	$ 3,987	—
Related income taxes	(3,552)	—	—	—	—	(3,552)	—
Total	**$ 435**	**—**	**—**	**—**	**—**	**$ 435**	**—**

*Data for Aramco are not included. 1981 data reflect the surrender of Libyan reserves. See footnotes on page 44.

With minor exceptions, estimated future net revenues are computed by applying the year-end prices of crude oil, including condensate and natural gas liquids, and natural gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of oil and gas reserves, as shown on pages 43 and 44, less the estimated future expenditures to be incurred in developing and producing the proved reserves, assuming continuation of both the existing economic conditions and the level of current costs.

The production (lifting) costs used in calculating future net revenues are based on the average costs for 1981 for consolidated affiliates as shown on page 45. Use of year-end information would not materially alter the results. Development costs are based on existing plans for drilling, equipping and installing the actual wells and facilities, if any, required to produce the reserves at year-end 1981. Where necessary, these existing development plans have been extrapolated, based on engineering estimates, to the end of the lease, concession, contract, etc., or to the time required to complete the recovery of the reserves, whichever is earlier. In certain instances, such as offshore platforms, existing development plans include facilities or capacity designed to produce both proved and probable reserves. These investments have been charged against proved reserves only, because the existence of the probable reserves may not be confirmed until after the investments have been made.

Related income taxes, while not required by the SEC's instructions, were calculated using statutory tax rates for year-end 1979, 1980 and 1981 where applicable. In some instances particularly in foreign operations, effective income tax rates were used to estimate anticipated taxes.

The present value of estimated future net revenues is computed using the estimated future net revenues and a discount factor of 10 percent per year.

Summary of oil and gas producing activities on the basis of reserve recognition accounting*

	1979	1980	1981
Additions and revisions to estimated proved oil and gas reserves:		(millions of dollars)	
Additions to estimated proved reserves, net	$ 3,159	$ 2,334	$ 1,555
Revisions to estimates of reserves proved in prior years:			
Changes in prices	27,902	29,414	2,443
Changes in reserves	(262)	6,527	(5,890)
Changes in other factors	(8,873)	(15,618)	(5,136)
Accretion of discount	2,721	4,724	6,808
Sub-total	24,647	27,381	(220)
Acquisition and exploration costs incurred, including impairments	1,205	1,666	2,495
Additions and revisions to proved reserves over/(under) evaluated costs	23,442	25,715	(2,715)
Provision for income tax	14,652	16,544	(1,731)
Results of oil and gas producing activities on the basis of reserve recognition accounting:			
Consolidated affiliates	8,790	9,171	(984)
Equity companies	657	1,564	555
Supplies available under long-term agreements with foreign governments	372	(101)	(197)
Total	$ 9,819	$10,634	$(626)

Changes in present value of estimated future net revenues from proved oil and gas reserves*

	1979	1980	1981
Increases:		(millions of dollars)	
Net additions and revisions	$24,647	$27,381	$(220)
Purchase of reserves-in-place	7	—	—
Expenditures that reduce estimated future development costs	1,968	2,462	3,621
Sub-total	26,622	29,843	3,401
Decreases:			
Sales of oil and gas and value of transfers, net of production costs of $2,544, $4,028 and $6,850	6,588	9,006	9,949
Sales of reserves-in-place	2	1	—
Sub-total	6,590	9,007	9,949
Net increase/(decrease)	20,032	20,836	(6,548)
Beginning of year, before tax	27,207	47,239	68,075
End of year, before tax	47,239	68,075	61,527
Less income tax	26,579	39,488	35,592
End of year, after tax:			
Consolidated affiliates	20,660	28,587	25,935
Equity companies	3,590	4,586	4,460
Supplies available under long-term agreements with foreign governments	435	332	77
Total	$24,685	$33,505	$30,472

*Data for Aramco are not included. 1981 data reflects the surrender of Libyan reserves. See footnotes on page 44.

The major revisions during 1979 and 1980 to the estimated value of reserves proved in prior years for consolidated affiliates were caused by increases in crude oil and natural gas prices. Partly offsetting were increases in production (lifting) and development costs and in 1979 the net downward revision to estimated reserves. In 1980, the net upward revision to estimated reserves had a favorable effect.

For 1981, the estimate of reserves proved in prior years declined as a result of the elimination of reserves applicable to Libya. As noted previously (page 44), Exxon surrendered its concessionary interests in Libya during 1981. Therefore, as required under the RRA method, the $5.1 billion estimated value of the Libyan reserves previously included in Exxon's consolidated affiliates future net revenues has been reported as a negative change in reserves in 1981. Other changes in 1981 included some increases in crude oil and natural gas prices which were more than offset by higher production (lifting) and development costs. The provision for income tax includes a negative adjustment of $5.0 billion applicable to the surrender of the Libyan reserves. Results in 1981 for supplies available under long-term agreements with foreign governments decreased $0.2 billion due to the surrender of supplies under agreements from Libya.

Costs capitalized in the financial statements are expensed under the RRA method except for costs associated with unevaluated properties and uncompleted exploration wells which totaled $1,327 million, $1,457 million and $2,269 million at the end of 1979, 1980 and 1981, respectively. These costs are deferred until the year the evaluation is completed. Current year's development expenditures have the effect of reducing estimated future RRA development costs and are shown as an increase in present value. Current year's proceeds from producing operations recognized in the historical financial statements do not affect RRA results if they are identical to the assumptions used in estimating RRA values in the prior year.

Related income taxes were calculated using statutory tax rates for year-end 1979, 1980 and 1981 where applicable. In some instances, particularly in foreign operations, effective income tax rates were used to estimate anticipated taxes.

Financial Summary

	1977	1978	1979	1980	1981
	(millions of dollars)				
Sales and other operating revenue					
Petroleum and natural gas	$53,383	59,108	76,162	98,274	102,387
Chemicals	3,578	4,034	5,807	6,936	7,126
Other	568	754	1,586	3,239	3,684
Total sales and other operating revenue	$57,529	63,896	83,555	108,449	**113,197**
Earnings from operations					
Petroleum and natural gas	$ 2,918	3,310	4,629	5,938	5,329
Chemicals	222	268	456	402	271
Other	(15)	(95)	(58)	(97)	(177)
Total earnings from operations	3,125	3,483	5,027	6,243	5,423
Foreign exchange gain/(loss)*	(258)	(316)	(138)	194	710
Other corporate and financial items	(424)	(404)	(594)	(787)	(566)
Net income	$ 2,443	2,763	4,295	5,650	**5,567**
Net income per share**	$ 2.73	3.10	4.87	6.49	6.44
Cash dividends per share**	$ 1.50	1.65	1.95	2.70	3.00
Net income to average shareholders' equity *(percent)*	13.1	14.0	20.1	23.6	20.6
Net income to total revenue *(percent)*	4.2	4.3	5.1	5.1	4.8
Working capital	$ 4,619	4,328	4,595	6,574	6,105
Ratio of current assets to current liabilities	1.43	1.36	1.29	1.39	1.34
Property, plant and equipment, less reserves	$20,491	22,806	26,293	30,311	36,094
Total additions to property, plant and equipment	$ 3,563	4,187	5,859	6,465	9,003
Exploration expenses, including dry holes	$ 642	775	1,052	1,152	1,653
Research and development costs	$ 230	290	381	489	630
Total assets	$38,437	41,531	49,490	56,577	62,931
Long-term debt	$ 3,870	3,749	4,258	4,717	5,153
Shareholders' equity	$19,121	20,229	22,552	25,413	28,517
Shareholders' equity per share**	$ 21.37	22.80	25.70	29.41	32.84
Average number of shares outstanding *(thousands)***	895,796	891,829	881,687	869,943	864,926
Number of shareholders at year-end *(thousands)*	684	695	686	697	776
Wages, salaries, and employee benefits	$ 2,893	3,405	4,182	5,553	5,832
Average number of employees *(thousands)*	127	130	169	177	180
*Includes foreign exchange gain/(loss) related to equity companies	$ (72)	(130)	(35)	112	135

**Reflects May 1981 two-for-one stock split. See Note 3, page 30.

Operating Summary

	1977	1978	1979	1980	1981
	(thousands of barrels daily)				
Net production of crude oil and natural gas liquids and petroleum supplies available under special agreements					
Net production					
United States	795	829	791	787	752
Canada	143	130	140	116	94
Other Western Hemisphere	16	14	13	11	11
Europe	49	93	154	155	194
Middle East and Africa	109	97	77	56	39
Australia and Far East	196	220	248	225	230
Total consolidated affiliates	1,308	1,383	1,423	1,350	1,320
Proportional interest in production of equity companies	1,160	1,031	1,126	351	32
Supplies available under long-term agreements with foreign governments	1,438	1,333	1,127	1,802	2,020
Sub-total	3,906	3,747	3,676	3,503	3,372
Oil sands production–Canada	5	8	20	24	26
Other supplies available under special agreements	1,180	968	782	481	398
Worldwide	5,091	4,723	4,478	4,008	**3,796**
Refinery crude oil runs					
United States	1,339	1,426	1,320	1,246	1,111
Canada	415	416	449	447	430
Other Western Hemisphere	368	406	370	402	401
Europe	1,694	1,646	1,691	1,578	1,472
Middle East and Africa	86	67	52	23	12
Australia and Far East	446	466	472	453	452
Worldwide	4,348	4,427	4,354	4,149	**3,878**
Petroleum product sales					
Aviation fuels	322	343	350	336	323
Gasoline, naphthas	1,459	1,540	1,534	1,453	1,369
Home heating oils, kerosene, diesel oils	1,461	1,533	1,520	1,428	1,324
Heavy fuels	1,426	1,383	1,316	1,179	1,051
Specialty products	598	591	599	557	534
Total	5,266	5,390	5,319	4,953	4,601
United States	1,748	1,736	1,667	1,503	1,295
Canada	443	463	476	457	439
Other Western Hemisphere	488	510	505	472	459
Europe	1,918	2,015	2,019	1,902	1,807
Other Eastern Hemisphere	669	666	652	619	601
Worldwide	5,266	5,390	5,319	4,953	**4,601**
	(millions of cubic feet daily)				
Natural gas production available for sale					
Net production					
United States	4,144	3,710	3,723	3,373	3,065
Canada	232	222	232	191	186
Other Western Hemisphere	47	54	72	78	82
Europe	929	1,002	917	719	799
Middle East and Africa	126	147	147	87	46
Australia and Far East	197	168	182	189	251
Total consolidated affiliates	5,675	5,303	5,273	4,637	4,429
Proportional interest in production of equity companies	2,747	2,579	2,587	2,396	2,191
Supplies available under long-term agreements with foreign governments	153	180	184	104	107
Worldwide	8,575	8,062	8,044	7,137	**6,727**
	(thousands of deadweight tons, daily average)				
Tanker capacity, owned and chartered	27,840	26,160	24,140	25,360	**23,470**
	(thousands of barrels daily)				
Pipeline throughput	5,854	5,609	5,490	3,297	**2,740**

Operating statistics other than pipeline throughput include 100 percent of operations of majority-owned affiliates; for other companies, gas and crude production include Exxon's ownership percentage, and crude runs include quantities processed for Exxon. Pipeline throughput represents quantities delivered for Exxon by all companies in which a stock interest is held. Net production excludes royalties and quantities due others when produced, whether payment is made in kind or cash. Supplies available under long-term agreements with foreign governments include offtake from Abu Dhabi and from Iran through 1978, Saudi Arabian buy back oil through April 14, 1980 and Exxon's share of volumes acquired by Aramco from the government of Saudi Arabia after that date.

Other supplies available under special agreements include (i) crude oil and product purchases from the Venezuelan government company, Lagoven, and (ii) major purchases from others under special arrangements in the Middle East.

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Edward G. Harness	*Chairman of the Executive Committee,* The Procter & Gamble Company [consumer products]
Jess Hay	*Chairman of the Board and Chief Executive Officer,* Lomas & Nettleton Financial Corporation
H. C. Kauffmann	*President*
D. S. MacNaughton	*Chairman and Chief Executive Officer,* Hospital Corporation of America [hospital ownership and management]
M. E. J. O'Loughlin	*Senior Vice-President*
Martha Peterson	*President Emeritus,* Beloit College
Bert Phillips	*Chairman of the Board,* Clark Equipment Company [material handling and construction equipment,axles and transmissions]
L. G. Rawl	*Senior Vice-President*
John M. Richman	*Chairman of the Board and Chief Executive Officer,* Dart & Kraft, Inc. [food, consumer and commercial products]
Harold A. Shaub	*Retired President and Chief Executive Officer,* Campbell Soup Company [food processing]
Otto Wolff von Amerongen	*Chairman of the Management Board and Chief Executive Officer,* Otto Wolff AG [iron and steel, machinery, machine tools, engineering and steel construction] Cologne, West Germany

Committees of the Board

Audit Committee	Miss Peterson *(Chairman),* Mr. Shaub *(Vice-Chairman),* Messrs. Dobson, MacNaughton, Richman
Board Advisory Committee on Contributions	Messrs. Clarke *(Chairman),* Bromery *(Vice-Chairman),* Andres, Hay, Miss Peterson
Board Compensation Committee	Messrs. MacNaughton *(Chairman),* Harness *(Vice-Chairman)* Andres, Phillips, Richman, Shaub
Executive Committee	Messrs. Garvin *(Chairman),* Kauffmann, *(Vice-Chairman),* Bromery, Harness, Shaub
Nominating Committee	Messrs. Garvin *(Chairman),* Bromery, Dobson, Harness, Hay, Phillips

Officers

C. C. Garvin, Jr.	*Chairman of the Board and Chief Executive Officer*
H. C. Kauffmann	*President*
J. F. Bennett	*Senior Vice-President*
J. G. Clarke	*Senior Vice-President*
D. M. Cox	*Senior Vice-President*
J. F. Dean	*Senior Vice-President*
M. E. J. O'Loughlin	*Senior Vice-President*
L. G. Rawl	*Senior Vice-President*
R. H. Beresford	*Vice-President—Petroleum Products*
R. N. Dolph	*Vice-President*
Richard E. Faggioli	*Vice-President and Secretary*
A. C. Hamilton	*Vice-President and Treasurer*
R. H. Harvey	*Vice-President—Communications and Computer Sciences*
E. C. Holmer	*Vice-President*
W. D. Kruger	*Vice-President*
R. J. Kruizenga	*Vice-President—Corporate Planning*
U. J. LeGrange	*Vice-President and Controller*
R. S. Lombard	*Vice-President and General Counsel*
J. F. Mathis	*Vice-President—Science and Technology*
W. M. McCardell	*Vice-President*
G. B. McCullough	*Vice-President—Employee Relations*
T. J. McDonagh	*Vice-President—Medicine and Environmental Health*
Randall Meyer	*Vice-President*
F. M. Perkins	*Vice-President—Gas*
R. A. Schroder	*Vice-President and General Tax Counsel*
D. E. Smiley	*Vice-President—Washington Office*
Stephen Stamas	*Vice-President—Public Affairs*
C. B. Wheeler	*Vice-President—Producing*
R. A. Winslow	*Vice-President*

Chief Executives, Regional and Operating Organizations

DIVISIONS OF EXXON CORPORATION

R. N. Dolph	*President, Exxon International Company*
E. C. Holmer	*President, Exxon Chemical Company*
W. D. Kruger	*President, Esso Middle East*
W. M. McCardell	*President, Exxon Minerals Company*
Randall Meyer	*President, Exxon Company, U.S.A.*
R. A. Winslow	*President, Exxon Enterprises*

AFFILIATED COMPANIES

E. E. David, Jr.	*President, Exxon Research and Engineering Company*
R. H. Herman	*President, Esso Eastern Inc.*
E. A. Humble	*President, Esso Exploration Inc.*
D. K. McIvor	*Chairman of the Board, Imperial Oil Limited*
A. L. Monroe	*President, Esso Inter-America Inc.*
J. C. Morley	*President, Reliance Electric Company*
R. G. Reid	*President, Esso Europe Inc.*
L. W. Welch, Jr.	*President, Exxon Production Research Company*

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Annual Meeting of Shareholders

The annual meeting of shareholders of the corporation will be held at the Felt Forum at Madison Square Garden Center, Eighth Avenue and 33rd Street, New York, New York, on Thursday, May 13, 1982, at 9:30 a.m. Notice of meeting, proxy statement and proxy card for that meeting will be mailed to shareholders under separate cover.

Transfer Agents

Stock certificates may be transferred at the following transfer agents' offices:

Bank of America National Trust and Savings Association
55 Hawthorne Street
San Francisco, California 94105

First City National Bank of Houston
Two Houston Center, 909 Fannin
Houston, Texas 77002

The First National Bank of Boston
100 Federal Street
Boston, Massachusetts 02110

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

Inquiries regarding shareholder account matters should be addressed to: ________ *Morgan Guaranty Trust Company of New York*
Post Office Box 7600
Church Street Station
New York, New York 10249
Telephone (212) 587-6472

Reports Available to Shareholders

A financial and statistical supplement to this report, covering a ten-year period

Form 10-K, an annual report for 1981 as filed with the Securities and Exchange Commission

A statistical summary of Exxon's progress in the employment of minorities and women in its U.S. work force

A description of Exxon's employee benefit plans, including pension plans, and a summary annual report of such plans

Dimensions 81, a report on Exxon's 1981 contributions in the public interest

Requests for these publications should be addressed to: ________ *Exxon Corporation*
Shareholder Relations Division
1251 Avenue of the Americas
New York, New York 10020
or telephone collect
(212) 398-3093