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Exxon CEO says more fracking rules hinder development

HOUSTON | BY KRISTEN HAYS

Gasoline (regular grade) prices hover at one-tenth of a cent under the \$5.00 mark at an Exxon station in Washington March 2, 2012. REUTERS/Gary Cameron

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State and local regulations in shale oil- and natural gas-rich plays across the United States provide sufficient oversight, compared to the "dysfunctional" federal layers that could hinder development as well as the economic recovery, Exxon Mobil Corp (XOM.N) Chief Executive Rex Tillerson said on Friday.

Tillerson, addressing an audience of energy executives at the annual CERAWEEK conference in Houston, said layers, complex regulatory processes in oil and gas development "has become an obstacle to getting anything done."

"This type of dysfunctional regulation is holding back the American economic recovery, growth, and global competitiveness," he said.

Tillerson said state and local governments needed protections sufficiently to oversee oil and gas activity while collaborating with producers.

"They provide us the road map with how to get something done," Tillerson said. "Today the regulatory process is now so complicated and so involved with so many different agencies, it's a road map of how to not get anything done."

White House spokesman Clark Stevens said in an email to Reuters that the Obama Administration is developing "sensible standards to protect air and water quality" with input from the industry and others to ensure continued production.

CEOs of two other European major oil and gas producers appeared more conciliatory about regulations when they addressed executives at the conference earlier this week, but they didn't overtly differentiate state and local regulations from federal oversight.

Peter Voser, CEO of Royal Dutch Shell (RDSA.L) said the industry can handle environmental and operational challenges of tight and shale gas production, particularly when governed by "well-targeted and robustly enforced regulations."

And Helge Lund, CEO of Norway's Statoil (STL.OL), said public trust and confidence in the industry's ability to maintain safe operations is crucial.

"There is a huge upside for working to ensure we have the right regulations, rather than being perceived as the industry that fights regulations," Lund said.

Tillerson cited as an "unfortunate decision" President Barack Obama's rejection of a federal permit to allow TransCanada (TRP.TO) to build its proposed \$7 billion Keystone XL pipeline from Canada to Texas to transport Canadian oil to U.S. Gulf Coast refineries.

Environmental groups and some states had opposed the pipeline on integrity concerns and

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Tillerson called the rejection "a product of political calculations in Washington."

He also said the industry learns from mistakes, such as the 2010 blowout of a BP Plc ([B.P.L.](#)) deepwater well in the Gulf of Mexico that spewed more than 4 million barrels of crude into the basin.

"It reminded all of us that the failure to manage risk effectively carries enormous consequences, in terms of loss of life, significant financial impact, and environmental harm," Tillerson said.

(Reporting By Kristen Hays and additional reporting by Timothy Gardner in Washington; Editing by Marguerita Choy and Sofina Mirza-Reid)

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