

PRIVATE EMPIRE

EXXON MOBIL

AND AMERICAN
POWER

0973 **STEVE COLL**

PULITZER PRIZE-WINNING AUTHOR OF **GHOST WARS**

In *Private Empire* Steve Coll investigates the largest and most powerful private corporation in the United States, revealing the true extent of its power. ExxonMobil's annual revenues are larger than the economic activity in the great majority of countries. In many of the countries where it conducts business, ExxonMobil's sway over politics and security is greater than that of the U.S. embassy. In Washington, ExxonMobil spends more money lobbying Congress and the White House than almost any other corporation. Yet despite its outsized influence, it is a black box.

Private Empire pulls back the curtain, tracking the corporation's recent history and its central role on the world stage, beginning with the *Exxon Valdez* accident in 1989 and leading to the *Deepwater Horizon* oil spill in the Gulf of Mexico in 2010. The action spans the globe, moving from Moscow to impoverished African capitals, Indonesia, and elsewhere in heart-stopping scenes that feature kidnapping cases, civil wars, and high-stakes struggles at the Kremlin. At home, Coll goes inside ExxonMobil's K Street office and corporation headquarters in Irving, Texas, where top executives in the God Pod (as employees call it) oversee an extraordinary corporate culture of discipline and secrecy.

The narrative is driven by larger than life characters, including corporate legend Lee "Iron Ass" Raymond, ExxonMobil's chief executive until 2005. A close friend of Dick Cheney's, Raymond was both the most successful and effective oil executive of his era and an unabashed skeptic about climate change and government regulation. Top position proved difficult to maintain in the face of new science and political change and Raymond's successor, current ExxonMobil chief executive Rex Tillerson,

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PRIVATE EMPIRE

EXXONMOBIL AND AMERICAN POWER

Steve Coll

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Author's Note

Four journalists made important contributions to this book while working as researchers during the four-year life of the project. Ben Van Huevelen, who is now the managing editor of the *Iraq Oil Report*, worked on that subject and ExxonMobil's litigation with Venezuela, as well as on corporate responsibility issues in Africa and Indonesia. Megha Rajagopalan, a 2008 graduate of the University of Maryland who is now studying in China under the Fulbright Scholar Program, worked on global warming, the *Exxon Valdez* spill, and phthalate regulation; chapters five and twenty-two benefited greatly from her research. Ann O'Hanlon, a former *Washington Post* reporter who now works at the Justice Department, reported on many subjects, but especially on campaign finance and lobbying; her work particularly supported chapters three, seventeen, twenty-two, and twenty-three. Haley Cohen, a 2011 graduate of Yale University who is now on a university fellowship in Latin America, recontacted many interview subjects, checked facts and interpretations, and added fresh reporting throughout. The book benefited from other supporters and collaborators; the acknowledgments provide an accounting. I am grateful and deeply indebted to all.

Selected Cast of Characters

AT EXXONMOBIL

Russell Bowen, Maryland territory manager

John Paul Chaplin, lead country manager, Nigeria, circa 2005–2009

Ken Cohen, vice president of public affairs

Tim Cutt, lead country manager, Venezuela, 2005–2007

Steven K. Davidson, outside lawyer in Venezuelan litigation

Theresa Fariello, director of the Washington office, 2009 to present

Brian Flannery, astrophysicist, climate policy adviser

Rosemarie Forsythe, Russia adviser, planner for international political strategy

Edward G. Galante, senior executive, contender to succeed Raymond, retired 2006

Otto Harrison, lead executive on *Exxon Valdez* cleanup

Ralph Daniel Nelson, lead country manager, Saudi Arabia, 2001–2004, director of the Washington office, 2005–2009

Lee R. Raymond, chairman and chief executive, 1993–2005

James Rouse, director of the Washington office, late 1990s–2005

Ron Royal, lead country manager, Chad, circa 2006

James F. Sanders, lead outside lawyer, *Alban v. ExxonMobil*

Frank Sprow, vice president, Safety, Health, and Environment, 2000–2005

Sherri Stuewer, senior executive, environmental policy, 2006 to present
Rex Tillerson, upstream executive with responsibility for Russia, later
chairman and chief executive, 2006 to present
Glenn Waller, lead country manager, Russia, circa 2003
Martin J. Weinstein, lead outside lawyer, *John Doe v. ExxonMobil*
Ronald I. Wilson, lead country manager, Indonesia

IN THE U.S. GOVERNMENT

Representative Joe Barton, R-Texas, 1984 to present
George W. Bush, president, 2001–2009
Richard B. Cheney, vice president, 2001–2009
Representative John Dingell, D-Mich., 1955 to present
Don Evans, secretary of commerce, 2001–2005
Douglas Feith, undersecretary of defense for policy, 2001–2005
Robert Gelbard, ambassador to Indonesia, 1999–2001
Christopher Goldthwait, ambassador to Chad, 1999–2004
Barack Obama, president, 2009–
Judge Louis F. Oberdorfer, United States District Court, Washington, D.C.
Colin Powell, secretary of state, 2001–2005
Anton Smith, United States chargé d'affaires, Equatorial Guinea,
2008–2009
Alexander Vershbow, ambassador to Russia, 2001–2005
Marc Wall, ambassador to Chad, 2004–2007
Paul Wolfowitz, deputy secretary of defense, 2001–2005; president, World
Bank, 2005–2007

IN AFRICA

Victor Attah, governor of Akwa Ibom State, Nigeria, 1999–2007
Idris Déby, president of Chad, 1990 to present
Simon Mann, former British Army officer, led coup attempt in Equatorial
Guinea
Teodoro Obiang Nguema, president of Equatorial Guinea, 1979 to present

IN ALASKA

Joseph Hazelwood, Jr., captain, *Exxon Valdez*

Mandy Lindeberg, biologist, N.O.A.A.

Jeffrey Short, chemist, N.O.A.A.

IN INDONESIA

Abu Jack, guerrilla commander, Free Aceh Movement

Hasan di Tiro, leader of Free Aceh Movement

IN MARYLAND

Andrea Loiero, manager, Jacksonville Exxon

Stephen Snyder, plaintiffs' lawyer

IN THE MIDDLE EAST

Abdullah Bin Abdul Aziz, crown prince, later king of Saudi Arabia

Thamir Ghadhban, senior official, Iraq Ministry of Oil

Ali Al-Naimi, oil minister of Saudi Arabia

Prince Saud Al-Faisal, foreign minister of Saudi Arabia

Hussain Al-Shahristani, deputy prime minister, Iraq

IN RUSSIA

Mikhail Khodorkovsky, president, Yukos Oil

Bruce Misamore, chief financial officer, Yukos Oil

Vladimir Putin, president, Russian Federation, 2000–2008

IN VENEZUELA

Hugo Chavez, president, Venezuela, 1999 to present

Joseph Pizzurro, Venezuela's outside lawyer in litigation with ExxonMobil

PRIVATE EMPIRE

Prologue

“I’m Going to the White House on This”

As the *Exxon Valdez* churned through chalky turquoise port waters toward the Gulf of Alaska, Captain Joseph Hazelwood descended to his quarters. It was shortly after 9:30 p.m. on the evening of March 23, 1989, and he had some paperwork to complete, he told his subordinates. He was a taciturn man, forty-two years old, balding, about six feet and 180 pounds. He dangled the Marlboro cigarette he smoked on the corner of his lips. His father had flown torpedo bombers for the United States Marine Corps in the Western Pacific and then served as an international pilot for Pan American World Airways. Joseph Jr. won admission to the elite State University of New York Maritime College; the carefree notation in his college yearbook read, “It Will Never Happen to Me.” He scored 138 on an I.Q. test. While at sea he read widely; in conversation, he quoted Stonewall Jackson and Oscar Wilde. He had by now sailed for the Exxon Corporation for twenty-one years, ten of those as an oil tanker captain.¹

He was attempting to recover that spring from what he would later call a “midlife crisis.” It had taken hold of him several years before. Long stretches at sea had caused him to miss much of his daughter’s childhood,

and this weighed on him. His wife, he recalled later, “detected that I was moodier than I had been before.” He drank heavily—four or five doubles before dinner, wine with the meal, then several doubles afterward—but he did not feel immobilized by alcohol. Even after such a drinking regimen, although he could “detect a little clumsiness on my part,” he “didn’t trip over any furniture” and he “wasn’t blotto,” as he put it. While ashore, he periodically drove while intoxicated, attracted the attention of police several times, and lost his driver’s license. He sensed that he might be in some sort of descent: “I didn’t know what I was suffering from, if I was suffering from something.” An Exxon supervisor told him, “If you’ve got a problem, take care of it.” In 1985, he had checked himself into a New York hospital and underwent treatment for mild depression and alcohol abuse. Afterward he attended Alcoholics Anonymous meetings but continued periodically to drink. Exxon executives said that they had started to monitor his alcohol intake, prompted by incidents such as one in which the captain was overheard ordering beer over an Exxon ship’s radio, but Hazelwood remained in service as a tanker captain and said he had no indication that he was being monitored by anyone. In the port town of Valdez on the afternoon of March 23 he drank what he would recall as two or three vodkas at the Pipeline Club before passing unexamined through the oil terminal gate and boarding his ship.²

The livelihood Hazelwood put at risk by his drinking was a privileged one; his salary at Exxon was about \$180,000 a year, including benefits. He was one among many thousands of Americans whose incomes that spring could be traced in part to the work of a British Petroleum geologic field party that had surveyed Alaska’s Brooks Range, north of the Arctic Circle, in the summer of 1958. The Suez Crisis and turmoil in Iran (the latter partially engineered by the Central Intelligence Agency) had made plain to B.P.’s executives that their oil holdings in the Middle East were politically insecure. Alaska’s storm-swept seas and icy glaciers might look forbidding, but at least they were situated in a nation that welcomed private capital. American government surveys had suggested for years that Alaska’s north was rich with oil and natural gas; B.P. was among the first of the major international oil companies to bear the uncertainties of the harsh climate and invest. By the early 1970s, it had established a large

position as a leaseholder on Alaska's North Slope. Transport was the major obstacle to maximized profits in a region iced over for months at a time. Oilmen had talked for years about wild-eyed schemes to build an overland pipeline from the Arctic to the south, but the project would require money and political alignments that seemed preposterously ambitious. Only another Middle Eastern crisis—the oil embargo of 1973, directed by Arab producers at the United States over its support of Israel—at last spurred construction of the Trans-Alaska Pipeline System to carry crude eight hundred miles from Prudhoe Bay across permafrost to the ice-free port of Valdez. To finance and operate the pipeline, B.P. formed a consortium with Exxon's precursor Humble Oil and with Atlantic Richfield. The first oil flowed in June and reached the Valdez Marine Terminal on July 28, 1977.³

A dozen years later, it poured through Valdez at a rate of about 2 million barrels per day—an amount equal to more than a quarter of all of America's domestic crude oil production. The Valdez terminal had grown into a labyrinth of pipes, oval storage tanks, and strings of festive-looking white safety lights—an improbable man-made installation tucked on a rise amid snow-draped mountain crags and majestic glaciers. Tankers as long as several football fields passed to and from the docks one after another. The Coast Guard funneled them through a ten-mile-wide shipping lane in Prince William Sound, an inland sea teeming with salmon, halibut, whales, seals, sea lions, porpoises, and sea otters. Inbound traffic traveled in a corridor to the east, outbound traffic to the west. That Thursday, the *Brooklyn* and the *ARCO Juneau* had departed Valdez for the Pacific only hours before Hazelwood embarked with a load of 1,264,155 barrels of crude. It was a misty night, but the winds were light, the seas were calm, and visibility extended eight miles. Hazelwood had navigated this passage at least a hundred times before.⁴

He returned to the bridge shortly after 11 p.m. His Valdez port pilot had disembarked, and a tugboat escort had also peeled away. Bligh Island now lay ahead to the southeast, shaped in the water like a sleeping crocodile with a curling snout. To the island's west a red light pulsed every four seconds to mark Bligh Reef, which spread beneath the surface at between one quarter and nine fathoms. (The draft of a loaded oil tanker could be

ten fathoms or more.) White icebergs from the Columbia Glacier bobbed ahead as well, visible to eye and radar, and several of them now appeared to block the outbound shipping lane. Hazelwood decided on a common maneuver, one taken earlier without incident by the two ships ahead of him. The *Exxon Valdez* would turn south across the inbound shipping lane toward Busby Island, near Bligh, evade the ice, and then turn back to the outbound corridor toward the Hinchinbrook Entrance and the open sea. The captain radioed the Coast Guard's Vessel Traffic Service to secure permission. "Judging by our radar, I will probably divert . . . and end up in the inbound lane if there's no conflicting traffic—over," he announced.⁵

The Coast Guard's monitors did not question him. One of the men on duty was on a coffee break. In any event, it was not as if he or anyone else in the Coast Guard could easily track the *Exxon Valdez*'s movements once it reached the vicinity of Bligh. Budget cuts during the 1980s had left the Vessel Traffic Service without a radar system that could follow ships reliably once they moved thirty or more miles south of Valdez. Even if the Coast Guard had possessed such radar, it might not have mattered; blood tests administered later to the two men on duty showed traces of marijuana and alcohol.⁶ Regulators and the regulated had fallen into a slothful embrace, reflecting a national political atmosphere that emphasized the benefits of light government oversight. There was intense pressure to reduce costs within the oil industry. A decade of operations around Valdez had passed free of major accidents.

On the bridge, Hazelwood told Gregory Cousins, his third mate, "Bring it down to abeam of Busby and then cut back to the lanes."

Cousins was an experienced sailor who had made the passage through Prince William more than two dozen times, but he was not legally qualified to take control of the ship in these waters.

"Do you feel comfortable with what we are going to do?" Hazelwood asked him.

"Yes."

"Do you feel good enough that I can go below and get some paperwork out of the way?"

"I feel quite comfortable."⁷

At 11:50 p.m., Hazelwood left the bridge again for his quarters. Like

the drinks he had downed less than four hours before boarding the ship, this decision was a violation of Exxon Shipping Company policy. He said later that he left "because there wasn't a compelling reason to stay."⁸

What occurred on the bridge in the minutes that followed would never be fully explained. Cousins, helmsman Robert Kagan, and other crew members became confused, attempted to turn the ship as their charts instructed, made technical mistakes, and soon lost track of their position altogether. At last Cousins telephoned Hazelwood: "I think we're in serious trouble."⁹

A terrible shock and sound engulfed them around ten minutes after midnight. Cousins felt a series of sharp jolts, heard some of the ship's relief valves open, and smelled oil. The ship's chief mate, James Kunkel, banged on a crew member's door to wake him: "Vessel aground. We're fucked." Bligh Reef had cut open the ship's belly across its length. Oil pools surfaced on the dark sea.

Hazelwood raced upstairs. He saw two officers peering overboard at the gushing oil, its roiling blackness illuminated by a spotlight. He retreated to a toilet and vomited. He found that he had trouble catching his breath; he felt that he had "been hit in the breadbasket with a ten-pound maul." He knew that "the world as I'd known it had come to an end."

About eighteen minutes after the first sounds of steel on rock echoed through his ship, Hazelwood radioed the Coast Guard. "We've—should be on your radar there," he said. "We fetched up hard aground north of Goose Island off Bligh Reef. Evidently we're leaking some oil and we're going to be here for a while."¹⁰

The watch stander in Valdez telephoned the Coast Guard's commander, Steve McCall. "I've got the *Exxon Valdez* hard aground Bligh Reef."

"Are you serious?"

"I'm serious as a heart attack."

Just over thirty minutes later McCall pulled off the Valdez dock in a fast boat with two other Coast Guard officers, a representative of the state Department of Environmental Conservation, and two local pilots. The night had turned crisp and clear, and when they reached the *Exxon Valdez*,

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—*Wesley K. Wark, The Globe and Mail, Toronto*

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