ExxonMobil ConocoPhillips bp TransCanada

October 1, 2012

Governor Sean Parnell
550 West 7th Avenue, Suite 1790
Anchorage, Alaska 99501

Dear Governor Parnell:

On March 30, 2012, ExxonMobil, ConocoPhillips and BP submitted a letter informing you of progress in working together on the next generation of North Slope resource development. Since that time, the three producer companies and TransCanada, through its participation in the Alaska Pipeline Project (APP), have maintained momentum and executed important early work to select leading concepts for a potential project. We are writing to update you on the progress that has been made to date.

We established an integrated team, depicted on Attachment 1, committing significant resources and the efforts of over 200 professionals to date to progress this work. This allowed us to combine our respective talents and experience to advance a collective understanding of what would be required for liquefied natural gas (LNG) exports from Southcentral Alaska. Our team has advanced extensive work to refine and understand the opportunities and challenges associated with North Slope natural gas development.

Our companies bring together specific expertise in Arctic operations, pipeline design and construction, and in LNG plant design and operation. Since our joint work began at the end of March, we have built upon more than $700 million in past work by our collective companies, including the joint Alaska Gas Producer Pipeline Team effort in 2001-02, the Denali Project, and APP (including the State's contribution through AGIA). As a result, our work on an LNG development project has been advanced to a new level of understanding. Specifically, the focus of our work includes:

- Developing a design basis for the pipeline, including areas of continuous and discontinuous permafrost
- Investigating multiple ways to remove and dispose of CO_2 and other contaminants
- Assessing use of existing and addition of new Prudhoe Bay field facilities
- Mapping multiple pipeline routing variations
- Assessing multiple pipeline sizes
- Providing for at least five in-state gas off-take points
- Completing preliminary geohazard and marine analysis of 22 LNG site locations
- Developing a design basis for the required LNG tanker fleet
- Evaluating multiple LNG process design alternatives
- Confirming a range of gas blends from the Prudhoe Bay and Point Thomson fields can generate a marketable LNG product

We have narrowed the broad range of alternative development concepts and assessed major project components, including the gas pipeline, gas treatment to remove CO_2 and other impurities, natural gas liquefaction, LNG storage, and marine terminal facilities as described on Attachment 2. Individually,

each of these components would represent a world-class project. Combined, they result in a mega-project of unprecedented scale and challenge; up to 1.7 million tons of steel, a peak construction workforce of up to 15,000, a permanent workforce of over 1,000 in Alaska, and an estimated total cost in today's dollars of $45 to $65+ billion.

Additional accomplishments include TransCanada's recently completed non-binding solicitation of interest in accordance with AGIA. TransCanada has publicly reported interest from potential shippers and major players from a broad range of industry sectors and geographic locations. Additionally, TransCanada, on behalf of the APP parties, has advised that a cooperative framework has also been established with the Alaska Gasline Development Corporation for information exchange.

We are encouraged by the synergies and efficiencies identified by our integrated team. While good progress has been made, significant environmental, regulatory, engineering and commercial work remains to reach upcoming decisions to bring North Slope gas to market. A diagram indicating work plans and key decision points is provided on Attachment 3. This attachment describes ranges and durations for engineering and technical work. However, these durations could be extended by external factors including resolution of fiscal terms, regulatory and permitting delays, and legal challenges, among others. As the concept selection technical work reaches closure, additional commercial agreements as well as support from the State of Alaska will be required in order to progress this world-class opportunity.

This opportunity is challenged by its cost, scale, long project lead times, and reliance upon interdependent oil and gas operations with declining production. The facilities currently used for producing oil need to be available over the long-term for producing the associated gas for an LNG project. For these reasons, a healthy, long-term oil business, underpinned by a competitive fiscal framework and LNG project fiscal terms that also address AGIA issues, is required to monetize North Slope natural gas resources. The producers look forward to working with the State to secure fiscal terms necessary to support the unprecedented commitments required for a project of this scope and magnitude and bring the benefits of North Slope gas development to Alaska.

Our next steps are to complete the concept selection phase and work with the State to make meaningful progress on the items detailed above. This work is critical as we consider decisions to progress the next phases of an LNG development project.

Alaska's North Slope natural gas resources must compete in the global energy markets in order to deliver state revenues, in-state energy supplies, new job opportunities and other economic benefits to Alaskans. While North Slope gas commercialization is challenging, working together, we can maintain the momentum toward our shared vision for Alaska. We will continue to keep you advised of our progress and stand committed to work with the State to responsibly develop its considerable resources.

Sincerely,

Randy Broiles
ExxonMobil
Production Company

Trond-Erik Johansen
ConocoPhillips Alaska, Inc.

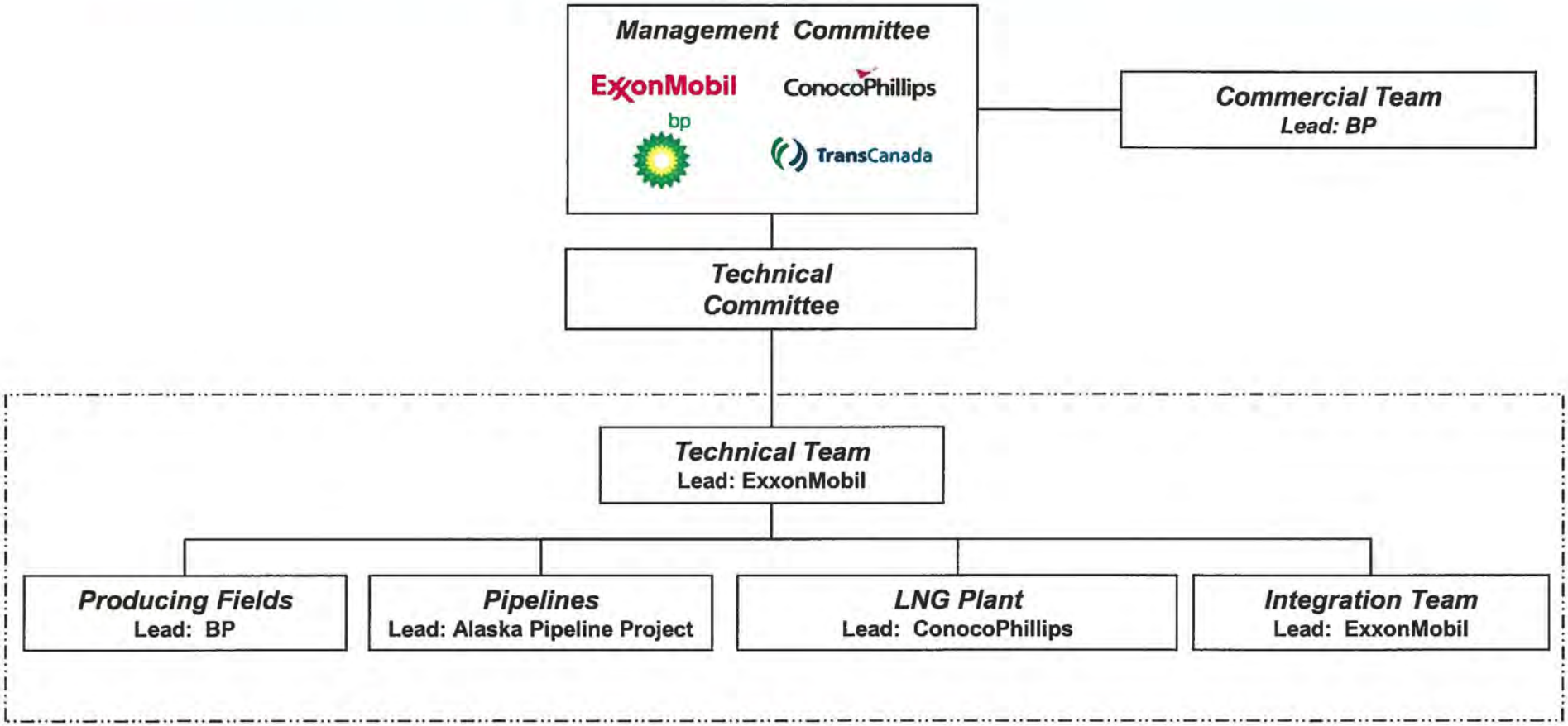
John Mingé
BP Exploration Alaska

Tony Palmer
TransCanada

Attachments

Attachment 1

Southcentral Alaska LNG – Integrated Team



Multimillion Dollar, Four-Company Effort – 125+ Employees, 100+ Contractors

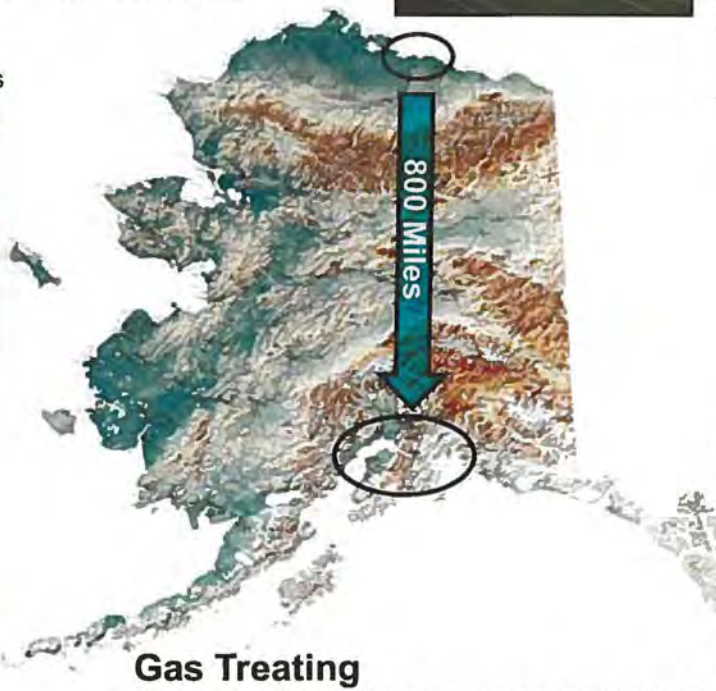
- **Joint work commenced March 31, 2012 after completion of the Pt. Thomson Settlement / joint work agreements**
- **Cooperative effort among the leading North Slope producers and a leading North American pipeline company**
- **Identified potentially viable LNG project options to monetize ANS natural gas**
- **Used company strengths, shared information / expertise; built upon past efforts, sought out new ideas**

Attachment 2

Alaska Southcentral LNG – Project Concept Description

Liquefaction Plant

- Capacity: 15 – 18 million tonnes per annum (MTA) 3 trains (5-6 MTA / train)
- Potential areas: 22 sites assessed in Cook Inlet, Prince William Sound and other Southcentral sites
- Footprint: 400 - 500 acres
- Peak Workforce: 3,500 - 5,000 people
- Required Steel: 100,000-150,000 tons



Producing Fields

- ~35 TCF discovered North Slope resource
- Additional exploration potential
- Anchored by Prudhoe Bay and Pt. Thomson with ~20 years supply available
- Use of existing and new North Slope facilities
- Confirmed range of gas blends from PBU/PTU can generate marketable LNG product
- Peak Workforce: 500 – 1,500 people

Storage / Loading

- LNG Storage Tanks, Terminal
- Dock; 1 - 2 Jetties
- Design based on 15– 20 tankers
- Peak Workforce: 1,000-1,500 people

Gas Treating

- Located at North Slope or Southcentral LNG site
- Remove CO_2 and other gases and dispose / use
- Footprint: 150 - 250 acres
- Peak Workforce: 500 - 2,000 people
- Required Steel: 250,000 - 300,000 tons
- Among largest in world

Pipeline

- Large diameter: 42"- 48" operating at >2,000 psi
- Capacity: 3 - 3.5 billion cubic feet per day
- Length: ~800 miles (similar to TAPS)
- Peak Workforce: 3,500 - 5,000 people
- Required Steel: 600,000 - 1,200,000 tons
- State off-take: ~5 points, 300-350 million cubic feet per day, based on demand

Estimated Total Cost: $45 – $65+ Billion **Peak Construction Workforce: 9,000 – 15,000 jobs**

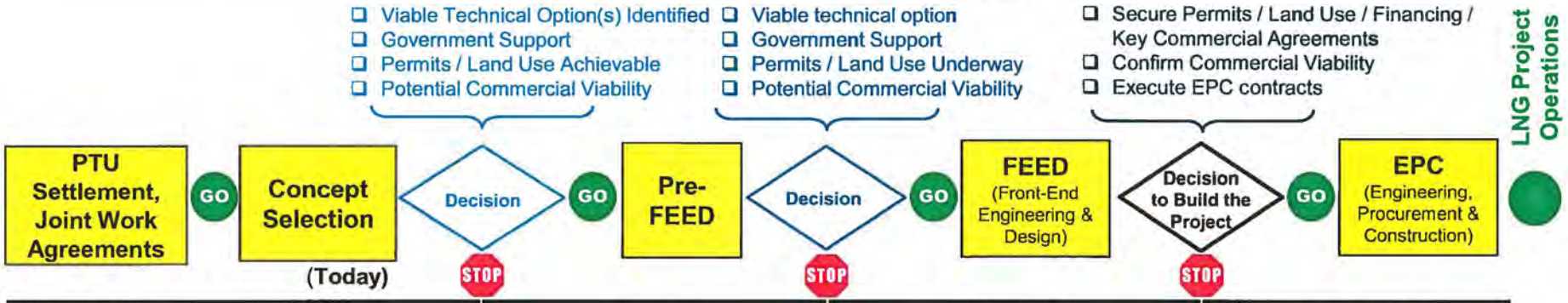
Operations Workforce: ~1000 jobs in Alaska

Descriptions and costs are preliminary in nature and subject to change. Cost range excludes inflation.

Attachment 3

Southcentral Alaska LNG – Work Plans / Key Decision Points

Requirements to Take Next Step:



Peak Staffing:	~200	400 - 500	500 – 1,500	9,000 – 15,000
Cost ($):	Tens of Millions	Hundreds of Millions	Billions	Tens of Billions
Est. Engineering / Technical Duration*:		*12 - 18 Months*	*2 - 3 Years*	*5 - 6 Years*

Activities

Evaluate: • Range of technically viable options for major project components • Business Structure • In-state gas / export LNG demand	**Progress:** • Preliminary engineering to refine concept • Business structure • Financing plan	**Complete:** • Front-end engineering & design • Major contract preparation • Business structure • Financing arrangements	**Execute:** • Final engineering • Financing • Procurement • Fabricate / Logistics / Construct • Prepare for Operations
Solicit Interest of Others		**Solicit Interest of Others**	
Establish Government Support and Advance Regulatory Issues: • Competitive oil tax environment; predictable / durable LNG project fiscal terms; AGIA Issues • Assure ability to secure regulatory approvals / permits / land use • Environmental activities / Technical data collection • Stakeholder engagement • File DOE Export License		**Advance Gov't / Reg. Issues:** • Key permit / land use approvals • Stakeholder engagement • Secure DOE Export License	**Complete Gov't / Reg. Issues:** • Secure remaining construction / operating permits • Stakeholder engagement
	Start individual gas / LNG sales / shipping efforts	**Execute individual gas / LNG sales / shipping agreements**	**Implement business structure & agreements**
Screen commercial viability	**Assess commercial viability**	**Confirm commercial viability**	**Commission / start-up**

* **NOTE: Duration of various phases may be extended by protracted resolution of fiscal terms, permitting and regulatory delays, legal challenges, changes in commodity market outlook, time to secure long-term LNG contracts, labor shortages, material & equipment availability, weather, etc.**