

ALASKA GASLINE PORT AUTHORITY

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March 30, 2005

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Governor Frank Murkowski
3rd Floor State Capitol
Juneau, AK 99811

Commissioner William A. Corbus
Department of Revenue
11th Floor State Office Bldg.
Juneau, AK 99811

Re: AGPA Application under Alaska Stranded Gas Development Act

Dear Governor Murkowski & Commissioner Corbus:

The Alaska Gasline Port Authority voted at its December 12, 2003 annual meeting to submit an application under the Stranded Gas Development Act for determination by the Commissioner of Revenue that the Port Authority is a qualified sponsor and that the project qualifies under AS 43.82.100. The Port Authority submitted that Application to the State on February 27, 2004. Following a series of meetings with the State Administration, the Port Authority withdrew its Application in exchange for a Protocol Agreement between the Administration and the Port Authority. Per the terms of that Protocol agreement, the Port Authority could re-submit it's application under the Stranded Gas Development Act prior to March 31, 2005. Following some recent meetings between the Port Authority and the Administration, it was suggested that the Port Authority re-submit an application to allow for potential negotiations of the royalty and severance tax obligation by the Producers through a Port Authority project.

While the Stranded Gas Act was authorized to allow the fiscal terms relative to royalty and taxes be tailored to the particular economic conditions of the project, the Port Authority structure requires no such concession on the part of the State. In fact, as is demonstrated in the application, the Port Authority project is, without such concessions, the most favorable gasoline project to the State and the gas producers in terms of well head value.

The Port Authority intends to submit an offer to the Producers in the near future for the purchase of gas. The offer will contain provisions which will permit the producers to build and operate parts of the project. This application is being submitted in order to preserve the right of the producers to seek clarification and certainty with respect to royalty, severance taxes, etc. if they choose to sell gas to this project.

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By:



Jim Whitaker, Chairman
Alaska Gasline Port Authority

Enc.

cc: Commissioner Tom Irwin, Department of Natural Resources
Acting Attorney General Scott Nordstrand
Jim Clark, Chief of Staff