

**Agreement Establishing Protocol
for Alaska Pipeline Project Negotiations between the Alaska Gasline
Port Authority and the State of Alaska**

PROTOCOL AND SCHEDULE

THIS PROTOCOL is entered into by and between the Alaska Gasline Port Authority (Port Authority) and the State of Alaska (State). The Port Authority and the State are referred to herein jointly as the "Parties."

RECITALS

WHEREAS, the Port Authority was formed by the voters of the North Slope Borough, Fairbanks North Star Borough, and the City of Valdez in 1999 for the purpose of building or causing to be built, a trans-Alaska gas pipeline and LNG-related facilities (Pipeline Project) in order to commercialize Alaska North Slope (ANS) natural gas reserves for the maximum benefit of Alaska; and

WHEREAS, the Pipeline Project will also include a spur line from Glennallen to the South Central natural gas grid at or near Palmer, Alaska in order to facilitate the use of ANS gas by municipal and commercial users such as Agrium; and

WHEREAS, the State believes that construction of a natural gas pipeline in Alaska will provide significant economic opportunities to the State by encouraging new investments in Alaska to develop the State's natural gas reserves, increasing economic opportunities for Alaska businesses, and creating employment opportunities for Alaskans through the use of Alaska labor to the fullest extent permitted by law, and that it is in the public's interest to facilitate construction of a natural gas pipeline; and

WHEREAS, to date, a significant barrier to the commercialization of ANS gas has been the question of the existence of adequate markets for ANS gas, the State is very encouraged by the relationships that the Port Authority has developed with significant gas consumers such as Calpine Corporation, which has indicated an interest in purchasing ANS gas from the Pipeline Project; and

WHEREAS, the State is also very encouraged by the relationships the Port Authority has established with West Coast LNG receiving terminal developers who are aggressively working towards obtaining the necessary permits and approvals for their respective LNG receiving terminals allowing for the entry of Alaska LNG in West Coast markets; and

WHEREAS, the Port Authority has determined that the Port Authority's Pipeline Project does not require a request for benefits under the Alaska Stranded Gas Development Act; and

WHEREAS, the State wishes to encourage the Port Authority's efforts in developing a viable Pipeline Project;

NOW, therefore, the Parties agree as follows:

AGREEMENT

1. **PURPOSE OF PROTOCOL:** The Port Authority and the State agree that the purpose of this Protocol is to facilitate development and construction of a natural gas pipeline to commercialize ANS gas.
2. **SCOPE OF PROTOCOL:** This Protocol is intended to indicate the State's willingness to work with the Port Authority, as necessary, on issues concerning development and construction of the Pipeline Project.
3. **PORT AUTHORITY'S IDENTIFIED DISCUSSION POINTS:** Under this Protocol, the Port Authority's discussion points with the state would include assistance in expediting:
 - a) Permitting for: pipelines, gas processing and conditioning facilities, LNG liquefaction facilities, and marine terminals;
 - b) Right-of-way agreements or leases for all of the above;
 - c) Facilitating the use of ANS gas in Alaska power plants, if required or necessary; and
 - d) The exploration of other potential benefits to the State of Alaska that could be incorporated into the scope of the Pipeline Project.
4. **STATE'S IDENTIFIED DISCUSSION POINTS:** Under this Protocol, the State of Alaska would like to discuss with the Port Authority access to the following information:
 - a) The documentation supporting the application and the decision from the IRS regarding the Port Authority's tax exempt status;
 - b) The detailed cost estimate from Bechtel for the Pipeline Project;
 - c) Assistance from the Port Authority in obtaining additional work-product performed by Bechtel in furtherance of the Pipeline Project;
 - d) Assistance in understanding the economic model developed for the Port Authority by Taylor DeJongh along with any inputs, outputs, assumptions and any other documentation provided to or prepared by Taylor DeJongh in furtherance of the Pipeline Project; and

- e) Copies of Agreements the Port Authority entered into with companies to negotiate ANS gas and Alaska LNG procurement, transportation, gas and power development for the future development, extraction and sale of ANS gas.

5. STRANDED GAS DEVELOPMENT ACT APPLICATION: The Port Authority may withdraw its application under the Alaska Stranded Gas Development Act (the Act). The State of Alaska and the Port Authority agree that the application may be resubmitted any time prior to March 31, 2005 if the Port Authority determines that the benefits available under the Act are necessary for successful implementation of the Pipeline Project.

6. SCHEDULE FOR NEGOTIATIONS: The Parties agree to meet as soon as practical and continue as necessary to work toward an agreement embodying the principles noted above.

7. LIMITATION OF OBLIGATIONS: This Protocol is intended to advance discussions between the Parties and is not to be construed to create any legally binding obligation or commitment on any Party, and no Party or person is obligated to expend or commit to expend any funds in furtherance of this Protocol. This Protocol may not be relied upon by a Party or other person as the basis for a contract by estoppel or otherwise with respect to any matter. No Party or other person shall be under any obligation to enter into any further agreements, of any nature whatsoever, with any other Party or person as a result of this Protocol, and no Party is under a binding commitment with respect to the subject matter in this Protocol unless and until the Parties execute and deliver a separate definitive agreement to that effect.

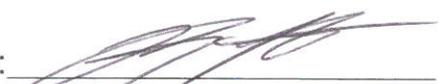
8. EFFECTIVE DATE: The effective date of this Protocol is May 15, 2004.

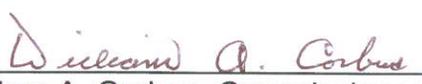
Signed this 7th day of MAY, 2004

Signed this 5 day of MAY, 2004

ALASKA GASLINE PORT AUTHORITY

DEPARTMENT OF REVENUE

By: 
Bert Cottle, Chairman

By: 
William A. Corbus, Commissioner

Signed this 6 day of May, 2004

DEPARTMENT OF NATURAL RESOURCES

By: 
Tom Irwin, Commissioner