STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

January 23, 2004

Joe Marushack
Vice President
ANS Gas Development
ConocoPhillips Alaska Inc.
P.O. Box 100360
Anchorage, AK 99510-0360
FAX 907-265-6484

Ken Konrad
Sr. Vice President
Alaska Gas
BP Exploration (Alaska), Inc.
P.O. Box 196612
Anchorage, AK 99519-6612
FAX 907-564-4170

R. D. Schilahab
Vice President
ExxonMobil Alaska Production, Inc.
P.O. Box 2180
Houston, TX 77252-2180
FAX 713-656-7100

Re: Application under the Alaska Stranded Gas Development Act

Dear Gentlemen:

ConocoPhillips Alaska Inc., BP Exploration (Alaska), Inc., and ExxonMobil Alaska Production, Inc. (the "Sponsors") have submitted an application and proposed project plan to the State under the Stranded Gas Development Act for a pipeline that would transport natural gas from the Alaska North Slope through Alaska to markets in Canada and the Lower 48 United States.

The Sponsors' application identifies two of the possible routes to bring Alaska North Slope stranded gas resources to market. One route would generally follow the TAPS route and then the Alaska Canadian highway through Canada and into Alberta (the Highway Route). The second pipeline route would cross state land in or adjacent to the

printed on recycled paper

Beaufort Sea off the north coast of Alaska and then proceed east to the Mackenzie River valley and south to Alberta (the Over-the-Top Route).

Both the Over-the-Top Route and the Highway Route are potentially qualified projects under the Stranded Gas Development Act. Nevertheless, the Over-the-Top Route is inconsistent with current state law. The Right-of-Way Leasing Act currently prohibits the Department of Natural Resources from issuing a lease across state land for the Over-the-Top Route (AS 38.35.017).

The State has reviewed the materials submitted by the Sponsors and finds that the Sponsors are qualified sponsors under the Act and that the application and proposed project plan are sufficient under the Act. Therefore the State hereby approves the Sponsors' application and proposed project plan. The State acknowledges that no final commercial decision has been made on any route and the State intends to fully discuss all aspects of the permitable, qualified project consistent with the application submission. The State intends to negotiate with the Sponsors concerning all aspects of the application and proposed project plan.

The State looks forward to the next stage of the process and working with the Sponsors to develop a mutually acceptable contract.

STATE OF ALASKA
DEPARTMENT OF REVENUE

William A. Corbus

William A. Corbus, Commissioner

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

Tom Irwin, Commissioner

cc: Governor Frank H. Murkowski
James F. Clark, Chief of Staff
Gregg D. Renkes, Attorney General