

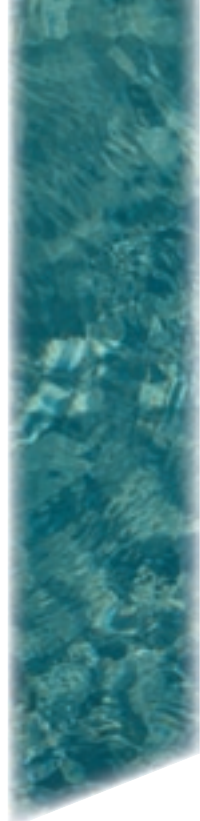
CBM: The Alaska Way

The last year has seen a growing public discussion about the potential for coal bed methane gas (CBM) in South Central Alaska. Public meetings, news reports, citizen groups and elected officials have examined the benefits and the costs of CBM exploration and production.

New development always raises questions among residents. Voicing these concerns and resolving differing viewpoints is part of Alaska's history of responsible resource development and will be vital to our future. Whether it's fishing, tourism, forestry, mining, wind power, conventional oil and gas, or coal bed methane, progress will only be achieved by straight talk and informed decision making.

This is the Alaska way.

Alaska's coal resources are immense. Our coal bed methane deposits are estimated to contain enough energy to supply the entire state's household gas needs for 50 years.



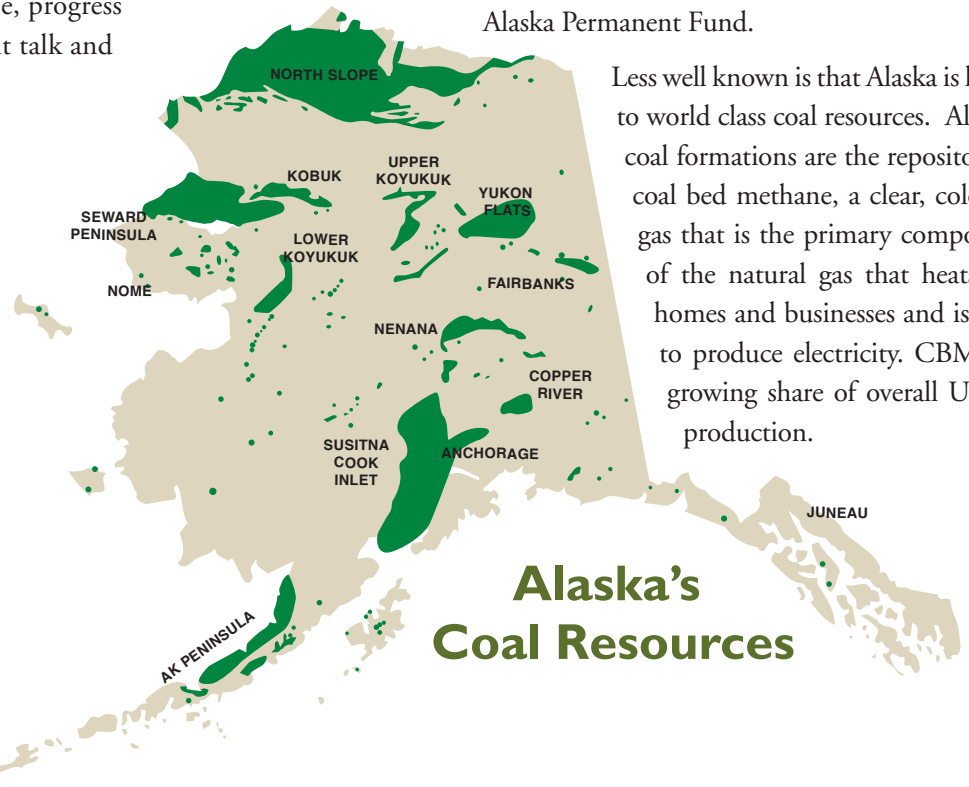
the basics:

Alaska was and still is a resource state.

Alaska's abundant natural resources have been a magnet drawing people to the state for hundreds of years. Starting with gold rushes of the last century, Alaska's resource wealth has meant jobs and new opportunities.

Over the last half century, the exploration for oil and natural gas on the North Slope and in Cook Inlet produced economic changes that transformed Alaska. These industries have fueled Alaska's prosperity, helping create good-paying jobs, an improved quality of life, and providing more resources for education, roads and public facilities. Today over eighty percent of Alaska's non-federal state government spending is funded by oil and gas revenues, and this wealth led to the creation of the Alaska Permanent Fund.

Less well known is that Alaska is home to world class coal resources. Alaska's coal formations are the repository of coal bed methane, a clear, colorless gas that is the primary component of the natural gas that heats our homes and businesses and is used to produce electricity. CBM is a growing share of overall US gas production.



Alaska Oil and Gas Association
Resource Development Council
121 West Fireweed Lane
Anchorage, AK 99503

Coal Bed Methane



The Alaska way.

clean
affordable
available

CBM is here

the benefits to Alaska are real
Coal bed methane (CBM) is stored in Alaska's deep underground coal seams in deposits spread across the state. The potential for development is substantial and initial exploration efforts have begun in the Mat-Su Valley in South Central Alaska near existing pipelines that can deliver gas directly to residential and business customers.

Energy Costs On the Rise

Starting in January 2004, over 112,000 residential and business natural gas customers in South Central Alaska will pay about 12% more for their monthly gas bill.

Source: Ebstar

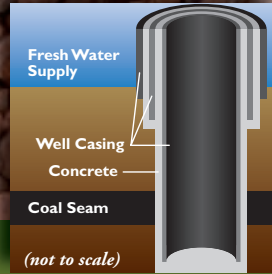
Alaska has the potential to reap the same benefits from CBM development that other areas Outside have, including:

- **hundreds of well-paying local jobs**
- **an available, affordable, long-term clean energy source**
- **millions of dollars in much-needed tax revenues for both local and state governments to help fund schools and government services**
- **economic growth and new business development as a result of an additional energy supply to replace the increasingly costly and declining supplies of Cook Inlet natural gas**

The presence of CBM in remote areas of Alaska potentially offers another crucial benefit: a lower cost, clean energy source to replace expensive fuel that now must be barged or flown in. Lower cost energy could help improve the quality of life and support jobs and business growth in rural areas where the cost of doing so now is prohibitive.



Under state law, CBM wells are engineered and built to protect all water. Up to three sets of steel well casing sealed with concrete from top to bottom ensure that water supplies are not contaminated, in accordance with state rules.



CBM can be done the right way. . . the Alaskan way

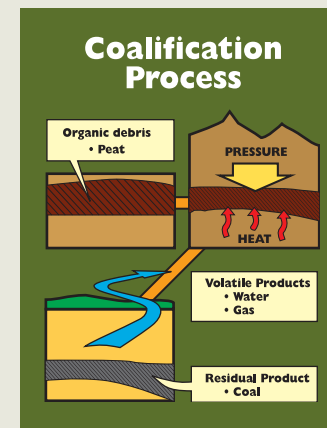
Alaska has decades of experience managing its resources for the best interest of its citizens. Governments and citizens at all levels have worked closely with oil and gas producers and their supporting companies to ensure that our resources are developed in a responsible and environmentally sound way. That approach has benefited Alaska economically through

jobs and incomes for Alaskan workers and their families, through more resources for education, through increased cultural and recreational opportunities, and through new careers for Alaskans.

Coal bed methane development holds similar potential for Alaska's communities. Working cooperatively, coal bed methane can be explored and produced the right way, the Alaskan way. And Alaska's people will share the benefits for years to come.

What is Coal Bed Methane?

Coal bed methane is a gas that is clear, clean and lighter than air. It is found in underground coal basins across the Western United States and in Alaska. In coal bed methane production, the methane gas is tapped from coal seams by specially adapted water well drilling units. Unlike conventional gas, CBM does not generally require additional treatment or processing before use. The gas is piped from the wellhead to a commercial gas line for direct distribution to homes and businesses.



What You Should Know

Property Rights

- Under the Alaska Constitution, the state owns subsurface mineral rights on state selected lands. The state sells "leases" to exploration companies and the money from these sales goes to the state to pay for government services.
- Current Alaska law requires drillers to negotiate with private property owners to secure a land use agreement or post a bond before exploration can occur.

Water Quality Issues

- Alaska regulations do not allow CBM production in the same geologic zones used to provide drinking water. The coal seams in Alaska that would be tapped for methane gas are hundreds, even thousands, of feet below that level.
- Alaska state law strongly regulates what can and can't be done with water produced during drilling. Regulations require that this water be handled in such a way that it safeguards Alaska's water resources.

For more information visit:

www.dog.dnr.state.ak.us/oil
www.cookinletoilandgas.org