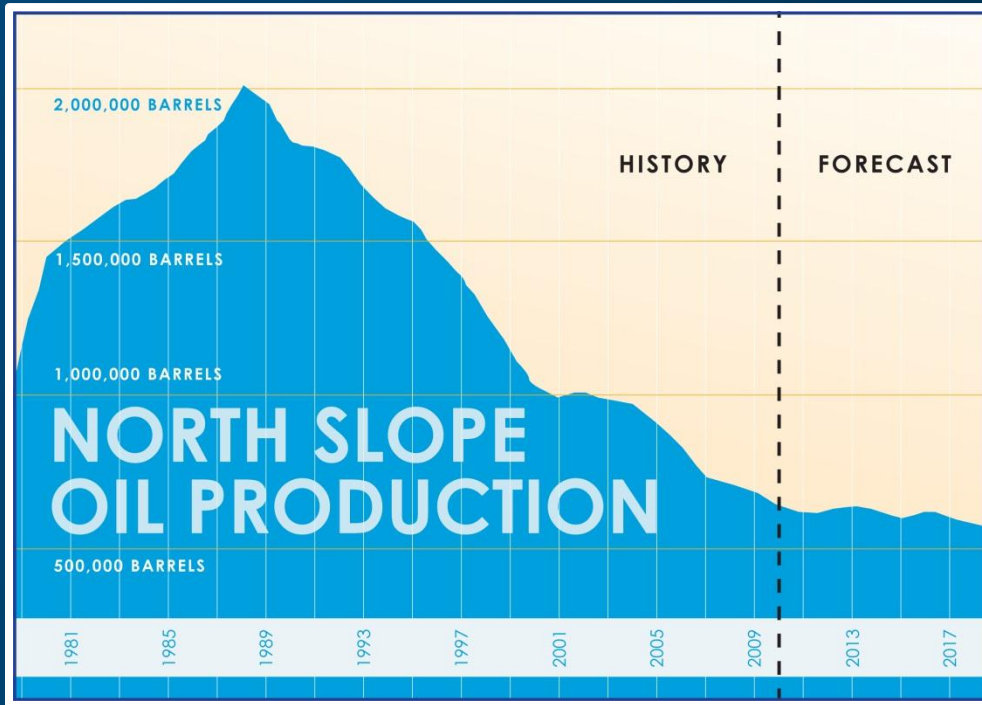




SEAN PARNELL  
GOVERNOR OF ALASKA

Resources: Alaska's Advantage

# Oil: Increase Production



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# Point Thomson

ExxonMobil

ConocoPhillips



March 30, 2012

Governor Sean Parnell  
550 West 7<sup>th</sup> Avenue, Suite 1700  
Anchorage, Alaska 99501

Dear Governor Parnell,

Our three corporations, collectively and individually, value our relationship with Alaska and believe that its citizens across the state, as well as our shareholders around the world, share a common interest in responsible resource development. We write today to inform you of our progress in working together on the next generation of North Slope resource development.

Alaska's vast North Slope holds over 35 trillion cubic feet of discovered natural gas. To date, this gas has been used to enhance North Slope oil production, adding several billion barrels to Prudhoe and Kuparuk recoveries. However, under the right business climate, the full commercialization of this world-class resource can be unlocked. North Slope gas commercialization will bring new job opportunities, increased state revenues, reliable in-state energy supplies and new exploration opportunities, which will further the development of North Slope oil and gas. This will be key toward reaching your goal of one million barrels of oil per day through the Trans-Alaska Pipeline System.

Serious discussions between our companies have taken place over the past several months, along with the Alaska Pipeline Project (APP) parties who are supporting the AGIA License. We have aligned on a structured, stewardable and transparent approach with the aim to commercialize North Slope natural gas resources within an AGIA framework. As a result of this rapidly evolving global market, large-scale liquefied natural gas (LNG) exports from south-central Alaska will be assessed as an alternative to gas line exports through Alberta. In addition to broadening market access, a south-central Alaska LNG approach could more closely align with in-state energy demand and needs. We are now working together on the gas commercialization project concept selection, which would include an associated timeline and an assessment of major project components including in-state pipeline routes and capacities, global LNG trends, and LNG tidewater site locations, among others.

Commercializing Alaska natural gas resources will not be easy. There are many challenges and issues that must be resolved, and we cannot do it alone. Unprecedented commitments of capital for gas development will require competitive and stable fiscal terms with the State of Alaska first be established. Appropriately structured, stable fiscal arrangements have opened new opportunities around the world, and will play a pivotal role in making Alaska competitive in the global market and unlocking the economic potential of North Slope resources.

  
Rex Tillerson

  
Jim Mulva

  
Bob Dudley



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# Shell / Outer Continental Shelf



## Los Angeles Times

### Drill rigs wind up operations in Arctic Alaska seas

SEATTLE — The Kulluk drilling rig was in the process of dismantling in the Beaufort Sea off the coast of Alaska on Wednesday, concluding Shell Alaska's troubled debut season of offshore drilling in the U.S. Arctic.

Company officials said the Noble Discoverer rig was already headed south out of the Chukchi Sea, and operations in the Beaufort were coming to a close on the last day allowed under federal permits for drilling, prohibited after the onset of winter ice.

"Given the challenges we faced from the perspective of sea ice and logistics in deploying assets and employees to the Arctic for the first time in two decades, we're very pleased with the work we accomplished," Shell spokesman Curtis Smith told the Los Angeles Times.

Shell engineers said they completed drilling of "top holes" in two wells, one in the Beaufort and one in the Chukchi, which have established wells in the area just below the seafloor, above the oil deposits. By leaving anchors installed at those locations, they will quickly be able to begin plumbing hydrocarbon reservoirs when drilling resumes next summer.

The company is permitted to drill up to 10 exploratory wells under its federal offshore permits.

The debut drilling season in a rarely explored corner of the world has been watched closely, both by advocates who see it as a promising new avenue to reach one of the world's largest remaining oil deposits, and by conservationists who fear the delicate and hazardous nature of the Arctic is not suited for oil and gas production.

Shell's opening endeavor ran into more than its share of obstacles.

First, the Discoverer drillship went adrift and nearly hit the beach in July on its way up to the Arctic, near Dutch Harbor. Then an unseasonable fortress of ice blocked access to drilling sites until much later in the season than normal, delaying the onset of drilling. There were repeated delays in obtaining U.S. Coast Guard certification for the oil spill containment vessel, the Arctic Challenger, which didn't win final approval until Oct. 11 — meaning no actual drilling into hydrocarbon reservoirs could take place this year.



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# Cook Inlet Renaissance



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# Gas for Alaskans



FAIRBANKS  
**Daily News-Miner**

## Focus grows: Governor's participation advances gas efforts

Fairbanks, AK - Alaska Gov. Sean Parnell's decision to get involved in the discussions about how to get natural gas supplies to Fairbanks is already helping focus community efforts on a common goal.

Parnell, who met with numerous local groups and officials Monday and Tuesday in Fairbanks, has the big picture in mind: "I'm trying to find the optimum commercial structure and timeline that provides the lowest cost to most Fairbanks-area consumers as soon as possible."

To do that, the first step is for the local groups to come up with detailed presentations showing how state assistance — in the form of grants or long-term low-interest loans — could be best used to accomplish the task of accelerating a gas trucking operation.

The governor's assistance is welcome and it highlights the scope of the challenge facing the new municipal natural gas utility.

We are encouraged with the selection of veteran engineer Frank Abegg and Fort Wainwright Director of Public Works Mike Meeks as members of the board, nominated by City Mayor Jerry Cleworth and confirmed by the Fairbanks City Council. In addition, Borough Assembly Presid-

ing Officer Diane Hutchison has made a fine choice in proposing Steve Haagenson, former Golden Valley Electric Association chief executive officer and state energy coordinator, for the board.

We hope that Borough Mayor Luke Hopkins and North Pole Mayor Bryce Ward will act promptly to appoint the four remaining members.

The seven-member utility board provides the best chance to sift through the various options and move forward. To that end, the resolution on the assembly agenda tonight calling for a \$250 million grant for a liquefaction facility and a \$250 million loan fund is premature.

The assembly should refer the measure to the municipal utility board for its review.

As part of its work, the utility board should consider the parameters outlined by the governor this week — a system that uses private enterprise where possible and benefits not just Fairbanks, but other communities to make gas available as soon as possible at the lowest possible cost.

Read more: Fairbanks Daily News-Miner



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# Timber



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# Fisheries



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# Tourism



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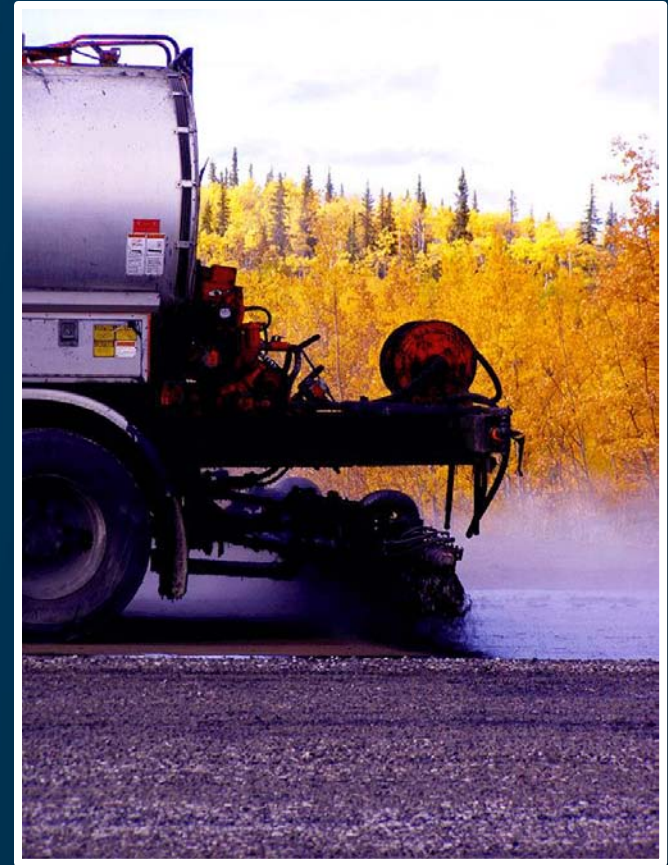
# Mining



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# Access: Roads to Resources



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# Thank you



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