

July 22, 2016



Mr. Keith Meyer  
President  
Alaska Gasline Development Corporation  
3201 C Street, Room 200  
Anchorage, Alaska 99503

Dear Keith,

We have received a copy of your letter to Senators Meyer and Giessel dated July 13, 2016. While much of the letter relates to the Alaska Gasline Development Corporation (AGDC) and its relationship with the Legislature, there are statements within the letter ExxonMobil considers inaccurate and therefore require a response.

While it's important to correct these inaccuracies so interested parties can understand how the Alaska LNG Project parties arrived at our current status, it's also important to recognize the fact that ExxonMobil has an aligned interest to work with the State of Alaska to commercialize North Slope natural gas resources. Towards this goal, we've worked with Administrations for several years and as we stated in a joint press release issued February 17, 2016, with the State, BP, and ConocoPhillips: "ExxonMobil remains committed to commercializing Alaska's natural gas, and we are committed to working with the Project participants to explore options that would continue to progress that goal". This includes supporting a transition to the type of State run project you reviewed with the Legislature on June 29, 2016.

As part of this transition, we would like to use this letter to clarify ExxonMobil's position on elements of your July 13, 2016 letter. First, we object to your characterization that the schedule presented on June 29, 2016 "removes any focus or commitment on completion within any specified timeframe". During preparation for testimony, the subject schedule was included at AGDC's specific request to show the time frames for FEED, EPC, and start-up of the facilities. The schedule was presented generically to allow the reader to define start-up as a function of the Project management "gates" described on the next page of the presentation.

The lack of progress on the requirements to move through the gates was the core of the issue discussed with the State on February 9, 2016; which are also mischaracterized in your letter. As the Project agreements restrict each party's ability to comment on any other parties' actions or statements, we are documenting ExxonMobil's position on the subject meetings and invite other parties to independently share their position. At no time did ExxonMobil ever suggest we "shelve the Project". Our position was to focus the right level of resources on the critical path regulatory process while allowing the parties to resolve open commercial and fiscal issues.

On January 18, 2016, the State Administration sent us a letter outlining the agreements and actions required before the end of the regular session or "other options" would be considered. The letter, however, failed to include progress on a fiscal agreement. As ExxonMobil has previously stated, one of our prerequisites for entering FEED is a mutually acceptable fiscal agreement with the necessary predictability and durability to underpin a project of this scale. As such, in February, we offered two concepts to the Project participants to progress the Project:

1. Support transition to a State run project, or
2. Pace AKLNG project work to match current market conditions while continuing to advance regulatory approvals and cost reductions concurrently with work on fiscal and commercial agreements to provide the information necessary for a FEED decision.

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As you testified in the Joint Resources Committee hearing, "right now we know that we've got to reduce the cost of this system". If the parties went with Concept 2, we would continue to follow the staged gate process and work cost of supply to improve project competitiveness. As lead party under the existing pre-FEED Joint Venture Agreement, we have offered a 2017 work program and budget that is consistent with this concept.

Nonetheless, ExxonMobil supports working with the State on either concept and the State Administration has chosen Concept 1 – a State run LNG project. The Governor has publicly stated a State run project would not be subject to the same taxes as an industry project and a state owned project may provide unique federal tax benefits. Furthermore, the Governor has said the State and alternative investors may accept a lower return on equity. These options could reduce cost of supply and ExxonMobil supports considering these options, as well as others that might commercialize North Slope gas.

Additionally, on page two of your letter you mischaracterize a recent public comment saying ExxonMobil has a "lack of willingness to chase this project". As previously stated, we are fully committed to developing a plan that can successfully benefit all parties, including Alaskans.

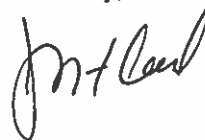
ExxonMobil has demonstrated this commitment in several ways, including:

- Spent \$96 million on gas commercialization efforts prior to AKLNG, including work related to progressing the Stranded Gas Development Act and the Alaska Gas Inducement Act.
- Funded 25% of the \$107 million in Concept Select work and 33% of the \$460 million spent on Pre-FEED to date, for a total ExxonMobil spend of \$179 million on AKLNG.
- Provided over two thirds of the people on the Alaska LNG Project Management Team which has successfully designed the AKLNG infrastructure and progressed the requisite permits.
- Funded 33% of the costs to secure the LNG Plant land and DoE export permit authorization.
- Funded 62% of the \$4.2 billion Point Thomson Initial Production System for a total share of \$2.6 billion. The Project included significant pre-investment for gas sales and included a larger condensate export pipeline to support a potential gas export project.

In addition, ExxonMobil has stated multiple times that our gas resources are available to sell to any project, including a State run project, on mutually agreed, commercially reasonable terms. Towards that goal, our bi-lateral negotiating team remains ready to re-start discussions on gas sales to support the State run Project.

We hope this letter will help clarify the historical facts and allow us to be more successful in working together in the future. We look forward to working with you to transition the Project to the State, explore options to reduce the cost of supply, re-engage on gas sales negotiations, and develop the necessary fiscal regime to commercialize North Slope gas.

Sincerely,



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c: Senator Cathy Giessel  
Senator John Coghill  
Senator Kevin Meyer  
Representative Benjamin Nageak  
Representative Dave Talerico  
Commissioner Andy Mack  
Deputy Commissioner Dona Keppers  
Ms. Suzanne Cunningham  
Ms. Jane Conway  
Mr. Chad Hutchinson  
Mr. Jerry Juday  
Mr. Rynnieva Moss  
Mr. Darwin Peterson  
Ms. Esther Tempel  
Mr. Gary Zepp  
Mr. Joe Marushack  
Ms. Janet Weiss