Comments to Legislature on Gas Contract and Fiscal Interest Findings

June 15, 2006

Evaluating the Fiscal Bargain

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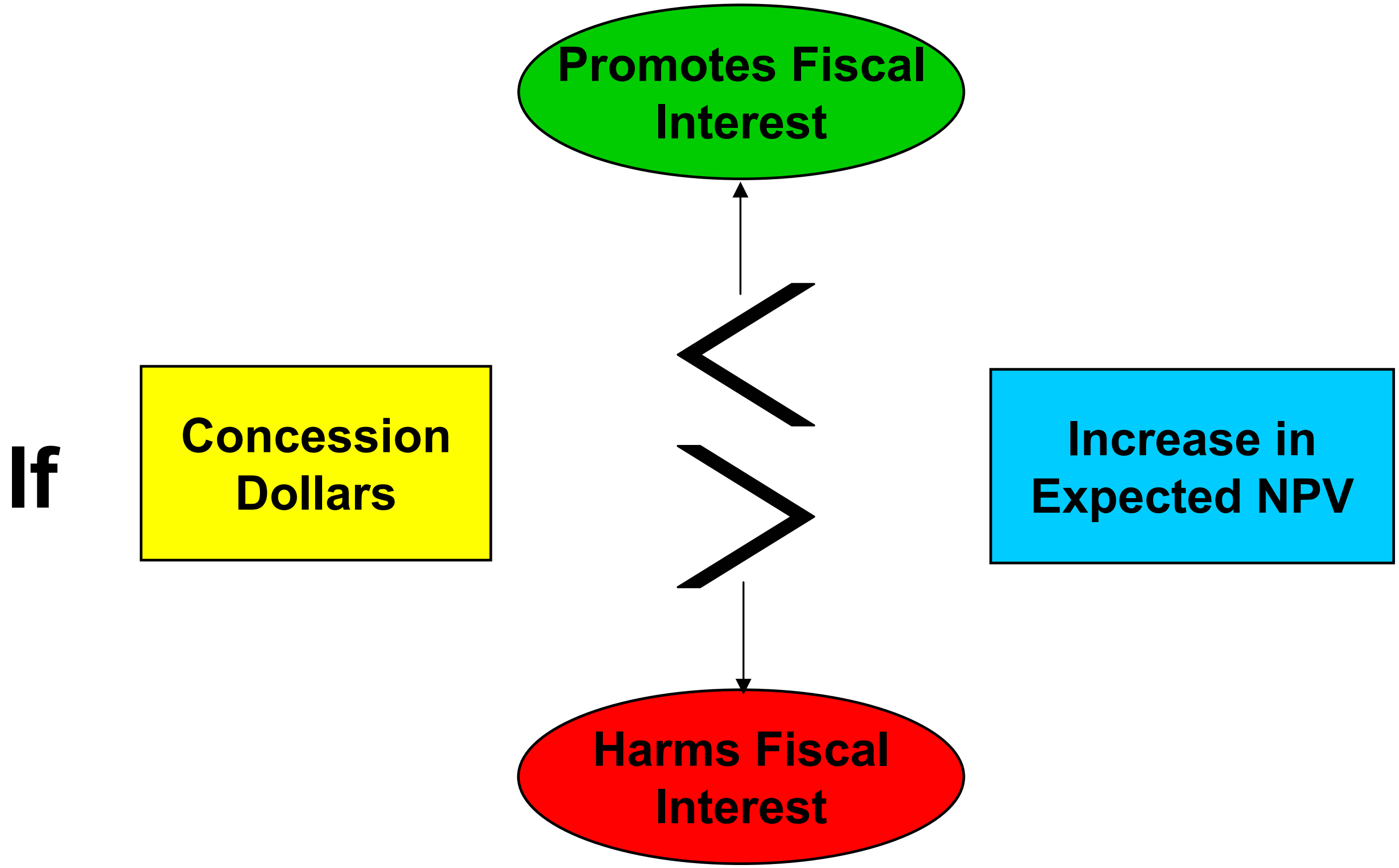
Economic Framework For Evaluating Fiscal interest



Expected NPV Depends Upon:
- **Time Until Sanction Decision**
- **Chance of Approval**

Relating Cost of Concessions To Project Timing ($6.00 Base Gas Case)

Start Date	Delay	Proposed Contract	ELF-Based System	PPT-Based System
		(NPV-8 in Million Dollars)		
(1)	(2)	(3)	(4)	(5)
2015	None	**$14,664**	$17,527	$19,935
2016	1 Year	-	16,840	19,135
2017	2 Years	-	16,210	18,409
2018	3 Years	-	15,604	17,709
2019	4 Years	-	15,018	17,033
2020	5 Years	-	**14,452**	16,383
2021	6 Years	-	-	15,759
2022	7 Years	-	-	15,158
2023	8 Years	-	-	**14,566**
2024	9 Years	-	-	-
2025	10 Years	-	-	-

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Economic Evaluation of the Bargain Presented by the Contract

- **Evidence That the Contract will Advance Project Startup**

Ranking of Alaska Gasline by Size Class

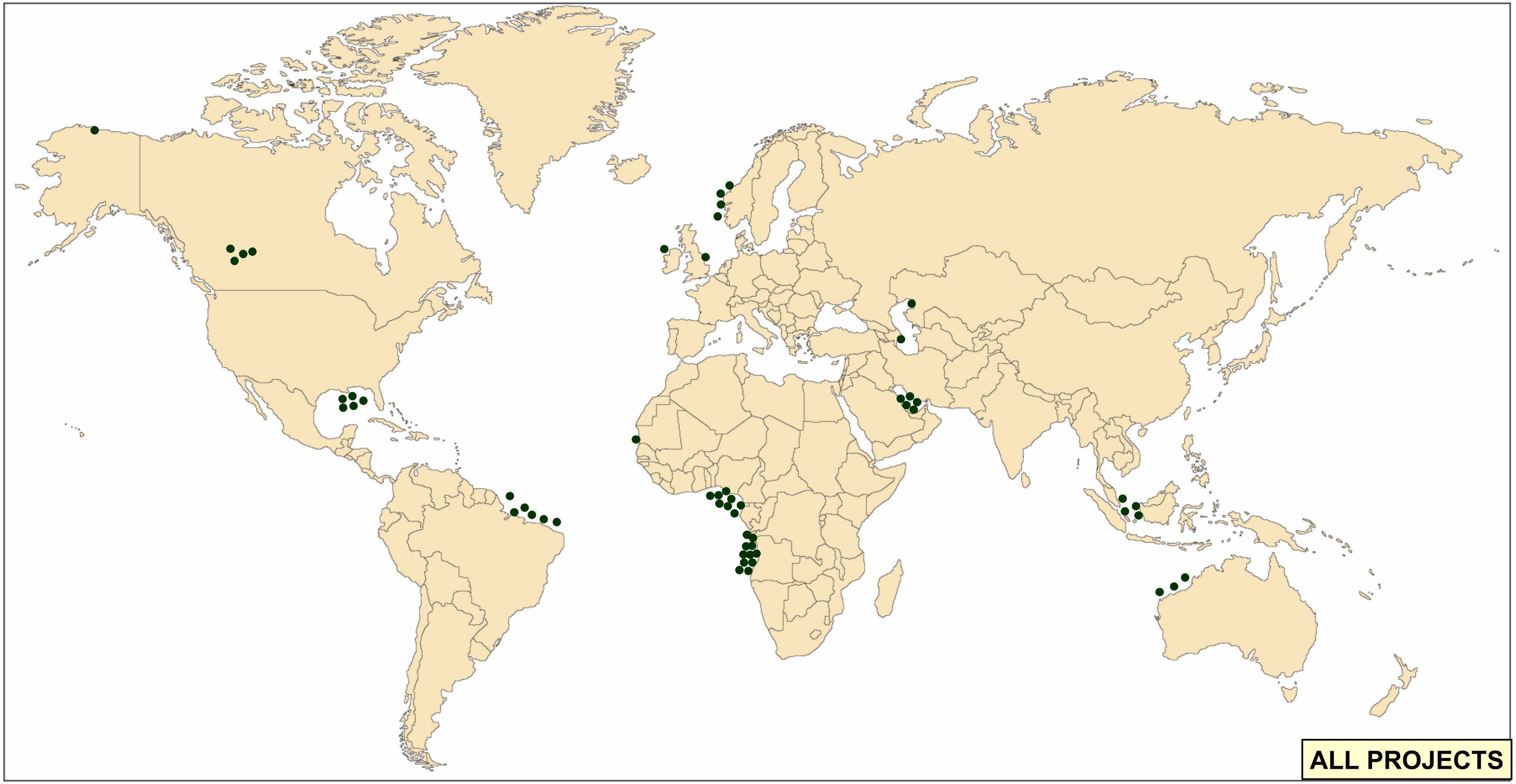
Gasline (Alberta) Ranking ($35 oil and 6-1 oil/gas price ratio)

	Fiscal Terms	NPV10	PIR10	NPV10 per BOE	IRR
All Projects (including Alaska) (56)	2005 (ELF)	1/56	14/56	40/56	45/56
	2006 (PPT)	1/56	32/56	43/56	47/56
	Proposed Contract	1/56	8/56	35/56	43/56
Projects over $3.5 Billion in CAPEX (16)	2005 (ELF)	1/16	5/16	8/16	11/16
	2006 (PPT)	1/16	5/16	9/16	12/16
	Proposed Contract	1/16	5/16	6/16	10/16

Economic Evaluation of the Bargain Presented by the Contract

- Evidence That the Contract will Advance Project Startup
- Concessions
    - Fiscal Certainty on Oil
    - Fiscal Certainty on Gas
    - State Pipeline Investment

Location of PFC Projects



The New York Times

As Profits Surge, Oil Giants Find Hurdles Abroad

By JAD MOUAWAD
The New York Times - World Business
Published: May 6, 2006

To many Americans, oil companies like Exxon Mobil or Chevron appear all powerful, pocketing record profits as energy costs soar. But in many countries around the world, high oil prices are also making life considerably harder for big oil companies.

Sharply higher energy prices have shifted the power to oil-producing countries, as some governments seek a larger share of the riches. As a result, even as Western oil companies expand their reach through acquisitions and multibillion-dollar projects, a resurgence of nationalist policies is weakening their influence.

"We've seen a return to a 1970's style of resource nationalism riding along the crest of high prices," said Daniel Yergin, the chairman of Cambridge Energy Research Associates, a consulting firm. "During times of low prices, governments are keen to open up. But when prices are high, they have the high cards."

This trend could lead to fewer investments by Western oil companies, lower production, and with more limited supplies, even higher prices at the pump. So far, the power shift has taken on various shades and tones. In Bolivia and Russia, governments have taken outright control of oil and gas fields; in Venezuela and Britain, they have increased taxes; and in Nigeria and Kazakhstan, they have given highly preferential treatment to state companies.

Last week, Bolivia said it would seek 82 percent of the sales from the biggest fields, up from less than 18 percent.

In Venezuela, the government recently asserted its hold on 32 small oil fields developed by foreign companies and increased taxes to 83 percent from 56.6 percent.

The Congress in Ecuador recently approved a law that introduces a 50 percent royalty fee on existing fields.

Even the British government changed the tax regime in the North Sea at the beginning of the year, increasing its taxes by 10 percentage points, to a total of 50 percent. And if the talk in Congress over windfall profit taxes is any indication, the same might be said — at least to a limited degree — in the United States.

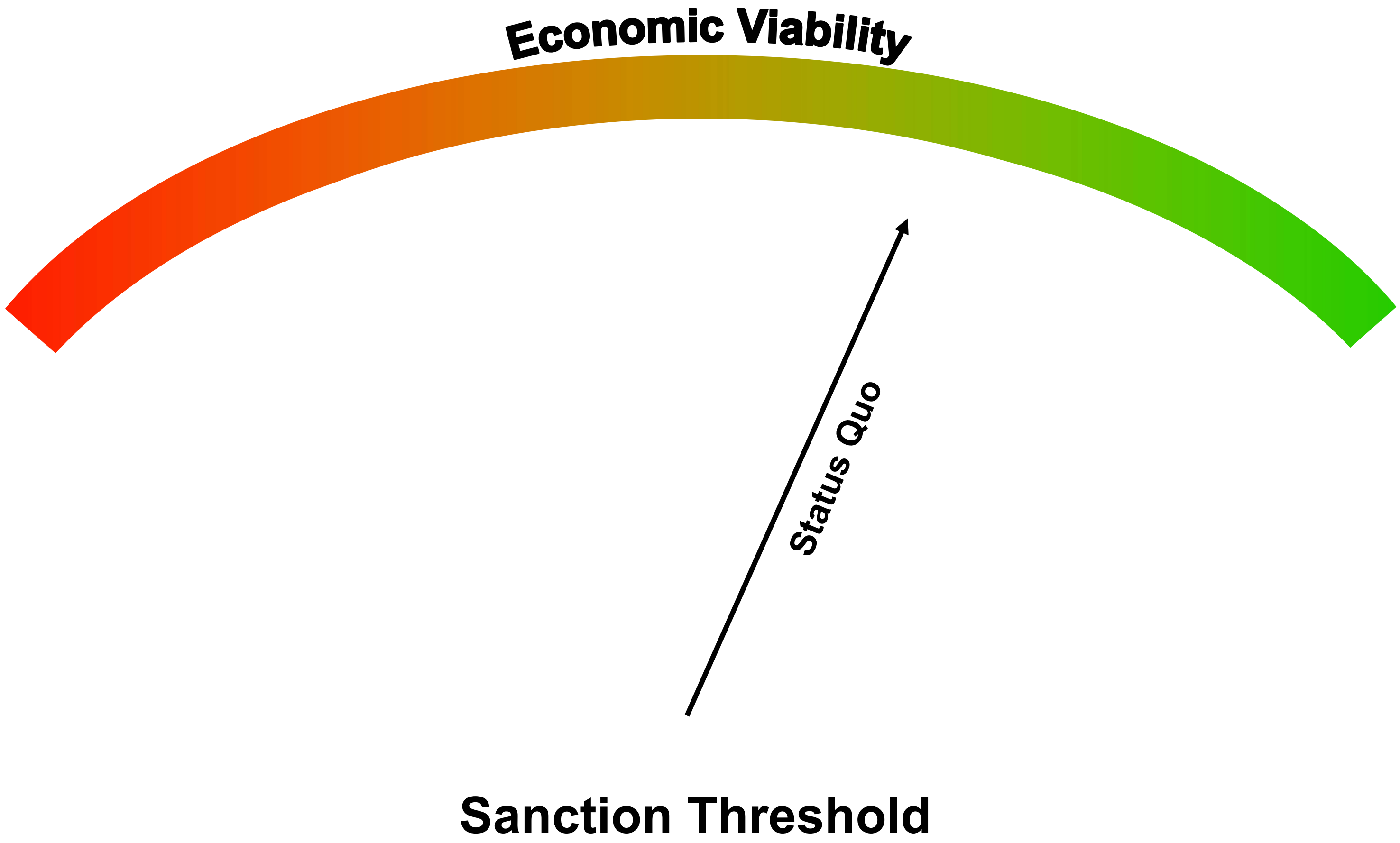
For all their riches, global oil companies have been on a long path of decline, progressively losing out to national oil interests around the world. These days, with higher costs, lower returns and increased competition, the screws are tightening even more, leaving executives anxious about the future of their industry. "Oil companies," Mr. Yergin said, "are feeling cramped."

Exxon's oil production of 2.5 million barrels a day, for example, accounts for less than 3 percent of the world's daily output. The top seven international oil companies — Exxon, BP, Royal Dutch Shell, Total, Chevron, ConocoPhillips and Eni — control less than 5 percent of the globe's

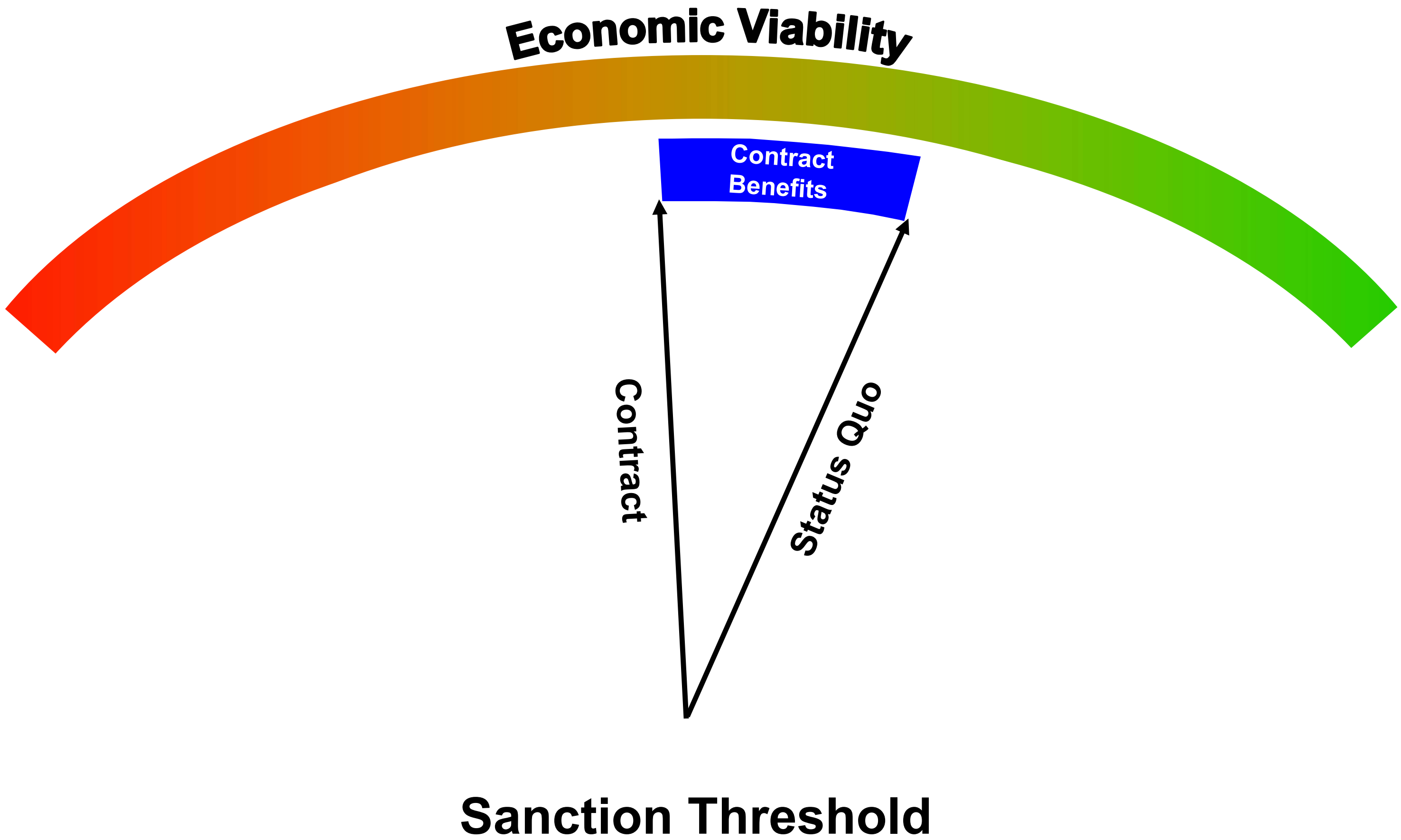
Economic Evaluation of the Bargain Presented by the Contract

- Evidence That the Contract will Advance Project Startup
- Concessions
  - Fiscal Certainty on Oil
  - Fiscal Certainty on Gas
  - State Pipeline Investment
- Implication of the Producers' "Option"

Contract Costs and Benefits



Contract Costs and Benefits



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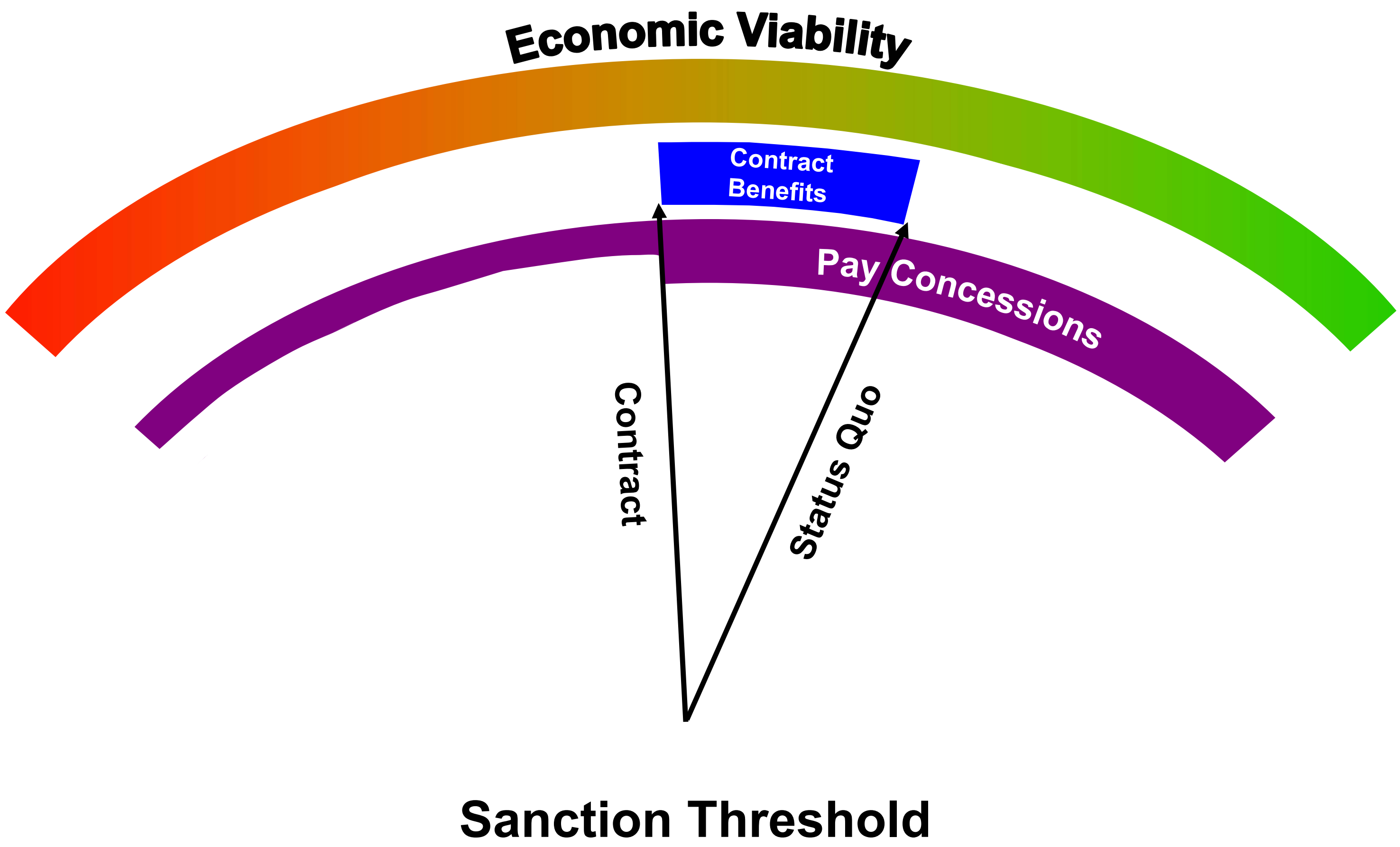
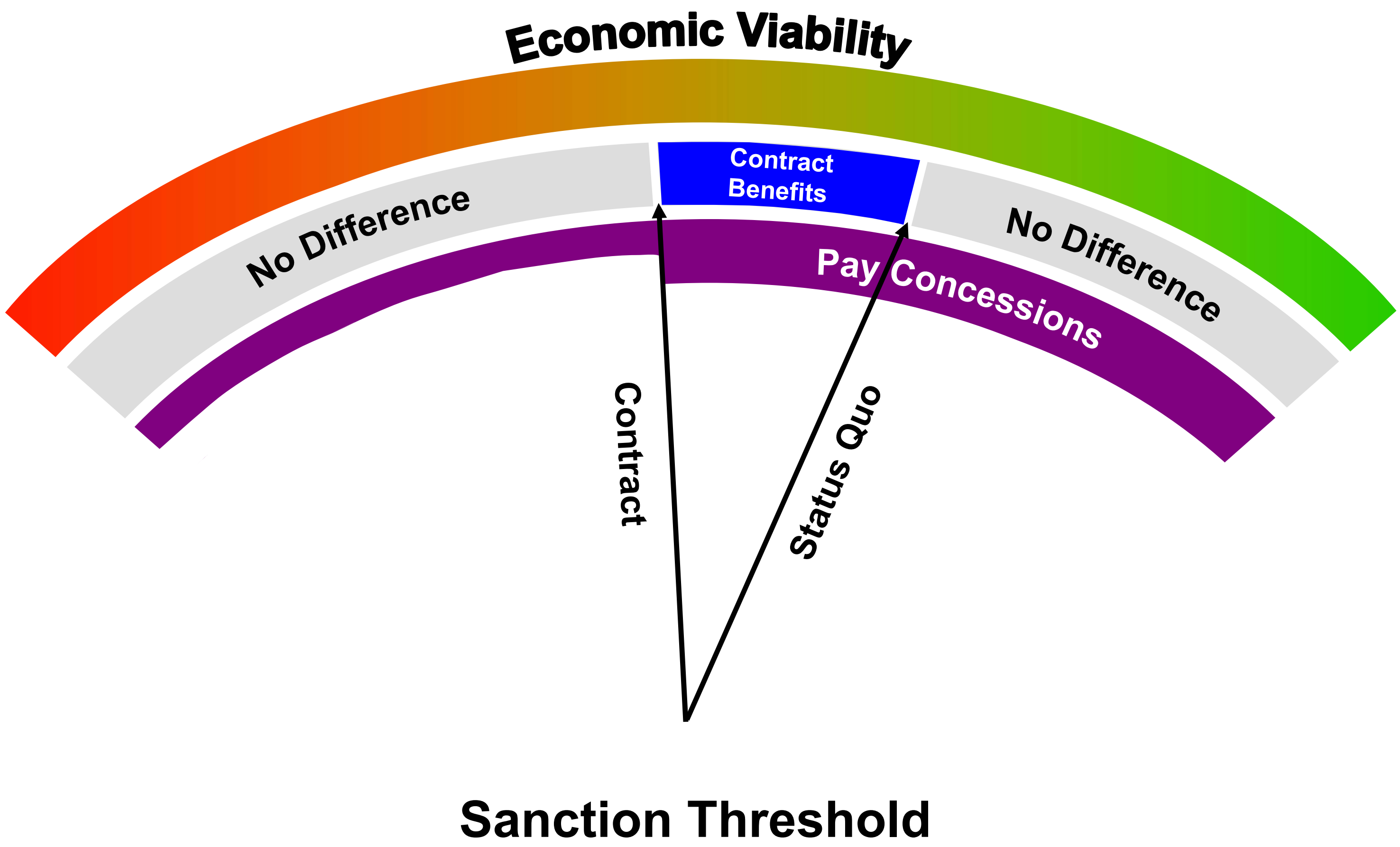


Contract Costs and Benefits



Contract Effects Relative to Range of Uncertainty