

Alaska LNG Project

SRES / HRES Testimony

Joint Senate Resources Committee / House Resources Committee – 1:00 pm ADT on Thursday, August 25, 2016 in Anchorage, Alaska

- Chair Giessel, members of the Senate Resources Committee, Co-Chair Nageak, Co-Chair Talerico and members of the House Resources Committee for the record, my name is Bill McMahon.
 - ExxonMobil appreciates the opportunity to provide our perspectives on the Administration's proposed bridging to a State LNG project and I look forward to answering your questions.
- I am a Sr. Commercial Advisor and have 34 years of experience with ExxonMobil and have worked on commercializing Alaska natural gas for over 20 years.
- During the last Alaska LNG testimony on June 29, we discussed the misalignment that began to develop among the Administration, AGDC, BP, ConocoPhillips and ExxonMobil early this year on entering FEED in 2017. The Administration was pressing for certain agreements to be in place by the end of the regular session, but did not include a fiscal agreement, which is necessary for entering FEED. Once it became clear that this plan was not going to be met, two concepts to potentially progress the project were presented:
 1. Support transition to a State LNG project so AGDC could enter FEED in 2017, or
 2. Pace the four-party Alaska LNG Project work to match current market conditions while continuing to advance regulatory approvals, reduce project costs and work on fiscal and commercial agreements to provide the information necessary for a FEED decision.
- Now that the Walker Administration has decided to pursue a State LNG project, ExxonMobil is actively engaged in the development of a plan to bridge from the four-party Pre-FEED Joint Venture Agreement (JVA) to a State LNG Project.
- From ExxonMobil's perspective, the key components of this bridging plan include:
 - Completing the Pre-FEED deliverables and filing the remaining draft Resource Reports (11 and 13). As Steve indicated, these are on track for completion in a few weeks.
 - Selecting a target date for the completion of a smooth, efficient handover of all JVA Lead Party responsibilities to the State LNG project. AGDC appears to be targeting sometime in the 4th quarter 2016.
 - Scheduling Lead Party / AGDC handover sessions.
 - Effectively handling FERC / NEPA progression to AGDC / State Project.
 - Supporting access to Pre-FEED data and information for a State LNG project.
 - Selling the Alaska LNG Project LLC (ALPL) so AGDC will have access to the LNG Plant land, the DOE LNG Export Authorization, and the AKLNG website and logo.

- + With this acquisition, AGDC will be able to establish its standing with FERC and DOE, and to demonstrate to potential investors and customers that a State LNG project is “open for business”.
- Once a State LNG project is up and running, the Pre-FEED JVA winds up and the Project Management Team disbands, ExxonMobil will still have a major role in the development of Alaska North Slope natural gas. First, through continued investment to develop Prudhoe Bay and Point Thomson and, second, by making gas available for sale for the project.
- To date, the Producers have invested billions of dollars at Prudhoe Bay and Point Thomson to successfully develop these fields. Investments are continuing at these fields to make natural gas available for a major gas sales project.
 - Point Thomson will require additional investment. Much of the equipment installed for current operations can be used for a gas sales, including the Point Thomson Export Pipeline which was sized for full field condensate production.
 - At Prudhoe Bay, gas has been extensively used to maximize oil recovery. By expanding gas cycling and using gas for enhanced oil recovery the working interest owners have produced to date over three billion barrels more oil than originally expected.
 - Investment will be necessary at PBU to allow gas to be produced into a State LNG project. Additionally, we expect AGDC to approach PBU about potentially handling the by-products from its Gas Treatment Plant.
 - Before committing to these investments at PTU and PBU, ExxonMobil will need robust gas sales & purchase agreements with assurances that the purchaser will be able to receive and pay for ExxonMobil's gas.
- ExxonMobil has always been willing to make its gas available to any project under bilateral, mutually-agreed and commercially-reasonable terms. You have been provided with copies of the various letters we have sent to the State of Alaska and AGDC:
 - July 22, 2016 letter to Keith Meyer offering to re-engage on wellhead gas sales negotiations.
 - December 3, 2015 letter to Governor Walker making ExxonMobil gas available for wellhead purchase by the State of Alaska should ExxonMobil no longer be part of the Alaska LNG Project.
 - October 22, 2015 letter to Marcia Davis and Rigdon Boykin with an ExxonMobil offer to negotiate a Gas Sales and Purchase Agreement.
 - May 12, 2008 letter response to Senate Democratic on ExxonMobil willingness to sell or ship gas on commercially reasonable terms.
 - May 12, 2008 letter response to House Democratic on ExxonMobil willingness to sell or ship gas on commercially reasonable terms.
- Last year, Governor Walker sought assurances from each producer that its gas would be made available to AKLNG should that producer no longer be a part of the project. In addition to sending the December 3, 2015 letter to the Governor outlining our commitment:

- We immediately established a negotiating team, executed a confidentiality agreement with the Administration and had several preliminary meetings.
 - With the advent of a State LNG project, ExxonMobil remains ready to re-engage on negotiations for a gas sale and purchase agreement, under commercially-reasonable terms acceptable to both parties.
- And of course, ExxonMobil has had confidential bi-lateral gas marketing conversations with the State as contemplated by SB 138. These conversations with DNR have also been on hold, so we stand ready to restart them.
- So in closing, ExxonMobil remains committed to commercializing the natural gas resources on the Alaska North Slope and we are willing to work with any interested parties, our co-ventures, AGDC and the State to explore all options to commercialize this gas.