

Venture Participant Update

House and Senate Resources Committees

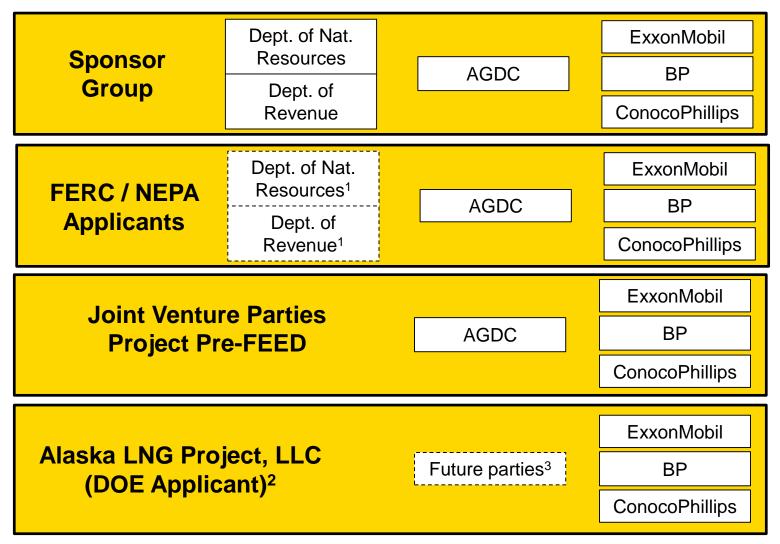
January 27, 2016

Marty Rutherford – State of Alaska Fritz Krusen – AGDC Bill McMahon – ExxonMobil Dave Van Tuyl – BP Leo Ehrhard – ConocoPhillips

Progress since September Update

- 2016 Work Program and Budget
 - Joint Venture Parties approved 2016 WP&B for Alaska LNG Project (AKLNG)
 - Funds to complete Pre-FEED deliverables
- TransCanada Interest
 - AGDC acquired TC Alaska entity and all associated rights under Pre-FEED JVA
 - Seamless transition
 - To assist with completion of Pre-FEED deliverables, key TC personnel contracted to project team via Lead Party
- AOGCC authorized field gas offtake sufficient for AKLNG from:
 - Prudhoe Bay Unit (PBU)
 - Point Thomson Unit (PTU)
- AOGCC approved area injection order (AIO) for CO₂ into PBU
- AGDC formed in-state gas aggregator subsidiary

Alaska LNG Project Arrangements



¹ Consultant role for DNR / DOR

² DOE authorization also covers anticipated State RIK and TAG volumes

³ AGDC

Alaska LNG Project Arrangements

Sponsor Group

Dept. of Nat. Resources

Dept. of Revenue

AGDC

ExxonMobil

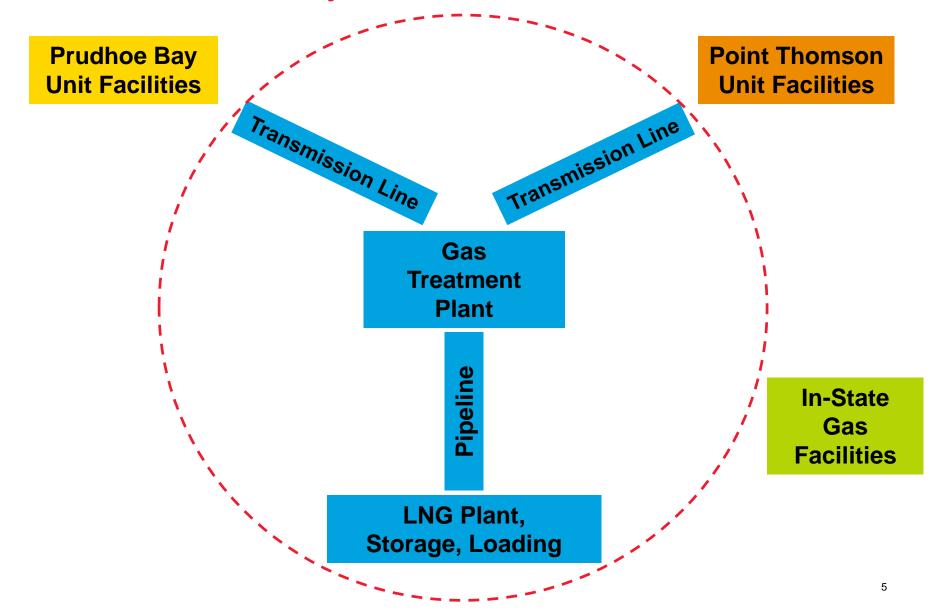
BP

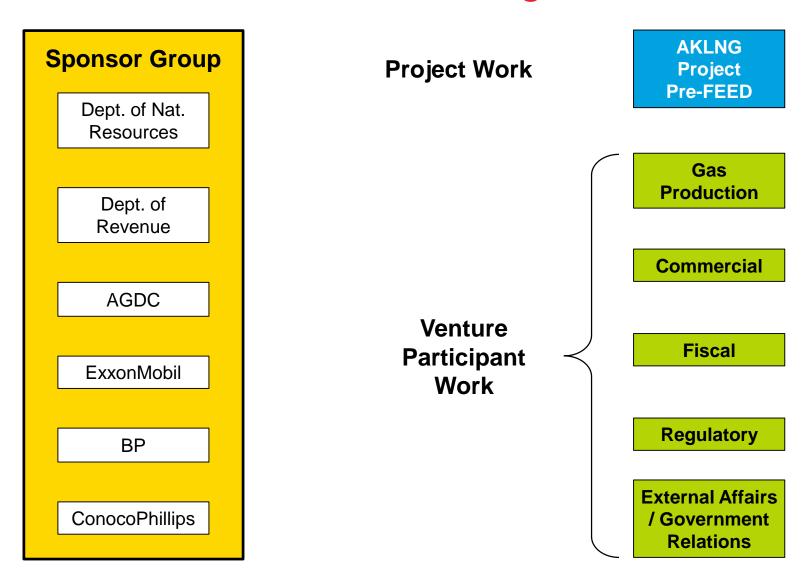
ConocoPhillips

AKLNG Project Pre-FEED

- Integrated team includes experienced personnel from ExxonMobil (Lead), BP and ConocoPhillips
 - Continued access to key TransCanada personnel via contract with Lead Party
- Currently in Pre-FEED (Pre Front End Engineering Design)
- Advancing engineering of AKLNG Project facilities
- Conducting field studies to progress design basis
- Drafting project execution plans
- Refining overall cost and schedules
- Developing environmental permitting applications
- Cooperation agreement with AGDC on field data collection and historical data exchange

Alaska LNG Project Facilities





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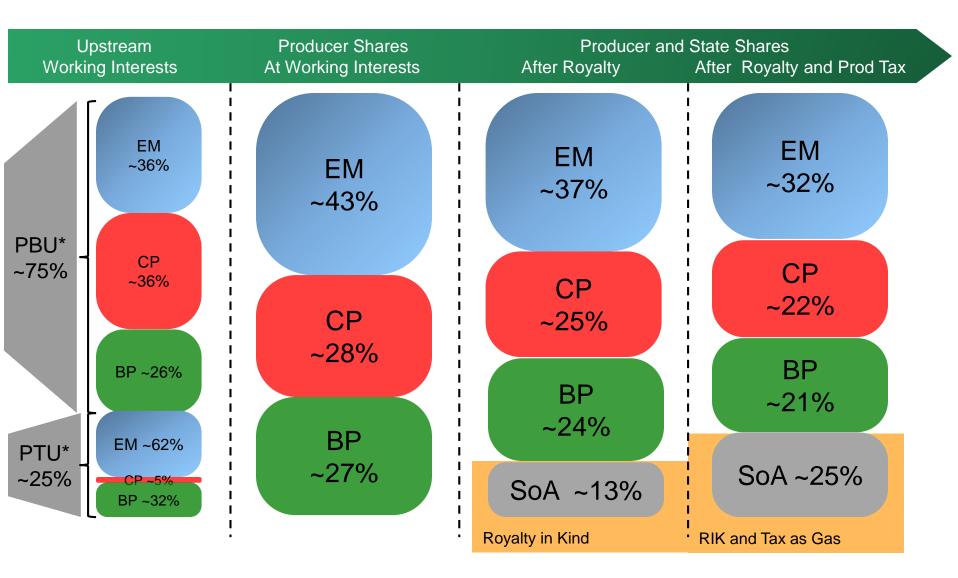
AKLNG Project Pre-FEED

Gas Production

PBU / PTU Facilities Work

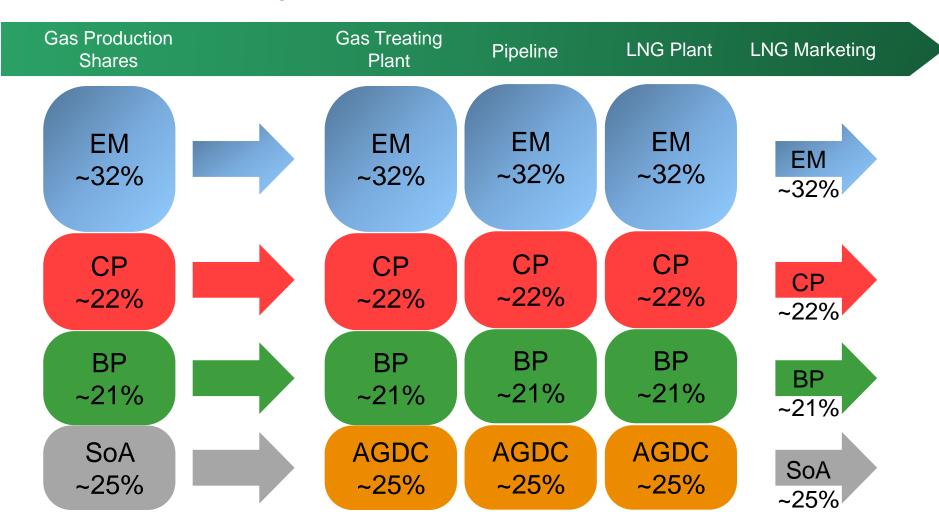
- Preparations for commercial natural gas production are underway at both Point Thomson Unit (PTU) and Prudhoe Bay Unit (PBU)
- Significant natural gas development required at PTU including drilling and gas handling facilities
- PBU would also require some new facilities
- AOGCC issued amended PBU field gas offtake authorizations on October 15, 2015
 - Also authorized injection of CO₂ from other fields into Prudhoe Bay
- AOGCC issued PTU field gas offtake authorizations on October 15, 2015

Gas Sources and Shares



^{*} PBU / PTU split subject to gas supply agreements and regulatory authorizations

Gas and Project Shares



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AKLNG Project Pre-FEED

Gas Production

Commercial

Drafting DNR applications

 SB 138 Lease Modifications to address RIK / RIV switching and PTU SSR / NPS leases

Developing commercial basis for the venture

- Commercial foundation agreements among State, AGDC, ExxonMobil, BP and ConocoPhillips to be sufficiently completed before fiscal action by the Legislature
 - Governance for long term venture including expansions
 - Gas supply to Project
 - Gas / LNG lifting rights from Project
 - In-state gas
 - Others

Legislative review and approval of some agreements will be needed

Commercial Basis for Venture

- Governance for long term venture including expansions
 - · Contract texts advancing well
 - Outstanding issues likely resolved with fiscals and gas supply
- Gas supply to Project
 - Seeking alignment on common commercial structure
 - Two alternatives under consideration
- Gas / LNG lifting rights from Project
 - Principles during Pre-FEED, text worked during FEED
- In-state gas
 - AGDC developing State's preferred commercial structure for in-state gas distribution
 - AGDC to seek in-state gas supply proposals
- Others
 - GTP by-product handling
 - Field cost allowance
 - PTU lease conversions
 - LNG marketing structure(s) in relation to State's LNG share

Completion of these agreements will support DNR royalty in kind election and Special Session to approve fiscal terms

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AKLNG Project Pre-FEED

Gas Production

Commercial

Fiscal

Developing fiscal basis for the venture

- Building on Jan 2014 HOA and SB 138
- DNR considering State Royalty in Kind
- Predictable and durable fiscal terms necessary for unprecedented scale, complexity and costs
 - Also required to compete in global energy markets
- Have aligned on constitutional amendment as vehicle to provide stabilization
 - 2/3rds legislative vote to place on ballot
 - Targeting November 2016 election
- Fiscal terms are a key enabler for the Project, and also with LNG Buyers, lenders and investors
 - Fiscal proposal being developed
- Legislative review and approval will be needed
- Seeking legislation to address property taxes
 - Tentative alignment reached on structure, subject to consultation with MAGPRB

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AKLNG Project Pre-FEED

Gas Production

Commercial

Fiscal

Regulatory

- FTA and non-FTA DOE Export Authorizations received
 - Allows access to all key LNG markets
- NEPA Pre-File process sets foundation for the Environmental Impact Statement (EIS)
 - Two drafts of Resource Reports before final submission intended to facilitate stakeholder engagement
 - First draft submitted in Feb 2015 available for public review on FERC website
 - Second draft of Resource Reports to include updated project description, specific, anticipated project impacts and proposed mitigation measures; expected to be submitted in 1H 2016

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AKLNG Project Pre-FEED

Gas Production

Commercial

Fiscal

Regulatory

External Affairs
/ Government
Relations

- Project of this magnitude / complexity cannot succeed without broad public support
- Facilitating public dialogue and community engagement about the Alaska LNG Project

Alaska LNG Venture Participant Update

- Key Accomplishments since September Update
 - Approval of 2016 WP&B
 - Seamless transfer of TransCanada Alaska entity to AGDC; continued access to key TransCanada personnel
 - AOGCC authorized gas offtake for PBU and PTU, and PBU CO₂ AIO
- Major Outstanding Issues
 - Domestic (in-state) gas supply structure(s) to supply gas to AGDC Aggregator
 - LNG marketing structure(s) in relation to State's LNG share
 - Timely completion of key commercial and fiscal contracts followed by legislative approval consistent with SB 138 – including gas supply to project
 - Royalty decisions
 - Lease modifications
 - RIK election (subject to project-enabling agreements)
 - Determine State Gas Share structure (since State is not a working interest owner at PBU / PTU), if RIK/TAG triggered
 - Legislation to authorize:
 - Public vote on constitutional amendment that provides durable / predictable fiscals
 - Property tax structure

Deliverables to Support FEED Decision

AKLNG Project

Pre-FEED Project Deliverables / Prep for regulatory filings

Gas Production

PBU / PTU Development Plans, AOGCC Offtake / PBU CO₂ AIO

Commercial

Key Agreements (e.g., Lease Modifications, Governance, Gas Supply)

Fiscal

 Property Tax, Royalty-in-Kind, Predictable / Durable Terms, approved Constitutional Amendment

Regulatory

 DOE Export Authorizations Received, Progressing FERC NEPA Pre-File

External Affairs /
Government Relations

Broad support for Project