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June 28, 2016

The Honorable Cathy Giessel
Alaska State Legislature
Chair
Senate Resources Committee
State Capitol, Room 427
Juneau, Alaska 99801

Dear Senator Giessel:

Thank you for the invitation to provide an update for the Senate and House Resources Committees on the Alaska LNG Project. The questions provided in advance have helped ExxonMobil prepare.

As requested, attached are written responses to the questions directed to ExxonMobil.

Let me know if you need any additional information.

Regards,

A handwritten signature in black ink, appearing to read "W. A. McMahon", written in a cursive style.

c: Mr. K. M. Meyer, President, Alaska Gasline Development Corporation
Ms. M. K. Rutherford, Acting Commissioner, Alaska Department of Natural Resources
Mr. D. E. Van Tuyl, BP
Mr. L. W. Ehrhard, ConocoPhillips
Mr. S. D. Butt, Project Manager, Alaska LNG Project

Answers to Questions Directed to ExxonMobil**1) The Pre-FEED phase has been indicated to be completed by fall of 2016.****a) Please describe what is envisioned, from the perspective of each participant, as to what will occur after the completion of Pre-FEED**

ExxonMobil follows the successful, time proven industry approach of a stage gate process to manage progression of a project through the various phases. This process ensures the project is ready to move forward from technical, fiscal, commercial and economic perspectives. The next stage gate for the Alaska LNG Project is consideration for advancing to FEED.

The Alaska LNG Project team is near completion of the Pre-FEED technical work; however, group work on the commercial and fiscal agreements necessary for a FEED decision has been suspended. Additionally, the cost of supply for the Alaska LNG Project needs to be lowered further to be competitive in the global marketplace.

The Administration re-initiated group discussions last week to consider alternative concepts to the current Alaska LNG Project structure. The Alaska LNG Project is the project that was contemplated under both the January 2014 Head of Agreement and SB 138. The outcome of these discussions will determine what will occur next.

b) Please describe what is envisioned, from the perspective of each participant, as to the management structure after the completion of Pre-FEED. If possible, provide an organizational chart with job descriptions.

The Alaska LNG Project has no current agreements for a management structure post pre-FEED. The Pre-FEED agreement is currently set to expire at the end of June, 2017

Group discussions concerning the development of the governance structure for the Alaska LNG Project have been suspended. These agreements could have provided the venture governance for the FEED phase, Engineering, Procurement and Construction (EPC) phase and the Operations phase. A FEED project team organizational structure would be similar to that of the Pre-FEED phase, but on a much larger scale.

ExxonMobil has no current agreements or plans for an alternative structure but is certainly prepared to listen to the Administration's and other co-venturers' suggestions and to work cooperatively with all interested parties, including the Legislature.

d) What is the funding source effort to proceed after the completion of Pre-FEED

Currently there are no authorizations or agreements for the Alaska LNG Project to spend funds post pre-FEED.

If the State of Alaska, AGDC, BP, ConocoPhillips and ExxonMobil were to enter the FEED phase for the Alaska LNG Project, ExxonMobil would secure the necessary funding for its equity participation through its corporate budgeting process.

e) What is the anticipated Work Plan & Budget (WP&B) for the 2017 calendar year

With the Pre-FEED work expected to be completed in 2016, the Pre-FEED parties are still considering the scope of work and any necessary corresponding funding for that work in 2017.

- 3) Do the project participants reaffirm their commitment that any agreement that has a term in excess of two years will come before the Legislature for approval?

While the Administration is in the best position to answer this question, ExxonMobil would expect that any project enabling agreements that the Administration would enter for a project defined under SB 138 would come before the Legislature for approval if that agreement has a term in excess of two years.