

ORIGINAL

JOHN & HENGERER
A LAW PARTNERSHIP
1730 RHODE ISLAND AVENUE, N.W.
SUITE 600
WASHINGTON, D.C. 20036-3116

DOUGLAS F. JOHN
KEVIN M. SWEENEY
KIM M. CLARK
GORDON J. SMITH
MATTHEW T. RICK
ELIZABETH A. ZEMBRUSKI

TELEPHONE
(202) 429-8801
TELECOPIER
(202) 429-8805

10-63-LNG

June 8, 2010

VIA HAND-DELIVERY

Mr. Robert Corbin
Office of Fuels Programs, Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585



Dear Mr. Corbin:

Enclosed for filing on behalf of ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company, please find an original and fifteen (15) copies of the "Application for Blanket Authorization to Export Liquefied Natural Gas" pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. § 717b, and Part 590 of the U.S. Department of Energy's regulations, 10 C.F.R. Part 590 (2010). An electronic copy of the application is also provided on the enclosed compact disk. A check in the amount of \$50.00 is enclosed as the filing fee stipulated by 10 C.F.R. § 590.207 (2010).

I have also enclosed six (6) additional copies of this filing to be date-stamped and returned to our messenger. If you have any questions concerning this filing, please do not hesitate to contact the undersigned at (202) 429-8801.

Respectfully submitted,

Douglas F. John TERZ

Douglas F. John

Counsel for ConocoPhillips Alaska
Natural Gas Corporation and
Marathon Oil Company

Enclosures

ORIGINAL

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY



In the matter of:)
)
CONOCOPHILLIPS ALASKA)
NATURAL GAS CORPORATION)
and)
MARATHON OIL COMPANY)

FE Docket No. 10-63-LNG

APPLICATION FOR BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS

Pursuant to Section 3 of the Natural Gas Act (“NGA”), 15 U.S.C. § 717b, and Part 590 of the Department of Energy’s (“DOE”) regulations, 10 C.F.R. Part 590 (2010), ConocoPhillips Alaska Natural Gas Corporation (“CPANGC”) and Marathon Oil Company (“Marathon”) (collectively “Applicants”) hereby submit this application to the Office of Fossil Energy (“FE”) of DOE for an order granting blanket authorization to export a quantity of liquefied natural gas (“LNG”) equal to the difference between the 99 Trillion British thermal units (“TBtus”)¹ authorized by FE in DOE Opinion and Order Nos. 2500² and 2500-A,³ and the cumulative volume that is ultimately exported by Applicants under their currently-effective blanket authorization from April 1, 2009 through March 31, 2011. Applicants seek blanket authorization to export this volume of LNG from facilities located near Kenai, Alaska to Japan and/or one or more other countries globally with which trading is not prohibited by United States law for a two-year period commencing April 1, 2011 and terminating March 31, 2013. In support of this application, Applicants submit the following:

¹ One TBtu is equivalent to approximately one billion cubic feet (“Bcf”).
² DOE/FE Order and Opinion No. 2500, 2 FE ¶ 71,623 (Jun. 3, 2008) (Order No. 2500).
³ DOE/FE Order and Opinion No. 2500-A, 2 FE ¶ 71, 652 (Jul. 30, 2008) (Order No. 2500-A).

I.
DESCRIPTION OF APPLICANTS

The exact legal name of CPANGC is ConocoPhillips Alaska Natural Gas Corporation. CPANGC is a Delaware corporation with its principal place of business in Anchorage, Alaska. CPANGC is a wholly-owned subsidiary of ConocoPhillips Company (“ConocoPhillips”), a publicly-traded Delaware corporation. CPANGC is authorized to do business in the State of Alaska, among other states.

The exact legal name of Marathon is Marathon Oil Company. Marathon is an Ohio corporation with its principal place of business in Houston, Texas. Marathon is authorized to do business in the State of Alaska, among other states.

CPANGC and Marathon are joint indirect owners of natural gas liquefaction and marine terminal facilities located near Kenai, Alaska (“Kenai LNG Facility”).⁴ CPANGC and Marathon are not affiliated with each other.

II.
CORRESPONDENCE AND COMMUNICATIONS

All correspondence and communications concerning this application, including all service of pleadings and notices, should be directed to the following persons:⁵

Dan Clark
Vice-President
CONOCOPHILLIPS ALASKA
NATURAL GAS CORPORATION
700 G Street
P.O. Box 100360
Anchorage, AK 99510-0360
Phone: (907) 263-4348
Email: Daniel.M.Clark@conocophillips.com

Joe Farrell
Attorney for
CONOCOPHILLIPS ALASKA
NATURAL GAS CORPORATION
700 G Street
P.O. Box 100360
Anchorage, AK 99510-0360
Phone: (907) 265-6056
Email: Joe.Farrell@conocophillips.com

⁴ The Kenai LNG Facility is owned by the Kenai LNG Corporation. CPANGC has a 70% ownership interest and Marathon has a 30% ownership interest in Kenai LNG Corporation.

⁵ Applicants interpret Section 590.202(a) of DOE’s regulations, 10 C.F.R. § 590.202(a) (2010), to permit two people to be designated on the official service list for each of the two applicants. Applicants request waiver of Section 590.202(a) to the extent necessary to include outside counsel on the official service list in this proceeding.

Carri Lockhart
Alaska Asset Team Manager
MARATHON OIL COMPANY
3201 C Street, Suite 800
Anchorage, AK 99503
Phone: (907) 565-3040
Email: calockhart@marathonoil.com

Molly Benson
Group Counsel
MARATHON OIL COMPANY
5555 San Felipe Road
Houston, TX 77056
Phone: (713) 296-2591
Email: mrbenson@marathonoil.com

Douglas F. John
Elizabeth A. Zembruski
JOHN & HENGERER
Suite 600
1730 Rhode Island Avenue, N.W.
Washington, D.C. 20036-3116
Phone: (202) 429-8800
Fax: (202) 429-8805
Email: djohn@jhenergy.com
ezembruski@jhenergy.com

Pursuant to the requirements of 10 C.F.R. § 590.103(a) (2010), Applicants hereby certify that the persons listed above and undersigned are the duly authorized representatives of CPANGC and Marathon.

III. AUTHORIZATION REQUESTED

Applicants seek a two-year blanket authorization commencing April 1, 2011 and terminating March 31, 2013, for a quantity of LNG equal to the difference between the 99 TBtus (*i.e.*, the equivalent of 98.1 Bcf of natural gas) that FE authorized Applicants to export in Order Nos. 2500 and 2500-A, and the cumulative volume of LNG that is ultimately exported by Applicants under their currently-effective blanket authorization from April 1, 2009 through March 31, 2011, as reflected in the monthly export reports filed with FE by Applicants. It is important to note that Applicants do not seek blanket authorization to export volumes of LNG beyond those authorized by Order No. 2500. Rather, Applicants simply seek blanket

authorization that would, in effect, allow an additional two years to export the currently-authorized volume.

Applicants expect to continue exporting LNG to Japan and/or one or more countries globally, acting on their own behalf or as agent for others, pursuant to the requested blanket authorization. CPANGC and Marathon will not export LNG to countries with which trade is prohibited by Federal law or policy. Applicants expect that LNG prices will vary from time to time to reflect changes in market conditions. Consistent with DOE/FE precedent, natural gas purchase and sales contracts are not being filed as part of this application for blanket authorization to export LNG.⁶ Applicants certify that there are no other proceedings related to this application currently pending at either DOE or any other Federal agency.

IV. BACKGROUND

Applicants manufacture LNG from natural gas that is produced from fields in the Cook Inlet region of Southcentral Alaska and transported by Applicant or affiliate-owned pipeline to the Kenai LNG Facility. As discussed below, Applicants or their predecessors have exported LNG from the State of Alaska for over 40 years pursuant to several, sequential long-term export authorizations granted by FE or its predecessor agencies and the currently-effective blanket authorization more recently granted by FE.

A. Applicants' Prior Long-Term Authorizations to Export LNG

The original long-term authorization to export LNG to Japan was granted to CPANGC predecessor Phillips Petroleum Company ("Phillips") and Marathon by the Federal Power Commission ("FPC") in 1967.⁷ Phillips and Marathon were specifically authorized to export

⁶ DOE/FE Order and Opinion No. 1580, 2 FE ¶ 70,472 (Apr. 10, 2000) (Order No. 1580).

⁷ *Phillips Petroleum Co. and Marathon Oil Co.*, 37 FPC ¶ 777 (Apr. 19, 1967).

LNG from the State of Alaska to supply Tokyo Electric Power Company Inc. (“Tokyo Electric”) and Tokyo Gas Company Limited (“Tokyo Gas”) for a 15-year period terminating on May 31, 1984. The 1967 order also authorized Phillips and Marathon to construct the necessary liquefaction and marine terminal facilities in the Cook Inlet Basin near Kenai, Alaska. The original export authorization was subsequently amended by FE’s predecessor, Economic Regulatory Administration (“ERA”),⁸ in 1982, 1986, 1987, and 1988.⁹

On July 28, 1988, ERA granted Phillips 66 Natural Gas Company and Marathon an extension of the long-term authorization to export LNG to Japan for a 15-year period ending March 31, 2004. FE subsequently approved the transfer of the authorization from Phillips 66 Natural Gas Company to Phillips Alaska Natural Gas Corporation (“PANGC”) and approved amendments of the long-term export authorization in 1991, 1992, and 1995.¹⁰

On April 2, 1999, FE granted PANGC, which subsequently was renamed as ConocoPhillips Alaska Natural Gas Company (or “CPANGC”), and Marathon another five-year extension of the long-term authorization to annually export up to 64.4 TBtus of LNG from the

⁸ In 1977, the FPC’s regulatory authority over imports and exports of natural gas was transferred to the Secretary of Energy by the Department of Energy Organization Act, 42 U.S.C. §§ 7151, 7172. In turn, the Secretary of Energy delegated the authority to the Administrator of the Economic Regulatory Administration, Delegation Order No. 0204-111, 49 Fed. Reg. 6690 (Dep’t of Energy Feb. 22, 1984), and then to the Assistant Secretary of Fossil Energy, Delegation Order No. 0204-127, 54 Fed. Reg. 11436 (Dep’t of Energy Mar. 10, 1989). On September 23, 2005, this authority was delegated to the Assistant Secretary of Fossil Energy in Redelegation Order No. 00-002.04B.

⁹ See DOE/ERA Opinion and Order No. 49, 1 ERA ¶ 70,116 (Dec. 14, 1982) (extending export authority through May 31, 1989); DOE/ERA Opinion and Order 49-A, 1 ERA ¶ 70,127 (Apr. 3, 1986) (transferring export authorization from Phillips Petroleum Company to Phillips 66 Natural Gas Company); DOE/ERA Opinion and Order No. 206, 1 ERA ¶ 70,128 (Nov. 16, 1987) (amending pricing formula for LNG exports); DOE/ERA Opinion and Order No. 261, 1 ERA ¶ 70,130 (Jul. 28, 1988) (approving extension and modification of export authorization).

¹⁰ See DOE/FE Opinion and Order No. 261-A, 1 FE ¶ 70,454 (Jun. 18, 1991) (amending pricing formula for LNG exports); DOE/FE Opinion and Order No. 261-B, 1 FE ¶ 70,506 (Dec. 19, 1991) (transferring export authorization from Phillips 66 Natural Gas Company to PANGC); DOE/FE Opinion and Order No. 261-C, 1 FE ¶ 70,607 (Jul. 15, 1992) (increasing annual export authority to Japan from 52 TBtus to 64.4 TBtus); DOE/FE Opinion and Order No. 261-D, 1 FE ¶ 71,087 (Mar. 2, 1995) (amending pricing formula for LNG exports); DOE/FE Opinion and Order No. 261-E, 2 FE ¶ 71,429 (Jul. 18, 1997) (dismissing complaint).

State of Alaska to Japan for a period commencing April 1, 2004 and terminating March 31, 2009.¹¹ FE approved amendments to this long-term export authorization in 2000 and 2008.¹²

On April 10, 2000, FE granted CPANGC and Marathon blanket authorization to export up to 10 TBtus of LNG from the Kenai LNG Facility to international markets over a two-year period.¹³ This blanket authorization, which supplemented the long-term authorization issued by FE on April 2, 1999, was activated on September 29, 2007. FE later granted the request of CPANGC and Marathon to vacate this blanket authorization on April 1, 2009, contemporaneous with the effective date of the blanket authorization granted in Order No. 2500.

B. Applicants' Currently-Effective Blanket Authorization to Export LNG

CPANGC and Marathon are currently exporting LNG pursuant to the blanket authorization granted by FE on June 3, 2008 in Order No. 2500, as affirmed on rehearing on July 30, 2008 in Order No. 2500-A. The currently-effective blanket authorization permits Applicants to export up to 99 TBtus of LNG on a short-term or spot-market basis from the Kenai LNG Facility to Japan and/or one or more countries in the Pacific Rim over a two-year period commencing on April 1, 2009 and terminating March 31, 2011.

Applicants have continued to export LNG to Tokyo Electric and Tokyo Gas pursuant to the currently-effective blanket authorization. As of the most recent tanker departure on May 24, 2010, approximately 35 TBtus of LNG have been exported by Applicants pursuant to this blanket authorization. The volume of LNG exported by Applicants under the currently-effective blanket authorization has been lower than anticipated due to the fact that, since April 1, 2009,

¹¹ DOE/FE Opinion and Order No. 1473, 2 FE ¶ 70,317 (Apr. 2, 1999) (Order No. 1473).

¹² See DOE/FE Opinion and Order No. 261-F (Jun. 20, 2000) (amending pricing provisions of Japanese sales contracts); DOE/FE Opinion and Order No. 261-G, 2 FE ¶ 71,597 (Jan. 30, 2008) (reflecting name change from PANGC to CPANGC).

¹³ DOE Opinion and Order No. 1580, 2 FE ¶70,472 (Apr. 10, 2000).

Applicants have reduced the number of LNG tankers serving the Kenai LNG Facility from two to one in light of economic and efficiency considerations. Under present circumstances, Applicants estimate that the total volume of LNG exported during the two-year period from April 1, 2009 to March 31, 2011 will be approximately 55 TBTus, which would be just over half of the 99 TBTus authorized for export by FE in Order No. 2500.

C. Purpose of the Application

This application is being filed to ensure that Applicants will have the necessary blanket authorization should they elect to continue LNG exports after March 31, 2011. Whether Applicants ultimately continue LNG exports after March 31, 2011 could be impacted by: (1) LNG market conditions; (2) the ability to secure LNG shipping at economic rates; and (3) strategic decisions regarding the future role of the Kenai LNG Facility.

**V.
PUBLIC INTEREST ANALYSIS**

Under Section 3 of the NGA, FE must authorize an export of natural gas from the United States to a foreign country unless there is a finding that the export “will not be consistent with the public interest.”¹⁴ FE has found that Section 3 of the NGA creates a statutory presumption in favor of approval of a properly-framed export application, which opponents bear the burden of overcoming.¹⁵ FE’s public interest determination is guided by DOE Delegation Order No. 0204-111, which “designates domestic need for the natural gas proposed to be exported as the only

¹⁴ 15 U.S.C. § 717b. Natural gas is defined to include LNG in 10 C.F.R. § 590.102(i) (2010).

¹⁵ DOE/FE Opinion and Order No. 1473 at p. 13, *citing, Panhandle Producers and Royalty Owners Association v. ERA*, 822 F. 2d 1105, 1111 (D.C. Cir. 1987), the court found Section 3 of the NGA “requires an affirmative showing of inconsistency with the public interest to deny an application” and that a “presumption favoring ... authorization...is completely consistent with, if not mandated by, the statutory directive.” *See also Independent Petroleum Association v. ERA*, 870 F. 2d 168, 172 (5th Cir. 1989); *Panhandle Producers and Royalty Owners Association v. ERA*, 847 F. 2d 1168, 1176 (5th Cir. 1988).

explicit criterion that must be considered in determining the public interest.”¹⁶ FE has found the regional need for the natural gas proposed to be exported to be the principal focus of its review for an application for authorization to export LNG from the State of Alaska.¹⁷ FE has in turn evaluated regional need by determining whether there is sufficient evidence that regional natural gas supplies will be adequate to meet both regional needs and the proposed LNG export during the relevant export period. FE has also considered other factors to the extent they are shown to be relevant to the public interest determination for an export authorization.

As demonstrated below, the application of CPANGC and Marathon for a new blanket authorization to export LNG from the State of Alaska to foreign countries is not inconsistent with the public interest. The natural gas to be exported by Applicants has already been determined to be surplus to regional needs on a reserve basis by FE in Order No. 2500. The LNG to be exported by Applicants during the two-year period will not be needed to satisfy regional demand for natural gas. Allowing Applicants to have an additional two years to complete the export of these volumes will not jeopardize service to the local markets into which this natural gas might otherwise be sold; to the contrary, it will serve to enhance the supply security of these markets on a day-by-day basis during the export term.

A. Regional Need During the Proposed Export Period

The Kenai LNG Facility plays a vital role in providing natural gas supply stability in Southcentral Alaska. Applicants currently divert Kenai LNG Facility plant inlet volumes when necessary in order to meet their supply obligations to local customers, including utilities, during times of peak local demand. If the Kenai LNG Facility continues to operate under the proposed export license, Applicants would continue this practice, thereby providing a critical back-up

¹⁶ Order No. 1473 at p. 14, *citing*, Delegation Order No. 0204-111, 49 Fed. Reg. 6684 (Feb. 22, 1984).

¹⁷ Order No. 1473 at p. 15, n. 48; Order No. 2500 at pp. 44-45.

natural gas supply service for the local market in times of peak needs on the coldest days of the year. During the summer months, the Kenai LNG Facility's base level of demand ensures that natural gas wells are not curtailed or shut-in due to decreased local utility demand in the warmer months, hence protecting reserves and well deliverability to serve utility demand during the colder months.

1. Cook Inlet Natural Gas Storage

The continued operation of the Kenai LNG Facility would also serve as a bridge between the present and the future. The desirability of additional natural gas storage capacity in the Cook Inlet area to provide for deliverability in periods of peak demand in the winter months has been well documented. Although the Alaska Legislature recently passed a bill designed to encourage the development of natural gas storage capacity in the Cook Inlet,¹⁸ there is no firm indication that additional natural gas storage capacity will be developed during the two-year term of the requested export authorization.¹⁹ Unless and until additional natural gas storage capacity is developed, the production deliverability that is maintained to supply feedstock natural gas to the Kenai LNG Facility will continue to be available to provide a critical peak shaving service in the winter.

2. Potential Future Uses for the Kenai LNG Facility

In the longer-term, the maintenance of the Kenai LNG Facility creates options for future uses that would enhance natural gas supplies for local consumption. For example, the Kenai

¹⁸ The Cook Inlet Recovery Act (House Bill 280) provides tax credits and other incentives for development of natural gas storage capacity, offers incentives to explorers, and clarifies the Regulatory Commission of Alaska's powers with respect to natural gas storage operations and utility natural gas supply contracts.

¹⁹ For example, Chevron affiliate Union Oil Company of California recently withdrew an application for a state lease to store natural gas at a location in the Cook Inlet from the State of Alaska's Department of Natural Resources, and ENSTAR Natural Gas Company announced that it had failed to reach an agreement with Cook Inlet Natural Gas Storage Company, a subsidiary of TransCanada, on a proposed natural gas storage facility on the Kenai Peninsula.

LNG Facility could be retrofitted to provide revaporization capability, and itself function as a local natural gas storage facility. An even more ambitious scenario could result in the facility being converted into an import and LNG regasification terminal. Regardless of whether or not it is modified, the potential to continue to use the facility in support of LNG exports could also be critical to the economic viability of any natural gas “bullet line” from the North Slope. While a key goal of any such line would be to provide natural gas for local utilities, it is widely accepted that substantial industrial demand would be necessary to make any bullet line from the North Slope economically viable.²⁰

3. Cook Inlet Natural Gas Studies

In Order No. 2500, FE concluded, based upon the studies filed by CPANGC and Marathon as part of their application in Docket No. FE07-02-LNG,²¹ that there are sufficient supplies of natural gas to satisfy local demand and the export volume of 99 TBtus. Several independent studies produced by third-parties have been released since FE issued Order No. 2500 in June 2008. As discussed below, all of the intervening studies are consistent with the conclusion that the natural gas to be exported under the requested blanket authorization is not needed to meet regional demand.

In March 2010, Petrotechnical Research Alaska (“PRA”) issued a report entitled “Cook Inlet Gas Study - An Analysis for Meeting the Natural Gas Needs of Cook Inlet Utility Customers” (“PRA 2010 Cook Inlet Study”).²² This study was commissioned by three Cook Inlet utilities – Anchorage Municipal Light and Power, Chugach Electric Association, Inc.

²⁰ See Editorial, *Our view: LNG export; Nikiski plant, Alaska utilities gain by keeping wider market*, ALASKA DAILY NEWS, Apr. 11, 2010.

²¹ See Netherland, Sewell & Associates, Inc., *Remaining Reserves the Cook Inlet Region of Alaska*, (Jan. 4, 2007); Resource Decisions, *An Economic Analysis of Kenai LNG Export – January 2007* (Jan. 9, 2007).

²² Petrotechnical Research Alaska, *Cook Inlet Gas Study - An Analysis for Meeting the Natural Gas Needs of Cook Inlet Utility Customers* (Mar. 2010), http://www.petroak.com/pdf/CI_Gas_prareport.pdf.

(“Chugach”) and ENSTAR Natural Gas Company (“ENSTAR”) – to evaluate Cook Inlet natural gas reserves and forecast annual natural gas production. The PRA 2010 Cook Inlet Study emphasized that the continued operation of the Kenai LNG Facility is beneficial to supply security in the Cook Inlet region. The PRA 2010 Cook Inlet Study concluded that the Cook Inlet utilities must develop natural gas storage to assure deliverability on the coldest days and optimize gas production throughout the year, but that the Kenai LNG Facility would continue to provide peak shaving service in the meantime. The PRA 2010 Cook Inlet Study also discussed the long-term possibility that the Kenai LNG Facility could be retrofitted to perform a regasification and/or import function.

In December 2009, the Division of Oil and Gas and Division of Geological & Geophysical Surveys in the State of Alaska’s Department of Natural Resources (“DNR”) issued its “Preliminary Engineering and Geological Evaluation of Remaining Cook Inlet Gas Reserves” (“DNR Reserves Study”).²³ The DNR undertook this study to better quantify remaining accessible reserves in major natural gas fields in the Cook Inlet and categorize these volumes based on readiness and certainty of production. The DNR Reserves Study concluded that “enough proved and probable gas reserves exist in Cook Inlet Reservoirs to satisfy local demand well into, and possibly beyond the next decade.”²⁴ The study assumed that CPANGC and Marathon would produce and export the full 99 TBtus of LNG authorized in Order No. 2500 by March 31, 2011, and that LNG exports would cease as of that date. However, the DNR Reserves Study did not conclude that regional demand would only be met after March 2011 if that premise held true, and DNR has since clarified that its study should not be interpreted to imply such a

²³ State of Alaska, Department of Natural Resources, Division of Oil and Gas and Division of Geological & Geophysical Surveys, *Preliminary Engineering and Geological Evaluation of Remaining Cook Inlet Gas Reserves* (Dec. 2009), http://www.dog.dnr.state.ak.us/oil/programs/resource_evaluation/res_eval_pub/Cook%20Inlet%20Reserves_DNR.pdf.

²⁴ *Id.* at p. 34.

conclusion. In a letter dated March 15, 2010, the DNR clarified that the DNR Reserves Study provides a basis for there being a supply of gas for continuation of LNG exports after March 31, 2011 pursuant to the export authorization required by Applicants while also meeting local demand. A copy of this letter is provided in Appendix C to this application.

A third study of note is the Potential Gas Committee's ("PGC") most recent report on reserves, which indicates that, as of December 31, 2008, there were 1,050 Bcf of Probable (650 Bcf onshore and 400 Bcf offshore) and 2,100 Bcf of Possible (1,400 onshore and 700 offshore) reserves in the Cook Inlet-Susitna Basin in Southcentral Alaska.²⁵ This PGC report largely confirms the reserves projections set forth in the studies upon which FE relied in Order No. 2500.²⁶

In addition to these studies, Applicants have taken steps to ensure that regional natural gas needs will be met. Applicants or their affiliates drilled a number of exploratory and developmental natural gas wells in accordance with – and in fact exceeding – the terms of the settlement they entered with the State of Alaska in connection with their currently-effective blanket authorization.

4. Regional Need

An affiliate of Marathon recently executed, and the Regulatory Commission of Alaska ("RCA") approved, two natural gas supply contracts with Cook Inlet utilities.²⁷ Together with preexisting supply arrangements, these contracts will satisfy virtually all of the utilities' projected natural gas needs through the term of the requested blanket authorization. Applicants

²⁵ Potential Gas Committee, *Potential Supply of Natural Gas in the United States* (Dec. 31, 2008).

²⁶ See Order No. 2500 at pp. 46-47.

²⁷ On May 19, 2010, the RCA approved a gas supply agreement between Chugach and Marathon Alaska Production, LLC, filed in TA316-8, and on May 24, 2010, the RCA approved a gas sales agreement between Marathon Alaska Production, LLC and ENSTAR designated as APL-8 that was filed in TA187-4.

will take their natural gas supply obligations under their various contracts into account in determining how to operate their fields, and whether, and to what extent, they will actually use the export authorization that they are now requesting to supply natural gas to markets outside Alaska.

B. Economic Benefits

FE has previously stated that domestic need is the only explicit public interest consideration identified by DOE Delegation Order No. 0204-111, but that it will consider other factors to the extent they are shown to be relevant to its public interest determination, including benefits to the Alaskan economy.²⁸ The Kenai LNG Facility plays an important role in the economy of Southcentral Alaska. The plant currently employs approximately 60 people directly and 50 people indirectly generating an estimated \$17 million in personal income. The Kenai LNG Facility's impact on the state and local economy has been estimated by CPANGC to be \$130 million per year. The plant also generates approximately \$60 million per year in royalties and taxes for the State of Alaska and the Kenai Peninsula Borough.

C. Letters and Resolutions in Support

Letters and resolutions in support of the requested export authorization have been provided by the State of Alaska and various other interested parties. Copies are being filed in Appendix C to this application. These letters and resolutions provide corroborating evidence that the requested blanket authorization to export LNG is important to the supply security of the Cook Inlet region, and will be consistent with the public interest. Both the Senate and House of the Alaska Legislature unanimously passed resolutions urging DOE to expeditiously approve a two-year extension of the export authorization held by CPANGC and Marathon to export LNG

²⁸ Order No. 2500 at pp. 55-56. *See also Yukon Pacific Corp.*, DOE Opinion and Order No. 350, 1 FE ¶ 70,259 (1989), *reh'g denied*, 1 FE ¶ 70,259 (1990) (considering the potential effects of the export on other aspects of the public interest).

from the Kenai LNG Facility. The Mayor of Anchorage's Energy Task Force and the Kenai Peninsula Economic Development District also passed resolutions in support of the requested export authorization. Letters in support of the requested blanket authorization have been signed by the DNR and Chugach.

VI. REQUEST FOR EXPEDITED ACTION

Applicants respectfully request that FE act upon this application as expeditiously as possible, preferably within 90 days. Applicants believe that expedited action is warranted under the circumstances. Applicants do not expect material, substantive opposition to the requested export authorization from key stakeholders in Southcentral Alaska. The letters and resolutions in support filed in Appendix C demonstrate widespread support for issuance of the requested blanket authorization to Applicants. In addition, Applicants are relying upon the supply and demand studies that FE has already evaluated in Order No. 2500, and which have been shown to be consistent with newer studies incorporated by reference in this application.

VII. ENVIRONMENTAL IMPACTS

Approval of this application is not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act of 1969, 42 U.S.C. § 4321 *et seq.*, and no environmental impact statement or environmental assessment is required. The proposed export of LNG would not require any changes to the Kenai LNG Facility. The LNG manufacturing and storage facilities that will be utilized during the blanket authorization already exist and have been operated safely without major disruption of supply or accident from their startup in 1969.

VIII. APPENDICES

The following appendices are attached to this application and incorporated by references herein:

Appendix A: Verifications

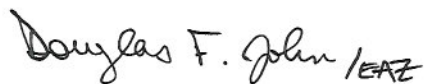
Appendix B: Opinions of Counsel

Appendix C: Letters and Resolutions in Support

IX. CONCLUSION

For the foregoing reasons, CPANGC and Marathon respectfully request that FE determine that their request for blanket authorization to export LNG from the State of Alaska to Japan and/or one more countries globally is not inconsistent with the public interest and grant such authorization as expeditiously as possible. The public interest test – which, as noted, is dependant on a showing that domestic needs will not go unmet – is satisfied. Rather than viewing the export and local markets as mutually exclusive, in this instance they should instead be seen as symbiotic. Continuation of the export activity – if Applicants elect that option – will be undertaken only to the extent contractual commitments to local markets permit, and will provide a basis for the continued availability of flowing natural gas that can be diverted from the terminal to meet local peak day needs in the winter.

Respectfully submitted,

Handwritten signature of Douglas F. John in cursive script, with the initials 'EAZ' written at the end.

Douglas F. John
Elizabeth A. Zembruski
JOHN & HENGERER
Suite 600
1730 Rhode Island Avenue, N.W.
Washington, D.C. 20036
Phone: (202) 429-8800

Counsel for ConocoPhillips Alaska Natural Gas
Corporation and Marathon Oil Company

Dated: June 8, 2010.

Appendix A

Verifications

VERIFICATION

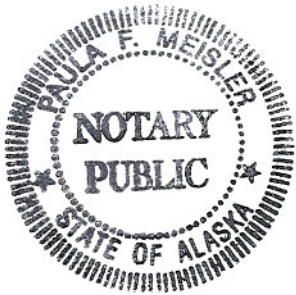
STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

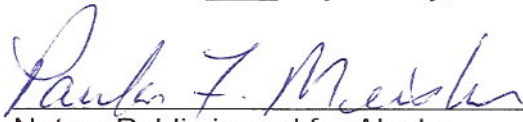
BEFORE ME, the undersigned authority, on this day personally appeared DAN CLARK, who, having been by me first duly sworn, on oath says that he is Vice President for ConocoPhillips Alaska Natural Gas Corporation and is duly authorized to make this Verification; that he has read the forgoing instrument and that the facts therein stated are true and correct to the best of his knowledge, information and belief.



DAN CLARK

SUBSCRIBED AND SWORN to before me this 26th day of May, 2010.





Notary Public in and for Alaska
My Commission Expires: 10-14-2011

Carri A. Lockhart
Production Manager
Alaska Asset Team

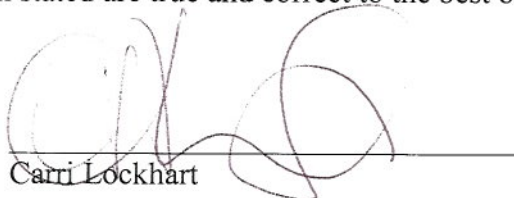


P.O. Box 196168
Anchorage, AK 99519-6168
Telephone 907/565-3040
Cellular 907/382-0752
Fax 907/565-3076
E-Mail: calockhart@marathonoil.com

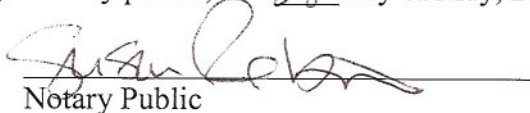
VERIFICATION

STATE OF ALASKA)
)
THIRD JUDICIAL DISTRICT) SS:

BEFORE ME, the undersigned authority, on this day personally appeared Carri Lockhart, who, having been by me first duly sworn, on oath says that she is Alaska Asset Team Manager for Marathon Oil Company and is duly authorized to make this Verification; that she has read the forgoing instrument and that the facts therein stated are true and correct to the best of her knowledge, information and belief.

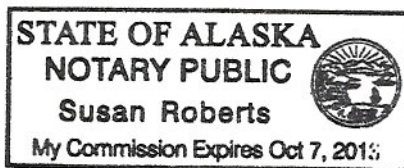

Carri Lockhart

Subscribed and sworn to before me, a notary public, this 28th day of May, 2010.


Notary Public

My Commission expires:

10/7/13



Appendix B
Opinions of Counsel



Joe Farrell
Legal

P. O. Box 100360
Anchorage, AK 99510-0360
phone 907.265.6056
fax 907.263-4438

May 26, 2010

Office of Fuels Programs, Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

**Re: Application of ConocoPhillips Alaska Natural Gas Corporation and
Marathon Oil Company for Blanket Authorization to Export Liquefied
Natural Gas**

Dear Sir or Madam:

This opinion of counsel is provided in accordance with the requirements of Section 590.202(c) of the U.S. Department of Energy's regulations, 10 C.F.R. § 590.202(c) (2010). I have examined the Certificate of Incorporation and Bylaws of ConocoPhillips Alaska Natural Gas Corporation ("CPANGC"), a Delaware corporation, the Delaware corporation law and other authorities as necessary, and have concluded that the proposed exportation of liquefied natural gas by CPANGC is within its corporate powers. Further, CPANGC is authorized to do business in Alaska and engage in foreign commerce.

Respectfully,

A handwritten signature in blue ink that reads "Joe Farrell". The signature is written in a cursive style with a large initial "J".

Joe Farrell

Attorney for ConocoPhillips Alaska Natural Gas Corporation

Molly R. Benson
Group Counsel, N. America Natural Gas



5555 San Felipe Street (77056-2799)
P.O. Box 4813 (77210-4813)
Houston, TX
Telephone: 713/296-2591
Fax: 713/499-6788
Email: mrbenson@marathonoil.com

May 27, 2010

Office of Fuels Programs, Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

**Re: Application of ConocoPhillips Alaska Natural Gas Corporation and
Marathon Oil Company for Blanket Authorization to Export
Liquefied Natural Gas**

Dear Sir or Madam:

This opinion of counsel is furnished in accordance with the requirements of 10 C.F.R. § 590.202(c) (2010) in connection with the above-referenced application.

As counsel for Marathon Oil Company ("Marathon"), I have examined Marathon's Articles of Incorporation and Code of Regulations and other relevant documents, and am of the opinion that the proposed exportation and sale of liquefied natural gas is within the corporate powers of Marathon.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Molly Benson'.

Molly Benson
Group Counsel, North America Natural Gas

MRB:mcs

Appendix C
Letters and Resolutions in Support

Index

State of Alaska, Department of Natural Resources Letter in Support
Chugach Electric Association, Inc. Letter in Support
United States Senator Don Young Letter in Support
State of Alaska, House of Representatives Resolution in Support
State of Alaska, House Speaker Mike Chenault Press Release
State of Alaska, Senate Resolution in Support
State of Alaska, Senator Lesil McGuire Press Release
City of Kenai Resolution in Support
Kenai Peninsula Borough Assembly Resolution in Support
Municipality of Anchorage, Mayor's Energy Task Force Resolution in Support
Municipality of Anchorage, Mayor's Energy Task Force Press Release
Board of Directors of the Kenai Peninsula Economic Development District
Resolution in Support
Greater Kenai Chamber of Commerce Resolution in Support

STATE OF ALASKA

**DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONER**

SEAN PARNELL, GOVERNOR

☐ 550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

March 15, 2010

Helene Harding, Acting President
ConocoPhillips Alaska, Inc.
700 G Street
P.O. Box 100360
Anchorage, AK 99510-0360

Carrie Lockhart
Production Manager, Alaska Operations
Marathon Oil Company
PO Box 196168
Anchorage, AK 99519-6168

Dear Ms. Harding and Ms. Lockhart,

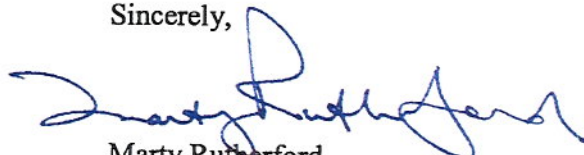
As you are well aware, Alaskans are interested to know when ConocoPhillips and Marathon will apply to the U.S. Department of Energy for a new LNG export license. The current license expires in March 2011 and we want you to know that the Department of Natural Resources stands ready to assist you in your application process. Not only have we committed under the terms of our LNG settlement agreement of 2007 to work with you, we also recognize the importance of the LNG export facility for the market and economy of the Cook Inlet and want to see the facility stay in operation.

In December, the Division of Oil and Gas produced a report of the potential supply of Cook Inlet gas. This research will provide a basis for there being a supply of gas that can be exported while also meeting the local needs of the Cook Inlet region. This work is complete and we hope that you will find it useful for your license application.

Please note that we believe this letter is a resend of a letter sent in early February. However, we cannot find our file copy and are unsure if it reached you. If you received this previously, please forgive the duplication.

I look forward to your response. If you have any questions, please feel free to call me at 907-269-8431. Thank you.

Sincerely,



Marty Rutherford
Deputy Commissioner

Cc: Erec Isaacson, VP Commercial Assets, ConocoPhillips

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans"

May 7, 2010

Mr. Dan Clark
ConocoPhillips Company
700 G. Street, ATO-920
Anchorage, AK 99501

Re: ConocoPhillips/Marathon Request for Extension of LNG Export Period

Dear Mr. Clark:

I am writing on behalf of Chugach Electric Association, Inc. (Chugach) to support the proposed two-year time extension of the Kenai LNG export authorization of the unutilized portion of the 99 TBtu's requested by Conoco Phillips Alaska (ConocoPhillips) and Marathon Alaska Production Company, Inc. (Marathon).

As you recall, Chugach challenged this export license due to our concerns with local needs being met. Since that time, Chugach has successfully negotiated new gas contracts with both ConocoPhillips and Marathon, and our gas needs have been met through 2014.

The primary reasons that Chugach supports extending the export authorization period, are:

- At this time there is not sufficient gas storage available to meet the deliverability needs of Southcentral Alaska utilities. The LNG facility currently provides storage functionality by diverting gas to domestic uses when deliverability is required. Continuing the operation of the LNG facility provides more time for local utilities to develop storage capability.
- The LNG facility provides the economic incentive and market opportunity for continued exploration and development in the Cook Inlet. It also prevents producers from shutting-in wells and risking permanent loss of production.
- Continued operation and maintenance of the LNG facility provides options for the future, such as continued exports or conversion of the plant to a re-gasification facility if LNG imports are ever required.
- The LNG facility would provide a high-volume, cost reducing delivery point if a pipeline from the North Slope delivers gas to the region.

- The LNG facility provides a significant economic benefit to the state and the region, including over 100 jobs and a payroll of approximately \$17 million per year.

In summary, Chugach believes there are many good reasons to support the continued operation of the LNG facility and is hopeful that you will receive an expeditious approval of the extension request put forth by ConocoPhillips and Marathon.

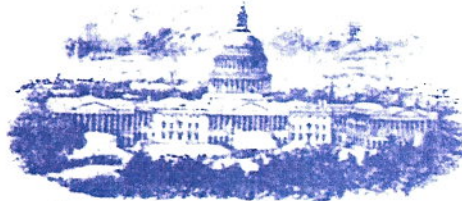
Sincerely,



Bradley W. Evans
Chief Executive Officer

CC: Carri Lockhart, Marathon

DON YOUNG
CONGRESSMAN FOR ALL ALASKA
WASHINGTON OFFICE
2111 RAYBURN BUILDING
TELEPHONE 202-225-5765



Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEE ON
RESOURCES
COMMITTEE ON
TRANSPORTATION
REPUBLICAN
POLICY COMMITTEE

March 19, 2010

The Honorable Steven Chu
Secretary, Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Chu,

Under Section 3 of the Natural Gas Act of 1938, the Department of Energy has approval authority over the import and export of natural gas, including liquefied natural gas (LNG). For more than four decades Alaska has been exporting LNG overseas. The Kenai facility in Nikiski has been exporting LNG since 1969.

The LNG export license for the Kenai plant expires in March 2011. As this date approaches, it becomes increasingly important to discuss the need to extend it. Currently, these licenses are renewed in two-year increments, but as the possibility of an in-state gas pipeline becomes a genuine option, at a minimum another extension of the current license, and more prudently a long-term extension, is necessary to entice investment and ensure there is an outlet for excess gas.

Japan depends on imports for 90 percent of its energy needs, and other Asian markets such as South Korea are increasingly depending on LNG. Fortunately, Alaska is geographically positioned to access these LNG markets, and with the construction of an in-state gas line, will continue to have the resources to meet these needs for years to come.

Sincerely,

A handwritten signature in blue ink that reads "Don Young".

DON YOUNG
Congressman for All Alaska

CS FOR HOUSE RESOLUTION NO. 17(RLS) am
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Amended: 4/15/10
Offered: 4/14/10

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST

A RESOLUTION

1 **Urging the United States Department of Energy to expeditiously approve a two-year**
2 **extension of the export license for the Kenai liquefied natural gas plant.**

3 **BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES:**

4 **WHEREAS** the Kenai liquefied natural gas plant has been operating safely and
5 efficiently for more than 40 years and is currently the only significant industrial user of
6 natural gas in Southcentral Alaska; and

7 **WHEREAS** the Kenai liquefied natural gas plant received a two-year extension of its
8 export license in March 2009, and the license will expire in March 2011; and

9 **WHEREAS** the Kenai liquefied natural gas plant is a significant economic engine for
10 the Kenai Peninsula Borough and the City of Kenai, generating approximately \$130,000,000
11 in economic benefits to the combined state and local economy each year; and

12 **WHEREAS** the approximately 60 jobs that the Kenai liquefied natural gas facility
13 supports directly and the approximately 50 jobs it supports indirectly generate approximately
14 \$17,000,000 annually in personal income; and

15 **WHEREAS** the production of gas for transportation to the Kenai liquefied natural gas
16 facility or for feedstock and the sale of Kenai liquefied natural gas together generate

1 approximately \$60,000,000 in royalties and taxes for the state and the Kenai Peninsula
2 Borough; and

3 **WHEREAS**, by serving as a virtual storage facility, the Kenai liquefied natural gas
4 plant ensures a stable supply of gas for Southcentral Alaska by backing up gas supplies for
5 local utilities during periods of peak demand on cold days or when disruptions occur in the
6 gas supply system; and

7 **WHEREAS**, while additional storage options are being investigated, encouraged, and
8 pursued, to date, no practical source of backup gas other than the Kenai liquefied natural gas
9 plant exists; and

10 **WHEREAS** the Kenai liquefied natural gas plant helps drive investment in
11 development of natural resources in the state; and

12 **WHEREAS** resources developed for the Kenai liquefied natural gas plant can and
13 will be used during the life of the Kenai liquefied natural gas plant and may continue to be
14 used to meet local demand, even if exports are discontinued in the future; and

15 **WHEREAS** maintaining natural gas demand is vital to the economics of gas
16 exploration and development in the state; and

17 **WHEREAS** the availability of liquefied natural gas at a local gas plant for distribution
18 by truck would alleviate the high price of liquefied petroleum energy for many cities and
19 villages on the Kenai Peninsula; and

20 **WHEREAS** maintaining the infrastructure of the Kenai liquefied natural gas plant
21 will preserve the option to use the plant in the future to help meet the natural gas demands of
22 Southcentral Alaska; and

23 **WHEREAS** the supply of deliverable gas exceeds local market demand, and, if this
24 excess gas is not exported, it may become shut-in, causing reserves to diminish and further
25 jeopardizing the ability of liquefied natural gas producers to meet peak winter demands; and

26 **WHEREAS** the owners of the Kenai liquefied natural gas plant have demonstrated
27 their commitment to meeting local needs by voluntarily diverting gas from contractual export
28 obligation when necessary to meet peak consumer demands in Southcentral Alaska; and

29 **WHEREAS** the Department of Natural Resources, on March 15, 2010, declared its
30 commitment, under the terms of a 2005 settlement agreement, accepted by the Regulatory
31 Commission of Alaska in order P-04-20(16)/U-05-20(13), on January 26, 2007, to work with

1 the Kenai liquefied natural gas plant owners, stating that the department recognizes the
2 importance of the Kenai liquefied natural gas export facility to the market and economy of the
3 Cook Inlet region and expressing the department's desire that the facility stay in operation;

4 **BE IT RESOLVED** that the House of Representatives supports a two-year extension
5 of the Kenai liquefied natural gas export license; and be it

6 **FURTHER RESOLVED** that the House of Representatives urges the United States
7 Department of Energy to expeditiously approve a two-year extension of the Kenai liquefied
8 natural gas export license.

9 **COPIES** of this resolution shall be sent to the Honorable Steven Chu, United States
10 Secretary of Energy; and the Honorable Lisa Murkowski and the Honorable Mark Begich,
11 U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska
12 delegation in Congress.



THE HOUSE MAJORITY

HOUSE SPEAKER MIKE CHENAULT

R-NIKISKI, 34



FOR IMMEDIATE RELEASE

PRESS RELEASE

HOUSE SUPPORTS EXPEDIENT 2-YEAR KENAI LNG EXTENSION *Chenault's HR 17 urges DOE to approve export license through 2013*

Thursday, April 15, 2010, Juneau, Alaska – The Alaska State House today unanimously approved a resolution urging the U.S. Department of Energy to expedite approval of the Kenai LNG Plant's export license through 2013. The House Rules Committee sponsored the resolution, HR 17, at the request of House Speaker Mike Chenault, R-Nikiski.

"Maintaining steady natural gas demand is the key to viable economics for development and production, and without the Kenai LNG facility as an industrial anchor we lose; all of the Railbelt loses," Speaker Chenault said. "The plant helps drive investment in resource development, provides more than 60 high-paying and family-sustaining jobs, and has returned more than \$130,000,000 to the City of Kenai and the Borough. One month ago today, the State committed to work with the plant owners to renew the export license because they recognized its importance. The plant keeps a stable supply of gas flowing through Southcentral, in peak months by back-stopping consumer demands, making sure we avoid brownouts and disruptions. The two-year renewal will hopefully act as a bridge until gas storage facilities can come on-line."

Copies of HR 17 will be sent to U.S. Energy Secretary Steven Chu and the members of the state's congressional delegation.

#

To contact Speaker Chenault, please call 907-465-3779.

SENATE RESOLUTION NO. 12 am

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE

Amended: 4/14/10
Introduced: 4/12/10

A RESOLUTION

1 **Urging the United States Department of Energy to expeditiously approve a two-year**
2 **extension of the export license for the Kenai liquefied natural gas plant.**

3 **BE IT RESOLVED BY THE SENATE:**

4 **WHEREAS** the Kenai liquefied natural gas plant has been operating safely and
5 efficiently for more than 40 years and is currently the only significant industrial user of
6 natural gas in Southcentral Alaska; and

7 **WHEREAS** the Kenai liquefied natural gas plant received a two-year extension of its
8 export license in March 2009 and the license will expire in March 2011; and

9 **WHEREAS** the Kenai liquefied natural gas plant is a significant economic engine for
10 the Kenai Peninsula Borough and the City of Kenai, generating approximately \$130,000,000
11 in economic benefits to the combined state and local economy each year; and

12 **WHEREAS** the approximately 60 jobs that the Kenai liquefied natural gas facility
13 supports directly and the approximately 50 jobs it supports indirectly generate approximately
14 \$17,000,000 annually in personal income; and

15 **WHEREAS** the production of gas for transportation to the Kenai liquefied natural gas
16 facility or for feedstock and the sale of Kenai liquefied natural gas together generate

1 approximately \$60,000,000 in royalties and taxes for the state and the Kenai Peninsula
2 Borough; and

3 **WHEREAS**, by serving as a virtual storage facility, the Kenai liquefied natural gas
4 plant ensures a stable supply of gas for Southcentral Alaska by backing up gas supplies for
5 local utilities during periods of peak demand on cold days or when disruptions occur in the
6 gas supply system; and

7 **WHEREAS**, while additional storage options are being investigated, encouraged, and
8 pursued, to date, no practical source of backup gas other than the Kenai liquefied natural gas
9 plant exists; and

10 **WHEREAS** the Kenai liquefied natural gas plant helps drive investment in
11 development of natural resources in the state; and

12 **WHEREAS** resources developed for the Kenai liquefied natural gas plant can and
13 will be used during the life of the Kenai liquefied natural gas plant and may continue to be
14 used to meet local demand, even if exports are discontinued in the future; and

15 **WHEREAS** maintaining natural gas demand is vital to the economics of gas
16 exploration and development in the state; and

17 **WHEREAS** maintaining the infrastructure of the Kenai liquefied natural gas plant
18 will preserve the option to use the plant in the future to help meet the natural gas demands of
19 Southcentral Alaska; and

20 **WHEREAS** the supply of deliverable gas exceeds local market demand and if this
21 excess gas is not exported it may become shut-in, causing reserves to diminish and further
22 jeopardizing the ability of liquefied natural gas producers to meet peak winter demands; and

23 **WHEREAS** the Department of Natural Resources, on March 15, 2010, declared its
24 commitment, under the terms of a 2005 settlement agreement, accepted by the Regulatory
25 Commission of Alaska in order P-04-20(16)/U-05-20(13), on January 26, 2007, to work with
26 the Kenai liquefied natural gas plant owners, stating that the department recognizes the
27 importance of the Kenai liquefied natural gas export facility to the market and economy of the
28 Cook Inlet region and expressing the department's desire that the facility stay in operation;

29 **BE IT RESOLVED** that the Senate supports a two-year extension of the Kenai
30 liquefied natural gas export license; and be it

31 **FURTHER RESOLVED** that the Senate urges the United States Department of

1 Energy to expeditiously approve a two-year extension of the Kenai liquefied natural gas
2 export license.

3 **COPIES** of this resolution shall be sent to the Honorable Steven Chu, United States
4 Secretary of Energy; and the Honorable Lisa Murkowski and the Honorable Mark Begich,
5 U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska
6 delegation in Congress.

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249



Chair
Senate Special Committee on Energy
Senate Committee on World Trade,
Technology and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee

SENATOR LESIL MCGUIRE

Press Release

For Immediate Release

Senator McGuire Pleased about ConocoPhillips' Announcement to Pursue LNG Export Licenses

Thursday, April 8, 2010, Juneau, Alaska – Senator Lesil McGuire, R-Anchorage, commends the announcement made by representatives from ConocoPhillips today about their efforts to pursue export licenses for Liquefied Natural Gas during the hearing held by the Senate Resources Committee, which she co-chairs.

“Today’s announcement is significant because the ability to export gas from Cook Inlet will be critical in ensuring deliverability of natural gas to Alaskans,” said Senator McGuire.

With talks of an in-state gas pipeline, U.S. Representative Don Young sent a letter to the Secretary of Department of Energy, Steven Chu, stating the importance of a LNG export license for the Kenai terminal. Alaska is the only state in the North American region with an LNG export plant and application for LNG export licenses must be made every two years.

“The Senate Resources Committee has been hearing from a variety of sources that demand for natural gas will soon outgrow supply and therefore the continuation of the facility in the Kenai is imperative,” explained Senator McGuire. “Although it seems counterintuitive that export licenses will help secure domestic gas supply, ConocoPhillips explained that the primary reason for exporting is to keep production at a high level during the drop-off in summer demand.”

Prior to this announcement, state and local officials were concerned that if ConocoPhillips and Marathon did not apply for export licenses, it would lead to the LNG plant’s closure. In early March, the Senate Resources Committee heard proposals by a consortium of three electric companies interested in the LNG facility in order to ensure continued production in existing gas fields.

Senator Lesil McGuire is also chair of Senate Energy Committee and co-chair of the Joint In-State Gas Caucus.

###

(For more information, contact Senator McGuire or Michael Pawlowski at 907-465-2995.)



"Village with a Past, City with a Future"

210 Fidalgo Avenue, Kenai, Alaska 99611-7794
Telephone: (907) 283-7535 / Fax: (907) 283-3014
www.ci.kenai.ak.us

May 20, 2010

Dan Clark, Manager of Cook Inlet
ConocoPhillips Alaska
700 G Street
Anchorage, AK 99510

RE: **CITY OF KENAI RESOLUTION NO. 2010-26**

Enclosed please find a copy of City of Kenai Resolution No. 2010-26, urging the U.S. Department of Energy to approve the two-year extension to the Kenai Liquid Natural Gas (LNG) Export License.

Recognizing the Kenai LNG Plant is a significant economic engine for the Kenai Peninsula Borough and the cities of the Kenai Peninsula, the Kenai City Council considered and unanimously passed Resolution No. 2010-26 at its May 19, 2010 meeting.

We appreciate having the opportunity to submit our resolution of support. If you have any questions or require additional information, please contact us.

CITY OF KENAI

Pat Porter
Mayor

clf
Enclosure



Suggested by: City Council

CITY OF KENAI

RESOLUTION NO. 2010-26

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, ALASKA, URGING THE UNITED STATES DEPARTMENT OF ENERGY TO EXPEDITIOUSLY APPROVE A TWO-YEAR EXTENSION OF THE KENAI LIQUID NATURAL GAS (LNG) EXPORT LICENSE.

WHEREAS, the Kenai LNG Plant has been operating safely and efficiently for more than 40 years and is currently the only significant industrial user of natural gas in southcentral Alaska; and,

WHEREAS, the Kenai LNG Plant received a two-year extension of its export license in March 2009, which will expire in March 2011; and,

WHEREAS, there is ample room under the current export license volume limit of 99 trillion BTUs such that no additional authorization for volumes is needed, only additional time; and,

WHEREAS, the Kenai LNG Plant is a significant economic engine for the Kenai Peninsula Borough and the cities of the Kenai Peninsula, and it generates approximately \$130 million in economic benefits to the state and local economies each year; and,

WHEREAS, the LNG facility supports about 60 direct jobs and is estimated to support 50 indirect jobs, all of which account for an estimated \$17 million in personal income; and,

WHEREAS, the production of gas for feedstock to the LNG facility and the sale of LNG generate about \$60 million in royalties and taxes for the State of Alaska and the Kenai Peninsula Borough; and,

WHEREAS, the LNG plant provides gas supply stability for Southcentral Alaska by backing up gas supplies, thereby serving as a virtual storage facility for local utilities during periods of peak demand on cold days or when disruptions occur in the gas supply system; and,

WHEREAS, currently, there is no real alternative to the back-up gas supply provided by the LNG plant although additional storage options are being investigated, encouraged, and pursued, but to date these remain potential options for the future; and,

WHEREAS, the LNG plant helps drive investment in resource development in Alaska; resources developed for the LNG plant can and will be used during the life of the LNG plant and may continue even if exports are discontinued in the future to meet local demand; and, maintaining natural gas demand is vital to the economics of gas exploration and development throughout Alaska; and,

WHEREAS, preservation of the LNG plant infrastructure maintains options for use of the plant in the future to help meet natural gas demands of Southcentral Alaska; and,

WHEREAS, there is an excess of gas deliverability beyond local needs, which if not exported, may be shut in likely resulting in lost reserves and lost deliverability further jeopardizing the ability to meet peak winter demands; and,

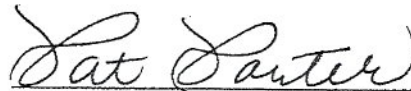
WHEREAS, the Alaska Department of Natural Resources, on March 15, 2010, declared it has committed, under the terms of the LNG settlement agreement of 2007, to work with the Kenai LNG Plant owners and stated it recognizes the importance of the LNG export facility for the market and economy of the Cook Inlet and wants to see the facility stay in operation.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA:

SECTION 1. The Kenai City Council supports a two-year extension of the Kenai LNG export license.

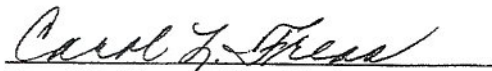
SECTION 2. The Kenai City Council urges the United States Department of Energy to expeditiously approve a two-year extension of the Kenai LNG export license.

PASSED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this 19th day of May, 2010.



PAT PORTER, MAYOR

ATTEST:



Carol L. Freas, City Clerk



KENAI PENINSULA BOROUGH

144 North Binkley Street • Soldotna, Alaska 99669-7520

Toll-free within the Borough: 1-800-478-4441

PHONE: (907) 262-4441 • **FAX:** (907) 262-1892

www.borough.kenai.ak.us

**DAVID R. CAREY
BOROUGH MAYOR**

May 6, 2010

Peter Micciche, Superintendent
ConocoPhillips
P.O. Box 66
Kenai, AK 99611

Dear Mr. Micciche:

I am pleased to report that the Kenai Peninsula Borough Assembly approved Resolution 2010-034, "A Resolution urging the United States Department of Energy to expeditiously approve a two-year extension of the Kenai Liquid Natural Gas (LNG) Export License."

In addition to the revenues generated by the plant, the employment opportunities afforded to our residents and the generous contributions made by ConocoPhillips are just a few of the reasons why the Kenai Peninsula Borough is proud to consider the Nikiski facility a partner, friend and neighbor.

On behalf of the entire Kenai Peninsula Borough, thank you for your many contributions that improve our quality of life.

If I may be of further assistance on this matter, or any other Kenai Peninsula Borough issue, please don't hesitate to contact me directly.

Sincerely,

David R. Carey
David R. Carey
Mayor

Enclosure

Introduced by: Pierce, Sprague, Superman, Mayor
Date: 05/04/10
Action: Adopted
Vote: 9 Yes, 0 No, 0 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2010-034**

**A RESOLUTION URGING THE UNITED STATES DEPARTMENT OF ENERGY
TO EXPEDITIOUSLY APPROVE A TWO-YEAR EXTENSION OF THE
KENAI LIQUID NATURAL GAS (LNG) EXPORT LICENSE**

- WHEREAS,** the Kenai LNG Plant has been operating safely and efficiently for more than 40 years and is currently the only significant industrial user of natural gas in south-central Alaska; and
- WHEREAS,** the Kenai LNG Plant received a two-year extension of its export license in March 2009, which will expire in March 2011; and
- WHEREAS,** there is ample room under the current export license volume limit of 99 trillion BTUs such that no additional authorization for volumes is needed, only additional time; and
- WHEREAS,** the Kenai LNG Plant is a significant economic engine for the Kenai Peninsula Borough and the cities of the Kenai Peninsula, and it generates approximately \$130 million in economic benefits to the state and local economies each year; and
- WHEREAS,** the LNG facility supports about 60 direct jobs and is estimated to support an additional 50 indirect jobs, all of which account for an estimated \$17 million in personal income; and
- WHEREAS,** the production of gas for feedstock to the LNG facility and the sale of LNG generate about \$60 million in royalties and taxes for the State of Alaska and the Kenai Peninsula Borough; and
- WHEREAS,** the LNG plant provides gas supply stability for Southcentral Alaska by backing up gas supplies, thereby serving as a virtual storage facility for local utilities during periods of peak demand on cold days or when disruptions occur in the gas supply system; and
- WHEREAS,** currently, there is no real alternative to the back-up gas supply provided by the LNG plant. Additional storage options are being investigated, encouraged, and pursued, but to date these remain potential options for the future; and

WHEREAS, the LNG plant helps drive investment in resource development in Alaska. Resources developed for the LNG plant can and will be used during the life of the LNG plant, and may continue even if exports are discontinued in the future to meet local demand. Maintaining natural gas demand is vital to the economics of gas exploration and development throughout Alaska; and

WHEREAS, preservation of the LNG plant infrastructure maintains options for use of the plant into the future to help meet natural gas demands of Southcentral Alaska; and

WHEREAS, there is an excess of gas deliverability beyond local needs, which if not exported, may be shut in likely resulting in lost reserves and lost deliverability further jeopardizing the ability to meet peak winter demands; and

WHEREAS, the Alaska Department of Natural Resources, on March 15, 2010, declared that it has committed under the terms of the LNG settlement agreement of 2007 to work with the Kenai LNG Plant owners and stated that it recognizes the importance of the LNG export facility for the market and economy of the Cook Inlet and wants to see the facility stay in operation;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:


SECTION 1. That the Kenai Peninsula Borough Assembly supports a two-year extension of the Kenai LNG export license.

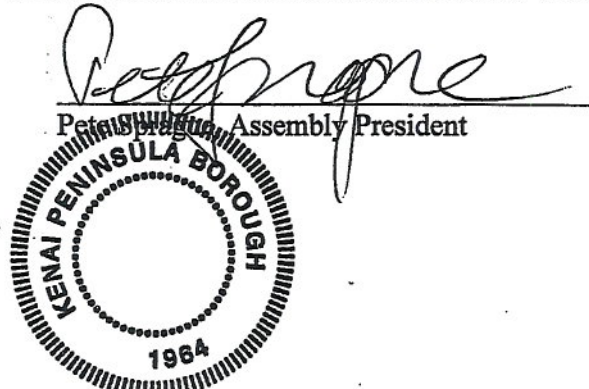
SECTION 2. That the Kenai Peninsula Borough urges the United States Department of Energy to expeditiously approve a two-year extension of the Kenai LNG export license.

SECTION 3. That this resolution shall take effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 4TH DAY OF MAY, 2010.

ATTEST:


John Blankenship, Borough Clerk



Yes: Fischer, Haggerty, Knopp, McClure, Pierce, Smalley, Smith, Superman, Sprague
No: None
Absent: None

Municipality of Anchorage
Mayor's Energy Task Force
Resolution 2010-01

WHEREAS, Anchorage Mayor Dan Sullivan has appointed a task force of energy experts to advise him with respect to gas supply and deliverability challenges; and

WHEREAS, the Mayor and the Energy Task Force (Task Force) have been briefed by representatives of the State of Alaska as well as by Cook Inlet producers and gas and electric utilities serving the Municipality and the majority of Southcentral Alaska consumers; and

WHEREAS, Southcentral Alaska utilities and producers face increasingly difficult challenges to meet heat, light and power deliverability requirements during peak cold weather months; and

WHEREAS, there is agreement among all parties that these challenges will escalate in the next one to five years; and

WHEREAS, if the immediate challenges of meeting deliverability requirements during peak cold spells are not successfully addressed there is the real possibility of rolling blackouts or even more catastrophic results as soon 2011, 2012 and 2013; and

WHEREAS, the Legislature, utilities, producers and private parties are all working toward solutions; and

WHEREAS, the Task Force concludes that storage of all types is essential to meeting the challenge of gas deliverability and reliability for heating and electric generation for Southcentral residents; and

WHEREAS, the Task Force concludes that investment in drilling and development for new gas in Cook Inlet is essential both in the near term and the longer term; and

WHEREAS, the Task Force concludes that a critical component of both deliverability of gas and new gas development is the timely and efficient action on upcoming gas contracts by the RCA; and

WHEREAS, the Task Force recognizes the critical role of the LNG facility in providing storage in Cook Inlet; and

WHEREAS, the Task Force recognizes the critical role of conservation in meeting the energy needs of Southcentral Alaska; and

WHEREAS, right now incentives for storage and for increased drilling in Cook Inlet are before the Alaska Legislature; policies affecting the kinds of storage that would be

Municipality of Anchorage
Mayor's Energy Task Force
Resolution 2010-01

approved by the Division of Oil & Gas and Department of Natural Resources are being developed; discussions about the future role of the LNG plant are underway by private owners and parties; critical new gas contracts are being negotiated between utilities and producers for 2011 and beyond and either are, or will be requiring approval by the RCA; and

NOW THEREFORE BE IT RESOLVED that the Municipality of Anchorage encourages and supports legislation and proposals that promote both proprietary and third party natural gas storage to ensure deliverability and reliability; and

BE IT FURTHER RESOLVED that the Municipality of Anchorage encourages the Department of Natural Resources (DNR) to develop leasing policies for storage that are focused on ensuring reliability and support both proprietary and third party natural gas storage; and

BE IT FURTHER RESOLVED that the Municipality of Anchorage encourages and supports legislation that provides for incentives that promotes increased development and drilling in Cook Inlet; and

BE IT FURTHER RESOLVED that the Municipality of Anchorage encourages and supports legislation that streamlines or otherwise addresses statutory uncertainties that delay RCA decisions on gas contracts; and

BE IT FURTHER RESOLVED that the Municipality of Anchorage supports extension of the LNG export license, if proposed, and any other actions that would allow continued use of the facility as a support for deliverability of natural gas to Southcentral; and

BE IT FURTHER RESOLVED that the Municipality of Anchorage continue to strongly support and invest in conservation education and work with the public, utilities, producers, and all affected parties to ensure an effective and efficient conservation program.

Passed this 26th day of March 2010 by Energy Task Force Members Judy Brady, Chair; Gary Carlson; Dan Coffey; Dave Harbour; Tony Izzo; Arden Page; Mary Ann Pease; Bill Popp; Steve Pratt; Bob Stinson.

**Municipality
of Anchorage**



**P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-7100
Fax: (907) 343-7180**

Dan Sullivan, Mayor

FOR IMMEDIATE RELEASE

March 29, 2010

Contact: Sarah Erkmann, 343-7103

Mayor's Energy Task Force Offers Recommendations to Energy Issues
Crisis Continues to Loom

ANCHORAGE- The Mayor's Energy Task Force Chair Judy Brady today released a resolution that articulates concerns and poses recommendations for the energy challenges facing the Cook Inlet.

Upon being elected, Anchorage Mayor Dan Sullivan assembled a group of leading experts to articulate impending community energy issues. The first work product of the committee was their contribution to the Transition Report, published in July 2009.

Mayor Sullivan said he was impressed with the work of the committee and he recognized the need to bring greater attention to the impending crisis and to work toward solutions. He retained the group and formalized their title as the Mayor's Energy Task Force. It meets twice each month to receive briefings on timely topics and to make recommendations to the Mayor.

Today's resolution acknowledges the critical natural gas deliverability issues faced by Southcentral consumers that if unaddressed could result in rolling blackouts as soon as 2011. The task force recommends that the Municipality of Anchorage support legislation and proposals that promote natural gas storage in the Cook Inlet, it supports incentives that will increase development and drilling in Cook Inlet, it addresses streamlining the heavy bureaucratic processes that has historically plagued investors, it supports the extension of the Kenai LNG export facility, and it encourages additional conservation measures.

"The idea that the lights could go out and our homes are left unheated while this was a clearly identified problem is unconscionable. I thank the task force for their acknowledgement of the issues we face in Anchorage and along the entire Railbelt region, and for their recommendations. I am pleased with the progress in the legislature, and I look forward to expedited support of the bills that positively impact Cook Inlet storage, exploration and development."

Said resolution is attached to this document in a PDF format.

#

Resolution 2010-9

Urging the United States Department of Energy to expeditiously approve a 2-year extension of the Kenai LNG export license.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT:

WHEREAS the Kenai LNG Plant has been operating safely and efficiently for more than 40 years and is currently the only significant industrial user of natural gas in south-central Alaska; and

WHEREAS the Kenai LNG Plant received a 2-year extension to the Kenai LNG Plant export license in March 2009, which will expire in March 2011; and

WHEREAS there is ample room under the current export license volume limit of 99 trillion BTUs such that no additional authorization for volumes is needed, only additional time; and

WHEREAS the Kenai LNG Plant is a significant economic engine for the Kenai Peninsula Borough and the cities of the Kenai Peninsula. The LNG plant generates approximately \$130 million in economic benefits to the state and local economies each year; and

WHEREAS the LNG facility supports about 60 direct jobs and is estimated to support an additional 50 indirect jobs. The direct and indirect jobs account for an estimated \$17 million in personal income; and

WHEREAS the production of gas for feedstock to the LNG facility and the sale of LNG generate about \$60 million in royalties and taxes for the State of Alaska and the Kenai Peninsula Borough; and

WHEREAS the LNG plant provides gas supply stability for Southcentral Alaska by backing up gas supplies – serving as a virtual storage facility – for local utilities during periods of peak demand on cold days or when disruptions occur in the gas supply system; and

WHEREAS currently, there is no real alternative to the back up gas supply provided by the LNG plant. Additional storage options are being investigated, encouraged, and pursued, but to date these remain potential options for the future; and

WHEREAS the LNG plant helps drive investment in resource development in Alaska. Resources developed for the LNG plant can and will be used during the life of the LNG plant, and may continue even if exports are discontinued in the future to meet local demand. Maintaining natural gas demand is vital to the economics of gas exploration and development throughout Alaska; and

WHEREAS preservation of the LNG plant infrastructure maintains options to use the plant into the future to help meet natural gas demands of south-central Alaska in time; and

WHEREAS there is an excess of gas deliverability beyond local needs. If this excess gas were not to be exported, it may be shut-in which would likely result in lost reserves and lost deliverability which would further jeopardize the ability to meet peak winter demands; and

WHEREAS the Alaska Department of Natural Resources, on March 15, 2010, declared that they have committed under the terms of the LNG settlement agreement of 2007 to work with the Kenai LNG Plant owners; and stated that they recognize the importance of the LNG export facility for the market and economy of the Cook Inlet and want to see the facility stay in operation;

BE IT RESOLVED that the BOARD OF DIRECTORS OF THE KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT supports a 2-year extension of the Kenai LNG export license; and

BE IT FURTHER RESOLVED that the BOARD OF DIRECTORS OF THE KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT urges the United States Department of Energy to expeditiously approve a 2-year extension of the Kenai LNG export license.



**Greater Kenai Chamber of Commerce
Resolution 2010-02**

**In Support of the United States Department of Energy to Expediently Approve a 2-Year
Extension of the Kenai LNG Export License**

WHEREAS the Kenai LNG Plant has been operating safely and efficiently for more than 40 years and is currently the only significant industrial user of natural gas in south-central Alaska; and

WHEREAS the Kenai LNG Plant received a 2-year extension to the Kenai LNG Plant export license in March 2009, which will expire in March 2011; and

WHEREAS the Kenai LNG Plant is a significant economic engine for the Kenai Peninsula Borough and the City of Kenai. The LNG plant generates approximately \$130 million in economic benefits to the state and local economies each year; and

WHEREAS the LNG facility supports about 60 direct jobs and is estimated to support an additional 50 indirect jobs. The direct and indirect jobs account for an estimated \$17 million in personal income; and

WHEREAS the production of gas for feedstock to the LNG facility and the sale of LNG generate about \$60 million in royalties and taxes for the State of Alaska and the Kenai Peninsula Borough; and

WHEREAS the LNG plant provides gas supply stability for Southcentral Alaska by backing up gas supplies – serving as a virtual storage facility – for local utilities during periods of peak demand on cold days or when disruptions occur in the gas supply system; and

WHEREAS currently, there is no real alternative to the back up gas supply provided by the LNG plant. Additional storage options are being investigated, encouraged, and pursued, but to date these remain potential options for the future; and

WHEREAS the LNG plant helps drive investment in resource development in Alaska. Resources developed for the LNG plant can and will be used during the life of the LNG plant, and may continue even if exports are discontinued in the future to meet local demand. Maintaining natural gas demand is vital to the economics of gas exploration and development throughout Alaska; and

WHEREAS preservation of the LNG plant infrastructure maintains options to use the plant into the future to help meet natural gas demands of south-central Alaska in time; and

WHEREAS there is an excess of gas deliverability beyond local needs. If this excess gas were not to be exported, it may be shut-in which would likely result in lost reserves and lost deliverability which would further jeopardize the ability to meet peak winter demands; and

WHEREAS the Alaska Department of Natural Resources, on March 15, 2010, declared that they have committed under the terms of the LNG settlement agreement of 2007 to work with the Kenai LNG Plant owners; and stated that they recognize the importance of the LNG export facility for the market and economy of the Cook Inlet and want to see the facility stay in operation;

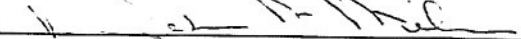


**Greater Kenai Chamber of Commerce
Resolution 2010-02**

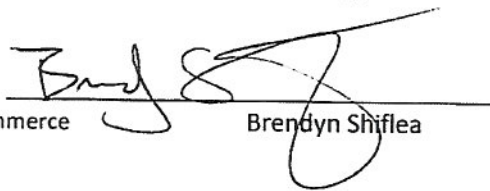
**In Support of the United States Department of Energy to Expediently Approve a 2-Year
Extension of the Kenai LNG Export License**

BE IT RESOLVED that the Greater Kenai Chamber of Commerce supports a 2-year extension of the Kenai LNG export license; and

BE IT FURTHER RESOLVED that the Greater Kenai Chamber of Commerce urges the United States Department of Energy to expediently approve a 2-year extension of the Kenai LNG export license.

Board President: 
Kenai Chamber of Commerce Deb Milam

Date: May 18, 2010

Secretary Treasurer: 
Kenai Chamber of Commerce Brendyn Shiflea

Date: May 18, 2010