The more things change...
In today's fast-paced world, change is inevitable. Our new alliance with Wells Fargo is a change for the better. We'll be able to offer you more diversified financial products, while providing the same personalized service and local convenience you've come to expect. The more they stay the same.
Our branch managers and personal bankers take the time to understand your financial situation and offer solutions to suit your banking needs. Excellent customer service and local experience will continue to be our trademarks. The Same Great People. The Same Great Place. Our commitment to Alaska doesn't change.

Phillips looks to Arctic

ARCO deal contingent on FTC approval of BP combination

With the signing of an agreement to purchase ARCO's Alaska assets, Phillips Petroleum Company has pledged to grow oil production in Alaska by aggressively pursuing exploration and development opportunities in the 49th state. However, the Phillips deal is subject to completion of BP's acquisition of ARCO's holdings in the Lower 48 and abroad.
Speaking before a jammed-packed RDC breakfast forum in Anchorage last month, Phillips Chairman and Chief Executive Officer Jim Mulva said his company will join BP Amoco in supporting the Alaska Charter commitments worked out last year with the Knowles administration.
"The acquisition of ARCO's Alaskan assets represents a significant step in our strategy of growing our exploration and production business," said Mulva.
"Our goal is to combine Phillips' and ARCO's plans to grow production by aggressively pursuing exploration and development opportunities in the same environmentally-responsible manner that has characterized our Alaskan operations for the last 50 years."
- Jim Mulva

"We look forward to working with BP Amoco, our other partners and the State of Alaska to responsibly and efficiently develop Alaska's natural resources."
Mulva noted that the North Slope is a rich petroleum region with significant exploration and development potential.
"Our goal is to combine Phillips' and ARCO's plans to grow production by aggressively pursuing exploration and development opportunities in the same environmentally-responsible manner that has characterized our operations in the Lower 48 and abroad."

(Continued to page 4)
A multi-billion dollar project to convert stranded North Slope natural gas to clear, high quality liquids for shipment down the existing Alaska oil pipeline to Lower 48 and foreign markets. Schilhab noted that markets for GTL products already exist and there is no need for long-term contracts. The ExxonMobil gas manager emphasized that a GTL project at Prudhoe Bay would not preclude construction of other gas conversion facilities. Schilhab explained that his company’s project would consume approximately 10 trillion cubic feet of natural gas over a 30-year life span while an LNG project would need 20 trillion cubic feet of gas. The North Slope holds 31.2 trillion cubic feet of natural gas and according to a study by the National Petroleum Council there could be an additional 76.1 trillion cubic feet of potential undiscovered reserves. Major construction activity would be required for the project. A significant number of very large modules would be constructed off-site and transported to Prudhoe Bay. The project would probably represent the most significant construction activity in Alaska since the original development at Prudhoe Bay. The GTL project would provide significant benefits to Alaska, including higher state revenues, jobs, extended use of the pipeline and potentially in-state use of GTL products. Initially the project would generate about 1,300 direct jobs during peak construction and an additional 1,900 indirect support jobs. Some 250 direct permanent jobs would be created once the plant is operating. The project would produce ultra-clean, low odor, biodegradable clean-burning products. GTL diesel is cleaner in engine tests with a 10 to 50 percent reduction in the emissions of hydrocarbons, carbon monoxide, nitrous oxide and particulate matter when compared to conventional diesel.

**Chugach Alaska granted access to traditional lands**

After extensive work with the federal government, and despite opposition by national environmental organizations, Chugach Alaska Corporation (CAC) has been granted an easement to an important 73,000-acre tract of land east of Cordova.

Chugach leaders said they were pleased to finally secure access rights, particularly since such access had originally been promised in a 1982 agreement between the U.S. government and CAC. The federal government has finally upheld its commitment to the Chugach People," said Sheri Buretta, chair of CAC. The company also looks forward to moving ahead on other outstanding issues with the Forest Service and other federal agencies, including timely permitting issues for the project in the current depressed global markets for forest products in evaluating the best time to commence construction of the road allowed by the easement.

**Murkowski introduces ANWR bill**

Senator Frank Murkowski has introduced legislation in Congress to open the 1.5 million acre Coastal Plan of ANWR to oil development. Speaking before RDC last month, Murkowski said he has more than 30 sponsors for the legislation, but predicted a very tough battle. He noted a poll by his staff has revealed that 50 senators support drilling in the refuge to reduce America’s reliance on foreign oil while another 50 senators either oppose the bill or are undecided.

Murkowski confirmed the Clinton administration’s energy policy, noting that "the last attempt to get an ANWR drilling bill through Congress sparked a national debate and showdown with the White House five years ago. Congress ultimately passed the bill, but President Clinton vetoed it. Had the President not vetoed ANWR approval, we could still be seeing oil from the area now," Murkowski said. "If we don’t develop more domestic oil, our energy and national security is threatened."
America needs more domestic oil production

Currently, there are problems sweeping America for consumers of heating oil, gasoline and diesel. Prices have risen sharply because of increased demand and restricted supply (OPEC). Diesel fuel costs in some areas have climbed to an average of $2.10 per gallon from about $1 a year ago.

This has homeowners, truckers, and others calling for government help. Frantic calls have been made for immediate release of oil from the Strategic Petroleum Reserve (SPR), increased emergency funding for the Low-Income Home Energy Assistance Program and a plea that Saudi Arabia deliver more oil to America. All are possible near-term solutions but this is a long-term crisis.

The fundamental problem is the country’s inability to reduce oil imports. Despite three recessions since 1973 triggered by rising imported oil prices, oil imports have increased, driven by consumer demand and reduced domestic production. Oil imports now exceed 54% and continue to grow.

Today, we import 10.5 million barrels a day, including 1.4 million barrels a day from Saudi Arabia.

The current Federal government solution to this crisis is to encourage other foreign countries to produce more oil so the United States can import more oil. The strategy supports oil development projects in the Caspian Sea and Russian Arctic regions. These policies lead to an export of American jobs and increased imports of foreign oil.

A far better approach to reduce our vulnerability to OPEC oil pricing should begin by addressing the problems of domestic oil and gas exploration and production. Our government should reconsider rules that prevent us from exploring for oil in the most promising locations in this country. These restrictions stop the development of domestic supplies that would exert downward pressure on crude prices, reduce reliance on foreign crude, cut the trade deficit and create new jobs in the U.S. That could also impact what consumers pay for heating oil and gasoline.

A good place to start is in Alaska, North Slope production has been supplying this nation with 20% of its domestic oil for the last 20 years. And there is more where that came from.

Industry and government experts recognize the Coastal Plain of the Arctic National Wildlife Refuge (ANWR) as the single most promising unexplored region in the U.S. for a major oil and gas discovery. In 1998, the U.S. Geologic Survey estimated that the Coastal Plain of ANWR, an area set aside by Congress for evaluation of its oil and gas potential, could have up to 16 billion barrels of recoverable oil. That is equivalent to 30 years of Saudi oil imports!

Unlike oil produced in other countries, oil in Alaska is produced under the strictest environmental standards in the world; great care is taken to minimize the impacts to tundra and wildlife. Utilizing modern technology and new drilling methods, the pads, roads and pipelines associated with domestic oil production would directly affect less than one half of one percent of ANWR’s Coastal Plain.

If oil development is allowed in ANWR and mean reserve estimates are found in both the refuge and NPR-A, and if 50% of the heavy oil in place is recovered from existing fields, the Alaska pipeline could be running at rates of 2.2 million barrels per day for two decades. The pipeline would still be running above 1 million barrels per day through mid-century. At left is ANWR’s Coastal Plain.

Other benefits would also be derived by ANWR development. As a result of development, between 250,000 and 736,000 jobs are estimated to be created. These are good paying jobs spread throughout the nation in the production, manufacturing and service sectors. Also, federal revenues would be enhanced by tens of billions of dollars from bonus bids, lease rentals, royalties and taxes. This is in contrast with current expenditures of even greater amounts for oil import.

In 1995, Congress supported legislation allowing environmentally sound exploration on the Coastal Plain of ANWR. But the President vetoed the bill. The cold hard fact is that during the tenure of this Administration, U.S. demand for oil has increased 14%, and our domestic production has decreased 17%. And worse yet, this Administration might create a monument out of the Coastal Plain of ANWR, further restricting access to this very rich petroleum region.

The hardships that these high prices are causing American consumers are real and will continue to cause problems until our country changes its current energy policy. We need to open access to promising areas, like ANWR, and increase domestic oil and gas supplies. Only then can we create a situation where countries like Saudi Arabia and Iraq have on our nation and consumers.

Alaska exports up 30 percent in 1999

Alaska exported $2.56 billion worth of goods in 1999, an increase of 31 percent over 1998. Increases in exports to Alaska’s two largest markets, Japan and Korea, were even better.

Exports to Japan were $1.3 billion in 1999, up 53 percent from 1998. And exports to Korea reached an all-time high, $487 million, up 54 percent from 1998. Japan and Korea account for more than 70 percent of Alaska’s exports.

"These strong export numbers are great news for Alaska," said Governor Tony Knowles. "International trade is important to our economic well-being, it means high-paying, year-round jobs for Alaskans, and more money coming into the state."

Knowles congratulated Alaska’s exporting companies for their accomplishments over the past year and pitched the state’s international trade program and offices overseas. 1999 exports were up in almost every major sector. Seafood exports were up 42 percent, minerals 13 percent and wood products were up 29 percent.

"We knew 1998 was a bad year economically, in large part due to the Asian flu, but our strategy has always been long-term, to stay the course with our Asian customers, including keeping Alaska trade representatives in our major markets," said Greg Wolf, Director of the Division of Trade & Development.

Wolf said that strategy paid off as our Asian customers, including keeping Alaska trade representatives in our major markets, said Greg Wolf, Director of the Division of Trade & Development.

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Phillips poised to follow in ARCO's footsteps

(Continued from page 1)

They have an impressive record of Alaskan operations for the last 50 years," Mulva said. "We are pleased that ARCO's Alaska employees and other support personnel will be joining Phillips. They have an impressive record of growing production while operating efficiently. We are looking forward to the opportunity to combine and leverage our joint skills worldwide.

If the deal proceeds as proposed, Phillips would pay $6.5 billion in cash upon closing and up to an additional $500 million based on a formula tied to the price of crude oil. The transaction, which is expected to close early in the second quarter and will be retroactive to January 1, 2000, is expected to be approved by the Federal Trade Commission. The Phillips deal may resolve concerns the FTC has about BPs $28 billion acquisition of Atlantic Richfield Company. With ARCO's Asian gas holdings, West Coast refineries and gas stations, the acquisition is still valuable to BP.

BP Amoco chief executive Sir John Browne and ARCO chairman Mike Mulva said: "After months of uncertainty about its future, BP Amoco is pleased to be in discussions with the company in the U.S. with 1999 revenues of $13.9 billion. Worldwide, the company produces 231,000 barrels of crude oil per day with most coming from Norway. The company has 15,900 employees and has 6,000 gas stations in 27 states. It currently has 4 percent of the U.S. gas market.

Under an agreement reached last month with BP Amoco, Phillips would purchase all ARCO assets in Alaska. The deal is contingent on FTC approval of the broader BP ARCO combination. Pictureed above is the Alpine oil field where ARCO holds a 78% ownership.

Mulva said Phillips will combine its technical expertise with that of ARCO to develop the Alpine field; continue development of the Kuparuk field and its satellites; and develop the Prudhoe Bay satellites, in addition to implementing enhanced oil recovery at related fields. These projects provide about 700 million barrels of upside reserve potential. The company also intends to work closely with its partners in developing projects for the more than 25 trillion cubic feet of gas in the Prudhoe Bay gas cap. In the National Petroleum Reserve Area (NPRA), Phillips could hold almost a half million net acres, increasing the company's exposure to additional reserve potential.

Headquartered in Bartlesville, Oklahoma, Phillips is the 6th largest company in the U.S. with 1999 revenues of $13.9 billion. Worldwide, the company produces 231,000 barrels of crude oil per day with most coming from Norway. The company has 15,900 employees and has 6,000 gas stations in 27 states. It currently has 4 percent of the U.S. gas market.

Mukowski says environment will benefit from Arctic oil

Senator Frank Murkowski chided environmental groups for refusing to recognize that the global and U.S. environment both will benefit from careful development of a small fraction of the Arctic National Wildlife Refuge (ANWR). "Environmentalists refuse to accept fact," Murkowski said. "They refuse to accept that their opposition to domestic production merely forces oil companies to produce in environmentally-sensitive areas such as the Columbian rainforest -- absent the environmental protections we have here in the U.S. Moreover, much of the oil produced in these areas will eventually find its way to the U.S. in ever-increasing foreign-flagged oil tankers."

Murkowski warned that if America doesn't produce more of the oil it consumes, it could see more than 10,000 oil tankers each year docking at American ports. He noted that these tankers are not required to meet more stringent American safety standards.

Murkowski said that while he has supported major funding increases in the budget for alternative energy research, energy conservation and efficiency measures, these initiatives cannot meaningfully address high gas prices at the pump or the national security implications of the nation's increasing dependence on foreign oil in the decades ahead. "Let's face the facts, our economy still requires oil and the demand for oil will not subside anytime soon," Murkowski said.

North Slope fields and prospects

Ownership if proposed buyout is approved

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<th>Field</th>
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