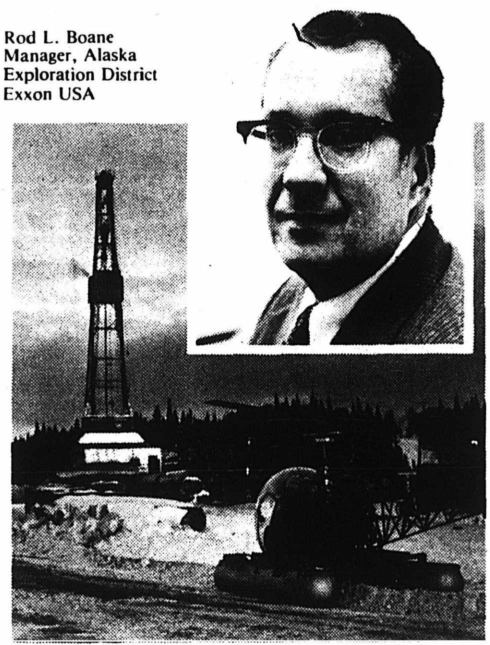
Let's talk...
about state leasing policy.

Rod L. Boane
Manager, Alaska
Exploration District
Exxon USA



Q *What do you think about proposed legislation to revise Alaska's oil and gas leasing policies for state lands?*

A Adoption of the proposed changes would create complex and cumbersome government regulations and procedures which would further discourage oil and gas exploration on state lands in Alaska.

Q *If current leasing regulations are adequate, why isn't more exploration taking place in Alaska?*

A The regulations are adequate, but land availability and the number of lease sales are not. No state lands have been offered for oil and gas leasing in more than three years.

Q *Have other factors also influenced the amount of exploration in Alaska?*

A Yes. High operating costs and the State's oil and gas taxation policy also are factors.

Q *How would the proposed new leasing policy affect the way land is leased?*

A The State now leases land to the company making the highest cash bonus bid. This system is easy to administer, each high bid is obvious, and the State receives and retains the bonus even if oil and gas are not found. If a discovery is made, the State receives additional income from its royalty interest. Under the proposed new policy, State land could be leased under various bidding systems. Under the proposed new systems, the State would not receive substantial income unless a company made a discovery and started production. This would shift much of the exploration risk to the State.

Q *How would the State manage its interest under the proposed new leasing methods?*

A It would have to create a large administrative staff, including geologists, geophysicists, engineers, and accountants, in order to keep up with the new complex systems.

Q *Are there other provisions you oppose?*

A Yes, quite a few. One proposed change, for example, would give the State the right to purchase 100 percent of the gas that is found. This would add numerous uncertainties to the risks already inherent in gas exploration. When would the state make its decision and how would the price of the gas be determined? At what rate would the state take the gas and when? If the state made no move to buy the gas and other sales were negotiated, what would be the status of these contracts if the State later decided it wanted the gas after all?

Q *What, then, would be the net result of the proposed leasing bill changes?*

A They would make exploration in the State more difficult and could result in fewer jobs for Alaskans and less oil and gas for the nation.

EXXON