

REDACTED

**Alaska North Slope Royalty Gas Purchase
Proposed Terms and Conditions
Between
State of Alaska
And
Williams Energy Marketing & Trading Company**

This confidential non-binding summary of principal commercial terms ("Transaction Summary") is preliminary and is intended to set forth certain basic terms to be discussed and to serve as a basis for further discussions and negotiations between the Parties with respect to the potential Transaction. Except for the Confidentiality provision contained herein, the matters set forth are not intended to and do not constitute a binding agreement of the Parties or establish any obligation of the parties with respect to the Transaction. Any such binding agreement will arise only upon the negotiation, execution and delivery of mutually satisfactory definitive agreements and the satisfaction of the conditions set forth therein, including the approval of such agreements and the Transaction by the respective governing body(ies) and management of each Party, which approval shall be in the sole subjective discretion of the respective governing body(ies) and management.

SELLER: State of Alaska ("Alaska")
BUYER: Williams Energy Marketing & Trading Company ("Williams EM&T")
TERM: January 1, 2008 - December 31, 2023
TYPE OF TRANSACTION: Firm Natural Gas Purchase/Sales Agreement
DELIVERY LOCATION: Chicago (Citygate)
PRICING OPTION #1 - FIXED PRICING:

Chicago (Citygate)

Volume MMBTU/day	Price MMBTU/day
125,000	
250,000	
500,000	



~~REDACTED~~

PRICING OPTION #2 - INDEX PRICING*:

Chicago (Citygate)

Volume MMBTU/day	Price MMBTU/day	Floor MMBTU/day
125,000	I.F. [REDACTED]	Includes [REDACTED] Floor
250,000	I.F. [REDACTED]	Includes [REDACTED] Floor
500,000	I.F. [REDACTED]	Includes [REDACTED] Floor

*Index pricing includes a floor of [REDACTED] (estimated transportation rate/theoretical price) used for response to proposal.

LOCATION OF PRICE: Inside FERC Gas Market Report – First of Month Index Posting for Chicago (Citygate) – Large Industrials

COSTLESS COLLAR: The State may want to consider placing a band around the States Royalty Gas by entering into a costless collar. A costless collar provides the State a Floor that should exceed the price of capacity/transportation and gives the State some upside above the floor.

OTHER OPTIONS: Williams would also entertain other ideas the State may be interested in exploring to provide enhancements to their Royalty Gas. An example, pricing royalty gas to power volatility.

TRANSPORTATION: This proposal is contingent on the State acquiring transportation to the Chicago Citygate.

The term of the proposal must be coincidental with the term of the transport.

The State can schedule and manage delivery to the Chicago (Citygate) for delivery to Williams or Williams can act as the State's agent and handle all nominations for delivery of the State's Royalty Gas to the Chicago (Citygate) on behalf of the State.

This proposal is based on an estimated transportation rate of \$2.00 and being used as a theoretical price to respond to this RFP.

TERMS AND CONDITIONS:

All prices are based on the Natural Gas NYMEX effective on January 29, 2002, and are subject to change without notice.

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NATURAL GAS LIQUIDS:

Due to the uncertainty of distribution and extraction of the natural gas liquids from the natural gas stream Williams is unable to submit a formal proposal for the NGL's. However, Williams has interest and capabilities to provide the State of Alaska with a commercial proposal upon final determination of extraction locations.

Binding Terms

By signing this Term Sheet below, State and Williams hereby agree to the following binding conditions related to this offer.

CONFIDENTIALITY: Except as required by law, all commercial terms are to be maintained confidential by both Parties until the expiration of the Term of the transaction.

EXECUTED AND AGREED TO THIS ____ DAY OF _____, 2002.

STATE OF ALASKA

By: _____
Name: _____
Title: _____

WILLIAMS ENERGY MARKETING & TRADING COMPANY

By: _____
Name: Philip J. Scalzo
Title: Vice President

