



Alaska State Legislature

Senator Hollis French

Representative Les Gara

716 W. 4th Avenue, Anchorage, Alaska 99501

September 28, 2007

James L. Bowles
President of ConocoPhillips Alaska
700 G St.
Anchorage, AK 99501

Doug Suttles
President of BP Exploration Alaska Inc.
900 E. Benson Blvd.
Anchorage, AK 99508

Richard Owen
ExxonMobil Alaska Production Manager
3301 C St., 4th Floor
Anchorage, AK 99501

Dear Mr. Bowles, Mr. Suttles, and Mr. Owen:

As you know, we have worked to ensure Alaskans receive a fair share for our oil for a number of years, and that subject will be addressed during the October Special Session. As former Assistant Attorneys General for the State of Alaska on oil company and criminal matters, we have great concerns about the improper influence exerted by some in the industry who were seeking to, in our view, shortchange Alaskans on oil tax policy matters in 2006. The evidence so far makes clear the main industry players in this regard were VECO executives. However, according to evidence in the current corruption trials, there was at least some coordination between those VECO officials under indictment and some who work with the major oil companies operating in Alaska. There is evidence that VECO acted to hide oil company official "fingerprints" from VECO's efforts (see below). This act strongly suggests some VECO-oil company coordination, and raises concerns we'd like addressed before the October Special Session on oil taxes begins.

While we do not believe current legislators will be receptive to improper influence, we also want to ensure nothing like what happened in 2006 is attempted by anyone lobbying on oil tax issues again. We are therefore writing to ask for an assurance that each of your companies has investigated the involvement of your employees and lobbyists in 2005 and 2006 so we can ensure the public that the involvement of your

companies was and will be limited to providing information and your companies' perspectives during the upcoming session. Each of your companies has a valid interest in providing that level of input.

VECO had no expertise on the subject we were debating (how oil should be taxed), and it viewed its role as seeking influence with certain legislators through campaign contributions and other payments. Given VECO's lack of expertise, it concerns us that any oil company official or representative would coordinate a policy position with VECO officials during the 2006 Special Sessions. On the other hand, the public will benefit from an assurance that no representatives from your companies played any role, or coordinated in any way, with VECO in its efforts to undermine Alaska's political process.

Evidence from the current trials indicates there was at least some coordination between those under federal indictments and at least one representative from ConocoPhillips in trying to keep oil company tax payments to the state as low as possible. We do not know if anyone at ConocoPhillips, or any of the oil companies engaged in criminal conduct, and do not suggest such conduct has occurred. But we have an obligation to the public to make sure we receive reliable assurances that nobody from your companies participated in the improper influence peddling attempts made in 2005 and 2006.

The following evidence raises concerns for us.

- At this month's trial of former Representative Pete Kott (R-Eagle River), former VECO CEO Bill Allen, who has pled guilty to federal corruption charges, stated that he had called to report his progress in his lobbying efforts to ConocoPhillips President Jim Bowles ("Hey Jim, I told you we would – between – with Pete Kott and with Ben we wouldn't have a bill. I know you're probably talking to somebody else, but remember what I told you. We got it done.") This raises concerns for us that at least some of VECO's conduct was coordinated with ConocoPhillips officials.

- The evidence continued from Allen as follows: "I told Jim – Jim Bowles, I said between Pete Kott and Ben – we won't have a – I said they won't even have their fingerprints on the son of a - - - -."

Specifically, we would like to know the following, and would appreciate a detailed response:

1. Did any lobbyists, representatives or employees from your companies coordinate with VECO representatives to attempt to influence the 2006 oil tax debate and outcome, or strategize on these issues with any VECO representatives at the Baranof Hotel in Juneau? If so, how? Please answer in detail.

2. VECO has contributed close to \$750,000 to state candidates in the past decade, and over \$100,000 to the Republican Party. Direct oil company contributions have been

much lower (\$24,000 to mostly Republican candidates in 2006; \$670,000 on the gas line ballot measure). We have some concern that there was some arrangement between the major oil companies and VECO for VECO to attempt to exert legislative influence on behalf of your companies. Please explain whether any representative of your companies ever discussed whether VECO would seek to influence legislators with campaign donations or other payments.


Finally, we would also appreciate more forthright radio and television ads than are currently running, and which we assume your companies are paying for. Alaska is one of the safest places in the world for oil companies to invest, and your profit margins at Prudhoe Bay, Alpine and Kuparuk are higher than they are in most places in the world (ConocoPhillips' 2006 Annual Statement shows ConocoPhillips makes higher profits in Alaska than anywhere else in the world even considering Alaska's high costs of production, and that ConocoPhillips' Alaska profit margins were a staggering 35% in 2006; BP and ExxonMobil do not reveal their Alaska profits in annual reports). We do wish you'd mention facts like those during the public debate.

We look forward to a open debate during this fall's special session, and information from as many experts as possible so we can come up with a tax system that both provides Alaskans with a fair share for our resource, and provides a favorable climate for more investment by your companies, and other companies you compete with. We've appreciated statements in the past that your companies only seek to provide information, and do no more with your presence in Juneau. Such a role seems appropriate. In 2006, your companies spent over \$4 million on lobbyists and expenses to pursue your positions, and we expect to see a similar presence in Juneau again.

As always, feel free to contact us. We hope to have detailed answers to our questions before the October 18 Special Session begins, and will contact you at that time in the event we've heard no response.

Best Regards,


Rep. Les Gara


Sen. Hollis French