STATE OF ALASKA

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February 4, 2013

Ms. Laura Hill
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Mr. Travis A. Pearson
Assoc. General Counsel
Flint Hills Resources
P.O. Box 2917
Wichita, Kansas 67201-2917

Re: Flint Hills North Pole Refinery Contamination Issues and Off-Site Field Work

Dear Counsel:

I am writing in response to your companies' letters to Cameron Leonard dated, respectively, January 22 and January 25, 2013, regarding the legal liability issues you have raised.

It is clear from the recent exchange of letters that Flint Hills does not agree that it is legally responsible for any off-site work related to the groundwater contamination, and Williams apparently has not agreed to undertake any off-site work of its own (though it has stated its willingness to assume responsibility for the modeling effort). The State wishes to make its position on these issues clear as well.

We believe that under Alaska's statutes (i.e., AS 46.03.822) and also under the federal CERCLA, both companies are jointly and severally (and strictly) liable for the costs of cleanup and restoration of the environment, including the off-site sulfolane plume. We recognize there is ongoing litigation between Flint Hills and Williams regarding the contractual commitments made as part of the sale of the refinery property, and there may also be statutory contribution claims as between your companies to be resolved by the courts as well. However, these issues should not distract from the State of Alaska's primary objectives, which are to obtain a prompt and complete remediation of the groundwater contamination, while ensuring acceptable alternative water supplies (or treatment systems) continue to be provided to affected North Pole residents and businesses until the State's remediation goals are met.

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As you are also aware, per ADEC correspondence from Dr. Tamara Cardona dated February 4, 2013, the State has concerns related to the accuracy of the current Flint Hills' groundwater model and, while we appreciate the work that has gone into this effort, we do not agree that it demonstrates Flint Hills' lack of legal responsibility for any of the off-site sulfolane contamination.

The State therefore reiterates what Mr. Leonard stated in his January 16, 2013 letter: that if an acceptable 2013 work plan is not expeditiously received, the State will act under its authorities to step in and direct or begin cleanup-related activities as permitted by ADEC's regulations (i.e., 18 AAC 75.320), to ensure that off-site characterization work proceeds on schedule in 2013. ADEC has set forth the details of what the required work consists of in its prior communications. We also appreciate that Flint Hills has previously committed to do part of this work. It is nevertheless the State's firm view that both of your companies will be jointly and severally responsible for reimbursing the State's costs if ADEC has to take affirmative steps on its own to complete the required 2013 field work.

We remain optimistic that the cooperative efforts currently underway will ensure that the required off-site field work proceeds on schedule in 2013 without the necessity for the State to take over work that would otherwise be performed by Flint Hills and Williams. We wish to be clear, however, in light of your letters, that the State does not accept either company's assertions of no or very restricted liability for the off-site contamination under the relevant laws.

Lastly, on behalf of ADEC, I would like to inquire as to when your companies will be able to provide your proposed redlines of the draft compliance order by consent (COBC) initially provided to you by the State on December 14, 2012. It is important to keep the negotiation effort moving forward, and we need to hear back from you. I believe we have tentatively scheduled a follow-up meeting of the parties on the COBC in Anchorage on February 27, 2013, and the State will need some time to absorb and react to your redlines before that meeting occurs.

Thank you for your consideration of these points.

Sincerely,

MICHAEL C. GERAGHTY
ATTORNEY GENERAL

By: Lauri J. Adams
Lauri J. Adams
Senior Assistant Attorney General

cc: Mark A. Gebbia
Lead Project Director, Williams