



29 November 2007

Honorable Sarah Palin
Governor
State of Alaska
240 Main Street, Suite 300
Juneau, Alaska 99811

Dear Governor Palin:

After extensive internal discussion and analysis, it is with regret that I inform you that BG Group will not submit an application under the Alaska Gasline Inducement Act (AGIA). BG has spent considerable time and resources developing a potential project and remains extremely interested in participating in the important task of bringing Alaskan gas to market. Consequently, our decision was not an easy one and we are keen to have a role in facilitating natural gas development in Alaska. BG appreciates the long-term value that AGIA will create and our long-term belief in Alaska's prominent role in supplying natural gas to the world.

We remain staunch supporters of your efforts to launch a transparent and competitive process that guarantees access to pipeline capacity for Alaska's new explorers. This we believe will ensure the development of the infrastructure necessary to bring Alaska's gas resources to market. After our last discussion, BG established a large multi-discipline team that spent many hours developing project options with the intent of bidding for the AGIA license. After much hard work, due diligence and careful consideration we believe, more than ever, that a major infrastructure project is economic and will be developed. However, given the number of moving parts around all aspects of the project, there was still too much economic uncertainty for us at this stage. But this does not affect our view that there is potential for robust projects in which we would be keen to participate as the picture firms up. We hope that making available the work we have done so far will help this process. As we discussed previously, BG's original bid consortium failed but it is my sincere desire that *BG be considered a partner to the State, one that can add value to the process going forward.*

Based on our work, we also believe that LNG should and will be part of the solution for the future development of Alaska's natural gas resources. LNG, as either an anchor project or as part of a larger "highway" project, would ensure that the State benefit through providing natural gas and associated liquids to in-State markets, in addition to the revenues that would accrue to the State from the commercialization of Alaska's extensive gas resources. LNG also allows the State to benefit from market diversification and the flexibility to target the highest value markets in any given time. Given the work we have done, we would very much like to visit with you and your team to present in detail the results of our analysis.

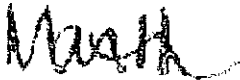
Martin Houston
EVP and Managing Director
BG Group plc
Thames Valley Park
Reading Berkshire
RG6 1PT

Tel 0118 929 2577
Fax 0118 929 2578
martin.houston@bg-group.com

BG remains committed to Alaska and to finding ways to assist the State in developing its natural gas resources. Working with our partners, BG is actively engaged in a drilling program in the North Slope. We will complete the evaluation of an oil well on the Eastern North Slope in 2008 and begin another well in 2009. In the Foothills, we have just completed a 3D seismic program and expect to drill two exploration wells this winter. Further, we are interested in expanding our holdings in Alaska through upcoming lease sales. In short, BG views Alaska as a cornerstone of our growth strategy in North America and we look forward to working together on a range of projects.

In order to share the results of our work, I understand that David Keane has met with Deputy Commissioner Rutherford and Commissioner Galvin and that they have set December 12th as the date for the meeting between our teams. Governor Palin, I appreciate your leadership in this effort and the support you and members of your Administration have given BG. As I have mentioned, not bidding was a difficult decision for BG. If I can assist you in any way, please feel free to call me.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mark".