

**Statement of the Federal Trade Commission Concerning
Hilcorp Alaska's Proposed Acquisition of Natural Gas Production, Transmission, and
Storage Assets from Marathon Alaska**

FTC File No. 121-0113

The Federal Trade Commission has closed its investigation of Hilcorp Alaska's proposed acquisition of Marathon's Cook Inlet, Alaska, natural gas production, storage, and pipeline assets. The proposed transaction raises competitive concerns for the Commission because Marathon, Hilcorp, and ConocoPhillips today account for over 90 percent of the natural gas produced in Cook Inlet. As a result, the acquisition might lessen the negotiating strength of utility and industrial customers. Natural gas produced in the Cook Inlet supplies south-central Alaska, including the Anchorage metropolitan area, with all of the natural gas needed to meet household and commercial heat and electrical generation demands. Alaska consumes all Cook Inlet production except for limited liquefied natural gas exports to Asia.

The proposed transaction also raises competitive concerns for the Commission because post-merger Hilcorp will control all of the proprietary gas storage capacity in south-central Alaska and the majority of pipeline infrastructure necessary to deliver gas from the fields to the customers, which potentially could impair efforts to bolster natural gas production from sources other than Hilcorp.

While recognizing that the proposed transaction may reduce competition, the Alaska Department of Natural Resources is also concerned about energy security and local energy supply shortages and believes that the merger might help alleviate those concerns. Cook Inlet natural gas fields are mature, and, as currently developed and at current prices, will soon be unable to meet south-central Alaska's year-round supply needs. Today, local utilities and producers are working to avoid brownouts or poor gas deliverability. These concerns about energy security, combined with concerns about the competitive implications of the transaction, led the Office of the Alaska Attorney General to negotiate and file a consent decree and to recommend that the merger not be challenged. The consent decree includes, among other terms, price caps for customers over a period of five years.

In these unique circumstances, where the effects of the proposed acquisition are confined to consumers in Alaska, the state has concluded that the consent agreement substantially allays the poten00k potenwfam