

## Project Update

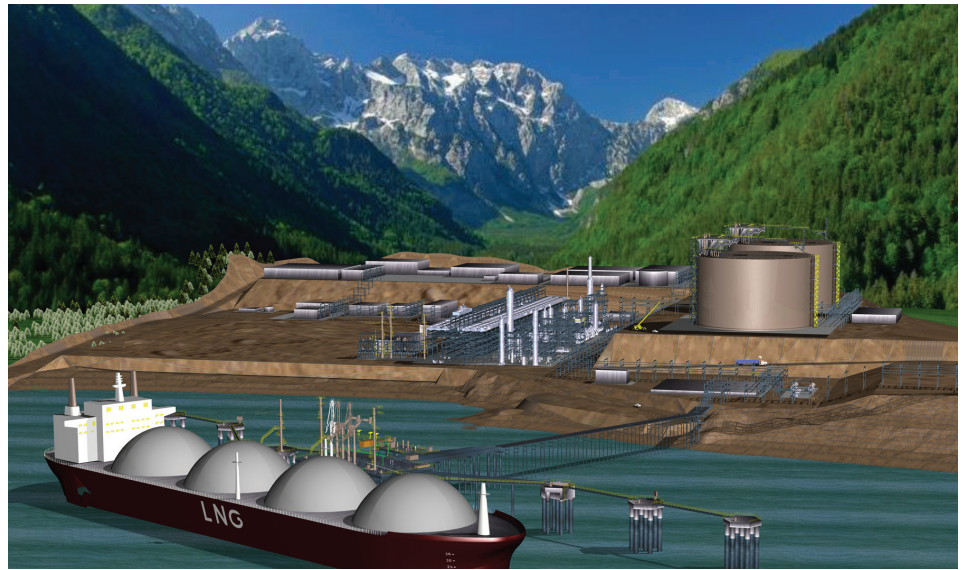
In January 2010, Apache Canada Ltd. (Apache Canada) purchased a majority interest in the proposed Kitimat LNG Facility, a unique project designed to export a secure supply of Canadian liquefied natural gas from new, unconventional gas plays in British Columbia to the Asia-Pacific region. Since this time we have made substantial progress with this LNG initiative.

In November 2010, the Haisla First Nation voted overwhelmingly in favour of a proposed lease for reserve land which will be used for the construction and operation of the proposed \$3 billion Kitimat LNG terminal; this was followed by a historical ceremonial signing that took place in Kitimaat Village with Haisla First Nation and Kitimat LNG.

In December 2010, EOG Resources Canada Inc. (EOG) purchased the remaining 49 per cent of the project, and since that time the project has been steadily moving forward, with a FEED (front end engineering design) study under way and an export licence application currently before Canada's National Energy Board (NEB).

In March 2011, Apache Canada and EOG together acquired the remaining 50 per cent interest in the Pacific Trail Pipelines Limited Partnership. The Partnership is planning to build a 463-kilometre (287-mile), 914-mm (36-inch diameter) underground line from Summit Lake, B.C., to Bish Cove, the location of the planned LNG export terminal on the northern British Columbia coast.

In March 2011, another major company joined the project. Encana Corporation (Encana), a leading North American natural gas producer, acquired a 30 per cent interest in the project, leaving the ownership as: Apache Canada 40 per cent, EOG 30 per cent, and Encana 30 per cent. Apache Canada remains as the Managing Operator and as Lead LNG Marketer for joint sales.



A rendering of the proposed Kitimat LNG Facility

The addition of EOG and then Encana is great news for Apache Canada, our First Nations partners and Kitimat. These companies are strong and growing, and we're pleased that they will be playing a key role going forward. EOG and Encana investment in this initiative reinforces the long-term business fundamentals of opening up new markets for Western Canada's natural gas.

The project now has its environmental permits from the federal and provincial governments, the support of First Nations and the business community, and the backing of three major international exploration and production companies.

Apache Canada, EOG and Encana (together, Kitimat LNG), continue to invest significant resources in the facility development, and the rationale for supporting the Kitimat LNG Facility and the Pacific Trail Pipelines project is stronger now than ever before.

Kitimat LNG is currently carrying out a Front End Engineering and Design (FEED) study, which is expected to provide certainty around project design, construction timelines and costs and labour force requirements. This study is expected to take approximately one year to complete.

On December 9, 2010, Kitimat LNG applied for an export licence from the National Energy Board that upon final approval would give Kitimat the opportunity to ship natural gas to Asia-Pacific markets. Canada needs new natural gas markets for its abundant supply; specifically, the natural gas resources in B.C. and other western provinces are extensive and accessible, and represent significant opportunity and potential. B.C. provides a unique advantage, as it is Canada's gateway to the Asia-Pacific region, where LNG is in high demand.

Kitimat LNG expects to be in a position to make a Final Investment Decision (FID) on the facility by the end of 2011. Early work activities, including clearing and rough grading of the site at Bish Cove, will be completed in 2011. Construction of the Kitimat LNG Facility, once FID is granted, will begin in 2012, with commercial operations expected to commence in late 2015.

The partnership has a small community office at Kitimat Valley Institute, where you can learn more about the project and its latest developments. In addition, you can visit us online at [www.kitimatlngfacility.com](http://www.kitimatlngfacility.com)

## Kitimat LNG Partners Purchase Pacific Trail Pipelines Interest

Apache Canada Ltd. (Apache Canada), EOG Resources Canada Inc. (EOG) and Encana (together, the PTP limited partners) now own 100 percent interest in the Pacific Trail Pipelines Limited Partnership (PTP).

Acquiring full ownership of the PTP from Pacific Northern Gas Ltd. (PNG) is an important step in building a comprehensive system that will enable the partners to tap Asian markets for our abundant natural gas resources in the Horn River Basin and elsewhere in Western Canada.

According to purchase arrangements, Apache Canada owns 40 per cent of PTP, EOG owns 30 per cent and Encana owns the remaining 30 per cent.

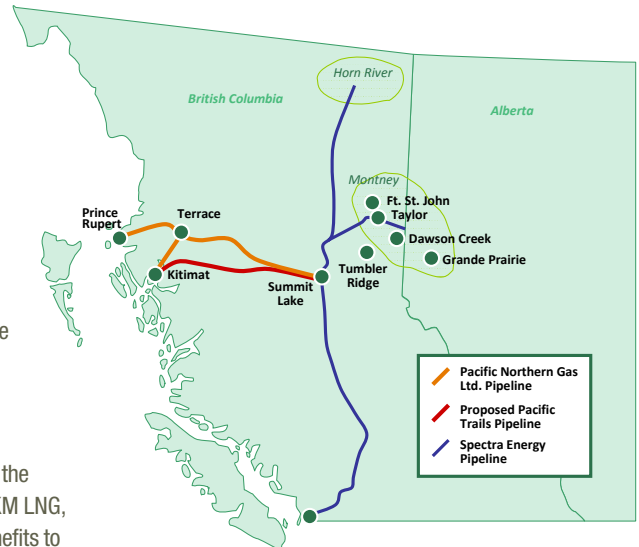
PNG will operate and maintain the planned pipeline under a seven-year operating agreement with provisions for five-year renewals. Kitimat LNG also agreed to a 20-year transportation service arrangement requiring them to use a portion of PNG's current pipeline capacity.

Apache Canada is the operator of the pipeline project and managing operator of the Kitimat LNG Facility. Having this project under one operational manager provides an opportunity to integrate the supply chain from the point of natural gas production to the point of liquefaction.

Apache Canada, EOG Canada and Encana commend the work that PNG did in advancing the pipeline, and look forward to maintaining existing relationships with all the parties involved in this project. The partners are committed to moving this project ahead and keeping the development process on schedule; this purchase ensures continuity for this project and is a very positive move for the advancement of the facility.

The partners are very confident that the project will progress quickly under KM LNG, and that it will deliver significant benefits to our customers and the communities and First Nations along the route.

Apache Canada, EOG Canada and Encana are in marketing discussions with potential Asia-Pacific LNG customers. The producers expect to have firm sales commitments in place before a Final Investment Decision is made near the end of 2011.



The proposed Pacific Trail Pipelines will transport natural gas from Western Canada to the Kitimat LNG Terminal where the natural gas will be liquefied and prepared for export.

## National Energy Board Public Hearing: KM LNG Operating General Partnership and Kitimat LNG Export Licence

The National Energy Board (NEB or Board) has scheduled an oral public hearing on an application from KM LNG Operating General Partnership (KM LNG) under the *National Energy Board Act* (NEB Act) requesting a long-term (20-year) licence to export liquefied natural gas (LNG) from Canada.

The 20-year export licence would allow KM LNG to export up to 13,300,000 10<sup>3</sup>m<sup>3</sup>/year (468 Bcf/year) of LNG from the proposed Kitimat LNG Terminal

located at Bish Cove near the Port of Kitimat, BC. Copies of the application are available for viewing on the Board's Internet site at [www.neb-one.gc.ca](http://www.neb-one.gc.ca) (click on "Regulatory Documents" then "Quick Links" and scroll down to the application), at KM LNG's office (Suite 1000, 700-9th Avenue SW, Calgary, Alberta) the Board's library (1st floor, 444 Seventh Avenue SW, Calgary) and the Kitimat Public Library (940 Wakashan Avenue, Kitimat).

### Oral Public Hearing

The oral hearing will start at 9:00 a.m. local time, **June 7, 2011** in Kitimat. The hearing will review the evidence and views of interested persons on the application. Any person interested in participating in the oral hearing should consult the Board's Hearing Order **GH-1-2011** for further background and instructions.