

Kitimat LNG Terminal – Project Update



Kitimat LNG Welcomes Apache Canada

Kitimat LNG is pleased to announce that Apache Canada Ltd. will purchase 51 per cent of the planned Kitimat LNG Terminal in Kitimat, British Columbia. In addition, Apache has reserved 51 per cent of capacity in the terminal and intends to supply Kitimat LNG with natural gas from its Western Canadian holdings, including those in the Horn River Basin.

"Apache Canada is an exceptional partner for Kitimat LNG," said Rosemary Boulton, President, Kitimat LNG. "Together, Kitimat LNG and Apache have the experience and resources necessary to move the project forward to completion, and we are looking forward to making significant progress in 2010."

Apache explores for, develops and produces natural gas, crude oil and natural gas liquids around the world. Apache Canada has operations in Alberta, British Columbia, and Saskatchewan. The company has agreed to fund the Kitimat LNG project's front-end engineering and design – which will begin shortly – with a final investment decision expected in 2011. First LNG shipments are projected for 2014. Apache will become operator of the project.

Tim Wall, President of Apache Canada, called the Kitimat LNG project key to Apache Canada's long-term resource strategy. "With the increase in supply of

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Rosemary C. Boulton,
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natural gas in North America, gas from Western Canada will need new export markets," he noted.

"The Asia-Pacific region is at the heart of the world's economic growth and has a deep appetite for energy. We are confident that the Kitimat LNG project will open strong, new markets in the Asia Pacific and other areas around the world for Canadian natural gas."

Apache in Canada

Apache Canada Ltd. is a subsidiary of Houston-based Apache Corporation, a global oil and gas exploration and production company. Canada is Apache's largest North American region, comprising approximately 22 per cent of the company's estimated proven reserves.

- Since coming to Canada in 1995, Apache has grown into one of the country's top oil and gas producers, with production in B.C., Alberta, Saskatchewan, and the Northwest Territories.
- Apache Canada employs close to 700 people; split equally between field operations across Western Canada and their Calgary head office.
- Since 2005, Apache has spent approximately C\$5 billion building its business in Canada, and will spend approximately C\$1 billion in 2010 to continue that momentum.
- British Columbia remains an area of tremendous growth for Apache Canada. Since 2005, Apache has increased spending in B.C. by more than six fold.
- Apache was one of the first producers in northeast B.C.'s Horn River Basin and operates approximately one-half of their 430,000 gross acreage position in the play. This accounts for over 40 per cent of the Basin.

Apache
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Notes from the Presidents



Rosemary C. Boulton,
President, Kitimat LNG Inc.

For the past six years, Kitimat LNG has been working to build a liquefied natural gas terminal in Kitimat and a pipeline to link current pipelines to the proposed terminal. In that

time, the North American and global natural gas markets have changed dramatically. When we first proposed to develop the terminal, North America required more natural gas. Now, thanks to new technology and available Canadian supply, North America has more than enough gas to meet its needs and gas producers require an export terminal to help ship surplus natural gas to world markets.

From the time we proposed the Kitimat LNG Terminal to today, the real constant has been support we have received for our project from all corners – from the Kitimat community, the Haisla First Nation, First Nations along the Pacific Trail Pipelines route, and the Province of British Columbia. This support has been crucial to our success in getting the project to the stage we are at today. We have recently welcomed Apache, a new investor in the project, and we are ready to begin key front-end engineering and design studies for the terminal.

We would like to thank all the stakeholders for helping us advance our project this far, and look forward to working with them in the future as we develop the Kitimat LNG Terminal and bring the project's economic and social benefits to Northern British Columbia.



Tim Wall, President,
Apache Canada Ltd.

Apache Canada is excited to announce our investment in the Kitimat LNG project. We recognize the significant resource potential of the Canadian natural gas market, and

view the Kitimat LNG Terminal as an innovative opportunity to open up new international markets, particularly in the Asia-Pacific region.

We would like to extend our appreciation to Kitimat LNG, the Kitimat community, the Haisla First Nation, First Nations along the Pacific Trail Pipelines route and the Province of British Columbia for your work

and collaboration in bringing the idea of an LNG terminal at Kitimat to life. Working with Kitimat LNG, Apache will continue to develop this project with the same commitment to environmental responsibility and collaboration with the Kitimat community and Haisla First Nation.

Over the next few months, Apache will be integrating ourselves into the project and providing opportunities for residents of the Kitimat community and Haisla First Nation to learn more about who we are as a company and next steps for the Kitimat LNG Terminal. Apache believes that, by working in conjunction, we can develop Kitimat LNG in a way that maximizes benefit to everyone. On behalf of Apache, we look forward to meeting you.

Project Benefits

Kitimat LNG Terminal has the continued support from government and local stakeholders. The export terminal plan provides a number of benefits for the Province of B.C., the District of Kitimat, the Haisla First Nation and the community of Kitimat:

- **Easy Access for Supply:** Kitimat LNG Terminal offers excellent access to dynamic global LNG markets including Asia and Japan, the largest importer of LNG in the world.
- **Job Creation:** Approximately 1,500 person-years of work will be created during the construction phase and 100 permanent jobs during operation. Whenever possible, these jobs will stay in the community.
- **Procurement Opportunities:** Local businesses will have the opportunity to provide services in a range of areas related to the construction of the terminal.
- **Regional Economy:** The project will help diversify the regional economy and increase the use of local personnel, goods and services.
- **First Nations Economic Development:** The project will create education and training opportunities for Haisla members. It will also provide the Haisla with sustainable development and partnership opportunities.

Next Steps

The Kitimat LNG/Apache partnership will move the Kitimat LNG Terminal forward to completion. Upcoming commercial milestones include:

- **2010** – Site preparation begins
- **2011** – Final investment decision
- **2014** – Commercial operation
- **January 2010** – Kick off front-end engineering and design (FEED)

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