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Denali Update

November 18, 2010

together. moving. energy.



Many questions are being asked

What will gas prices be in 15 years?

Does America need Alaska gas?

Will new gas be discovered in Alaska?

How many billions will the project cost?

Will Congress pass carbon legislation?

Where will the gas go?

Is State funding of any project a good idea?

Will an in-state bullet line be viable?

Who will build and own the pipeline?

Can Alaska gas compete with shale gas?

How significant are the environmental challenges?

Can government regulatory approvals be obtained?

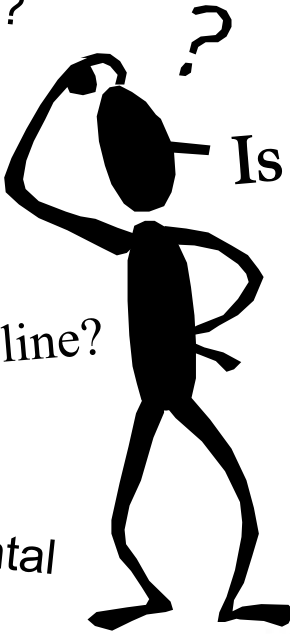
Is LNG a better option?

Are the State's fiscal terms sufficient to attract investment?

What will it cost to ship the gas?

What risks can be managed?

What are the chances of delay or cost overruns?



Denali – Doing our part to advance the pipeline

- Experienced, team with world-class capabilities
- High quality design and project execution plan
- Class 4 cost estimate – \$35 billion (2009\$)
- Opportunity for shippers to match equity and throughput
- Distinctive commercial offer
 - Anchor shippers not required to subsidize expansion shippers
 - No minimum volume required to secure negotiated rates
 - Recognition of project uncertainty - decision points as new information is developed
 - Flexibility to accommodate shipper interests in other projects (e.g. LNG)
- Actively engaged in shipper negotiations



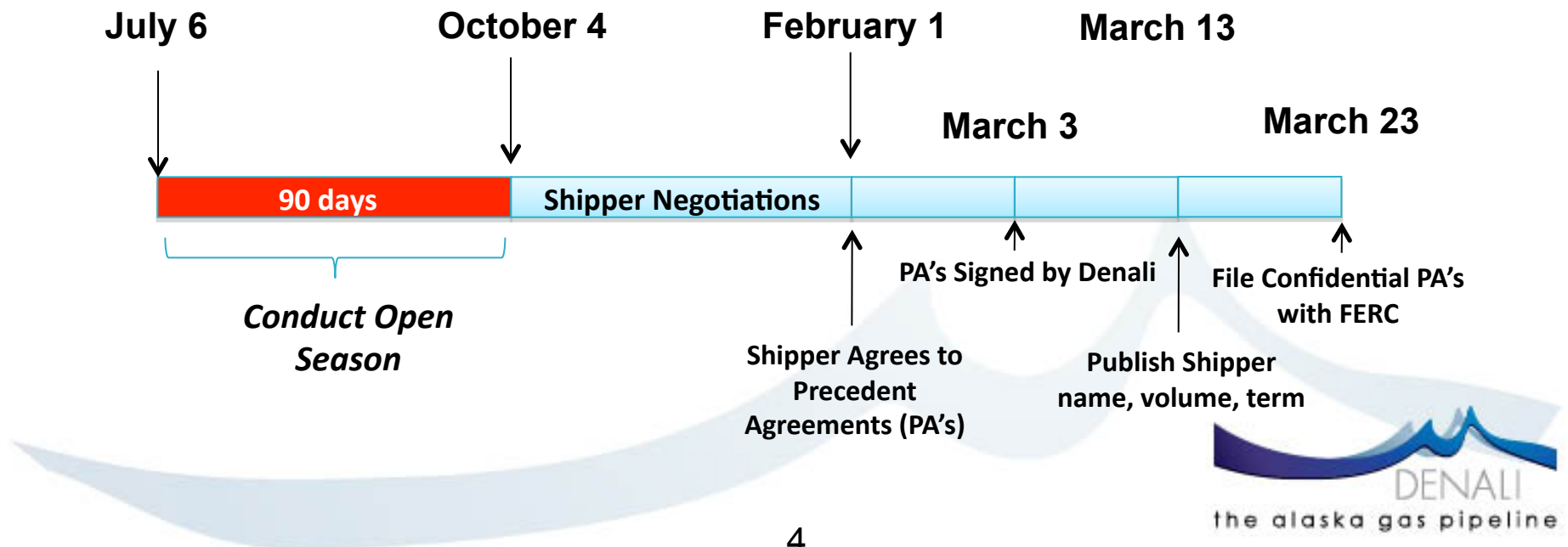
But Denali's actions alone are not enough to create a competitive project



Denali is a *market-based* project

- 90 day open season period concluded October 4th
- Confidential negotiations with shippers will continue in an effort to reach binding agreements
 - Timing dependent on how negotiations proceed

- *Next steps determined by level of customer financial commitments*



What have we learned from shippers?

- Historically, potential shippers have said the following are required:
 - Alaska gas must compete in the market
 - Durable and attractive fiscal framework across the project's value chain
 - Point Thomson Unit issues resolved
 - State approvals to modify unit operations and to set gas offtake
 - Receipt of all permits, licenses and approvals to proceed
- Open season bids contain many conditions reflecting uncertainties
 - Most are outside Denali's control
 - Many are dependent on action by the State
 - Some are dependent on U.S Federal and Canadian regulatory actions
- If all conditions are not satisfied, then no obligation to sign Firm Service Agreements (FSAs)



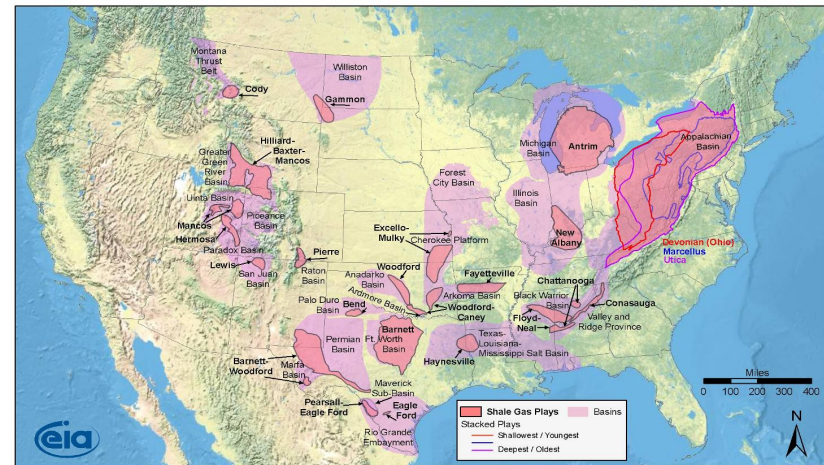
No FSAs. No Financing. No Project.



Alaska gas must compete in the market

- North American & LNG markets are not waiting for Alaska gas
 - Abundant, low-cost supplies near major markets
- Delivered cost of AK gas must compete on price
 - If operating today, netback would be negative
- Ultimately, shipper view of markets 10-20 years out will determine if \$100B+ financial commitments are made

Shale Gas Plays, Lower 48 States



Source: Energy Information Administration based on data from various published studies
Updated: May 28, 2009

IF OPERATING TODAY....	
Netback Element	\$/MMBTU
Chicago City Gate Oct. 1, 2010*	\$3.54
Chicago to Alberta Toll (Alliance)	-\$1.14
Alberta to GTP Toll (Est.)	-\$2.65 (2009\$)
Netback (before upstream costs)	-\$0.25

*Source: NGI



Progress has been made . . .

- **Pipeline:** more technically advanced than ever
- **Shippers:** assessing open season offers and the natural gas markets
- **State:** positioned to address fiscal and resource framework
 - Alaska public more informed about declining oil production and gas pipeline project
 - Legislators that campaigned to tackle oil and gas issues
 - Fresh four year term for the Governor
- **Fundamentals must be in place for Alaska gas to compete**

For additional information, please visit:

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