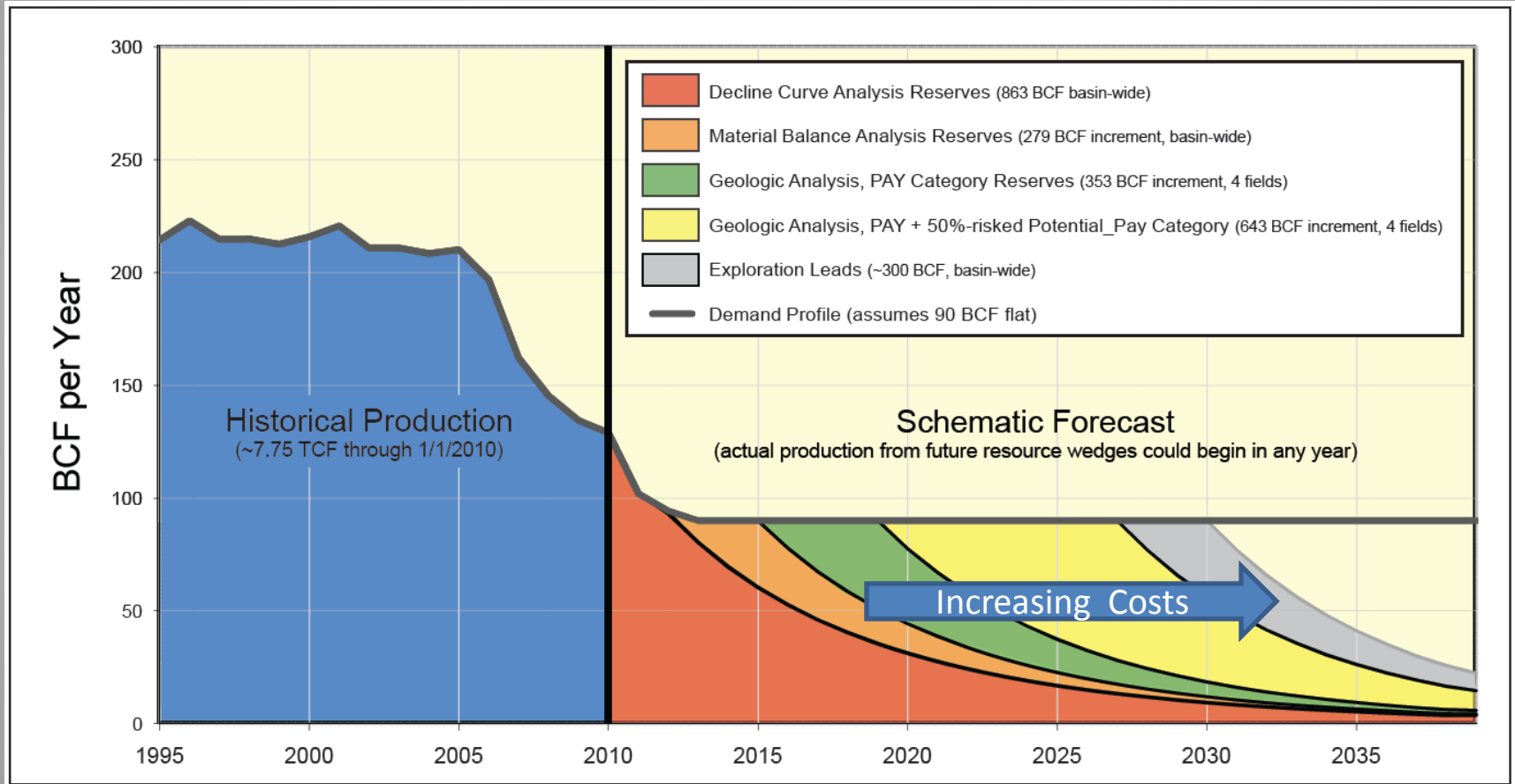




IN-STATE GAS PIPELINE PROJECT UPDATE

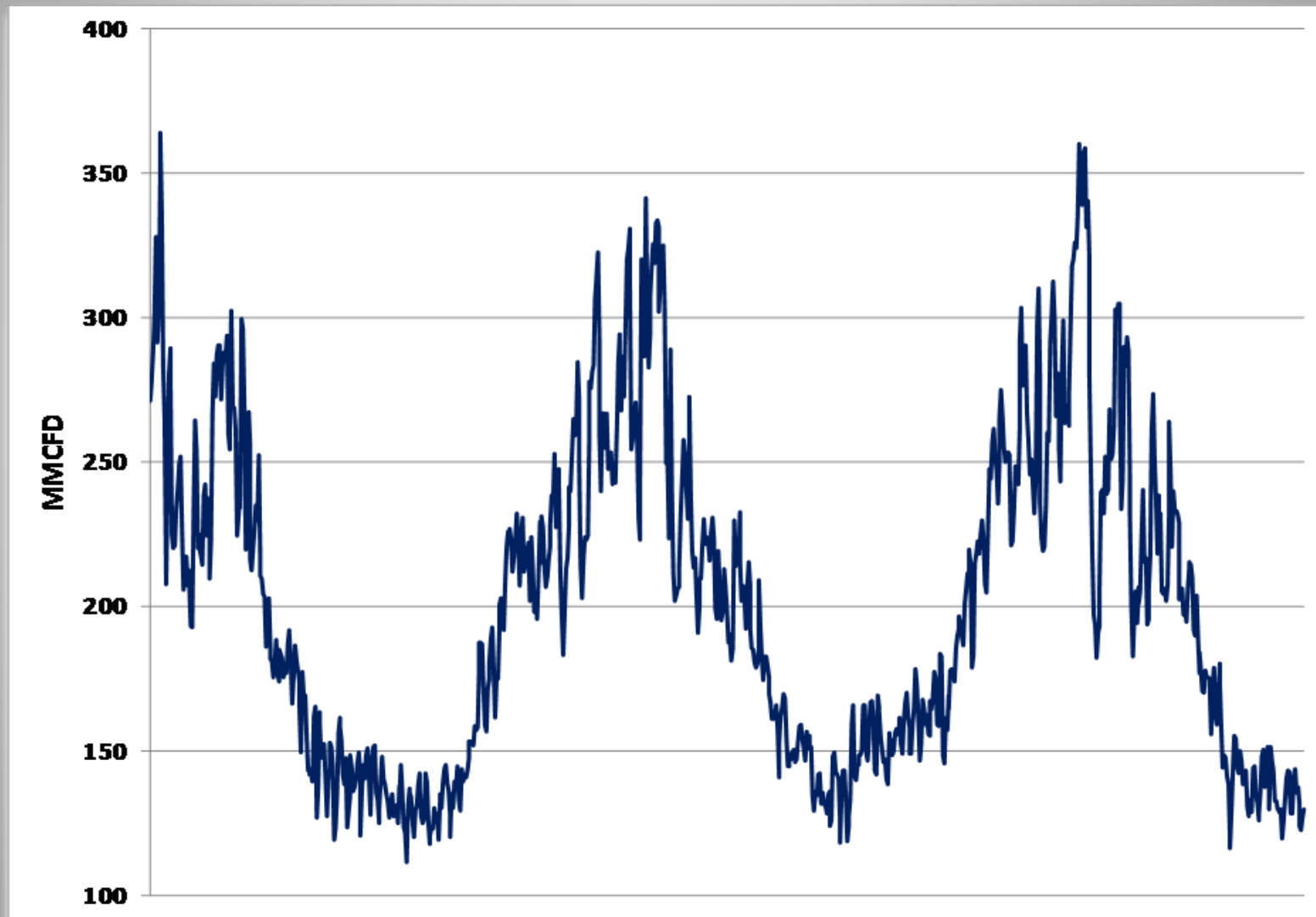
March 11, 2010

The Problem: Cook Inlet Production Forecast

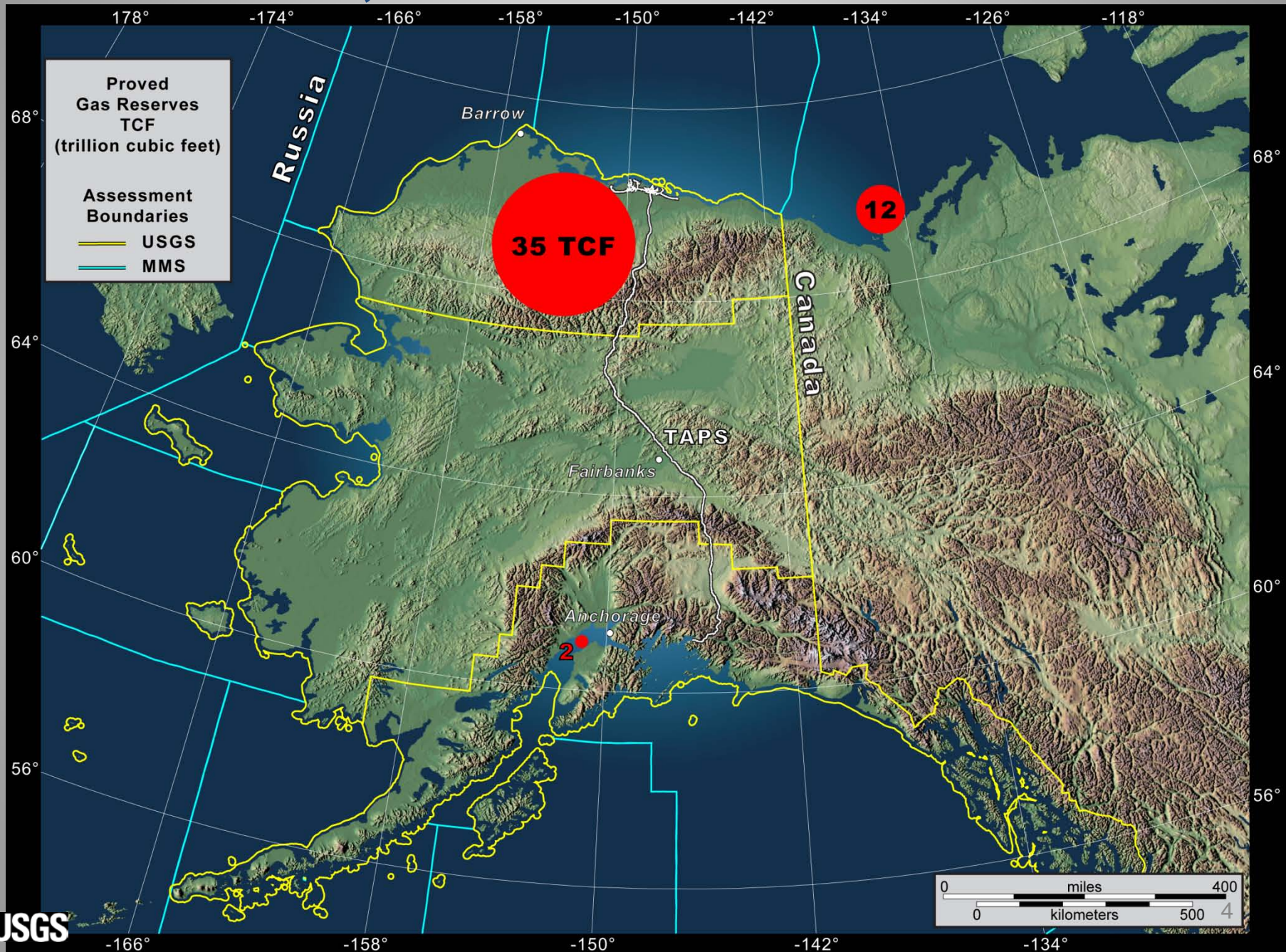


Division of Oil & Gas, Dec. 2009

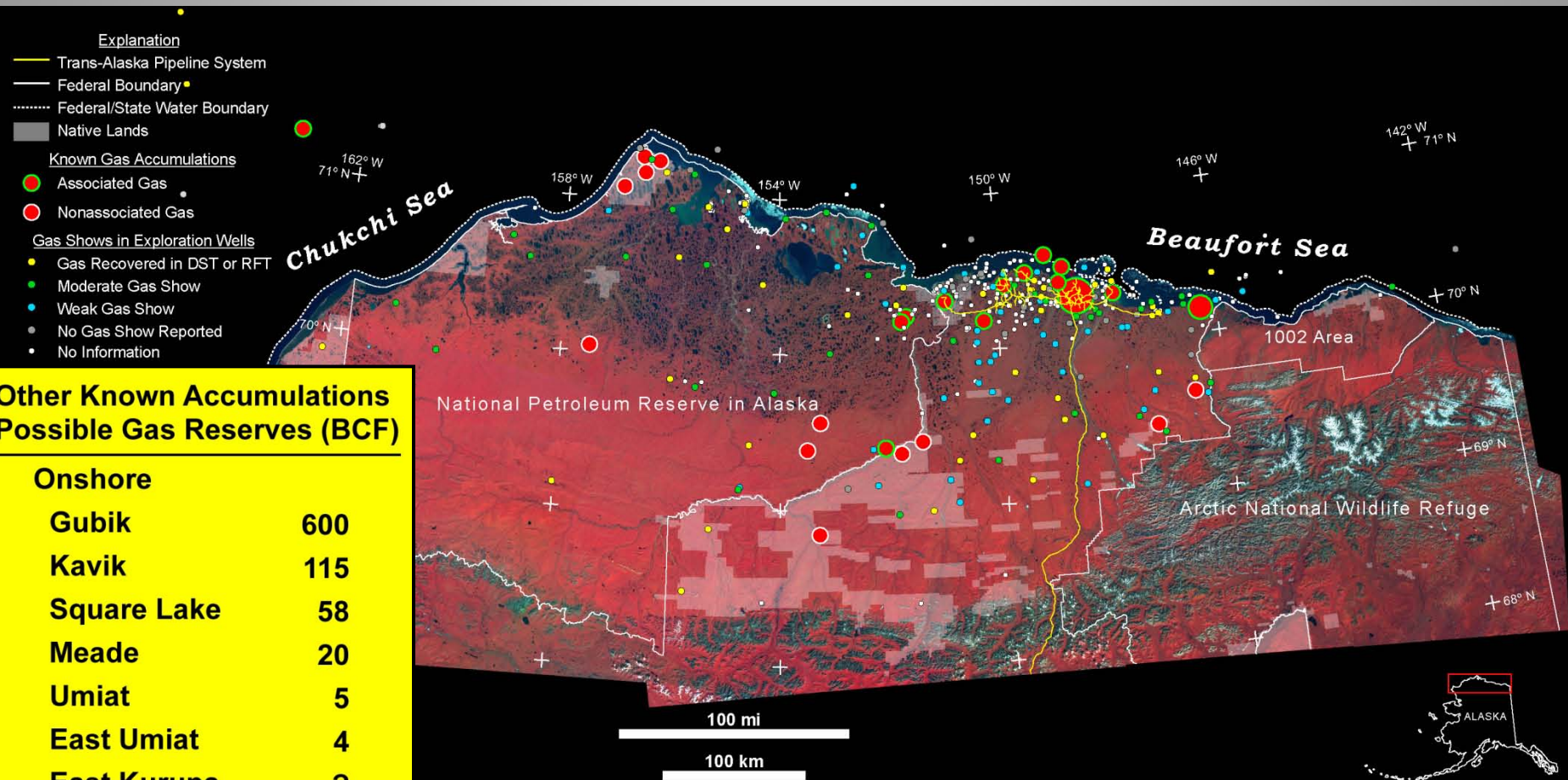
Historical Daily Gas Usage for Power and Heating in Southcentral Alaska



Potential Solution; Proved Gas Reserves

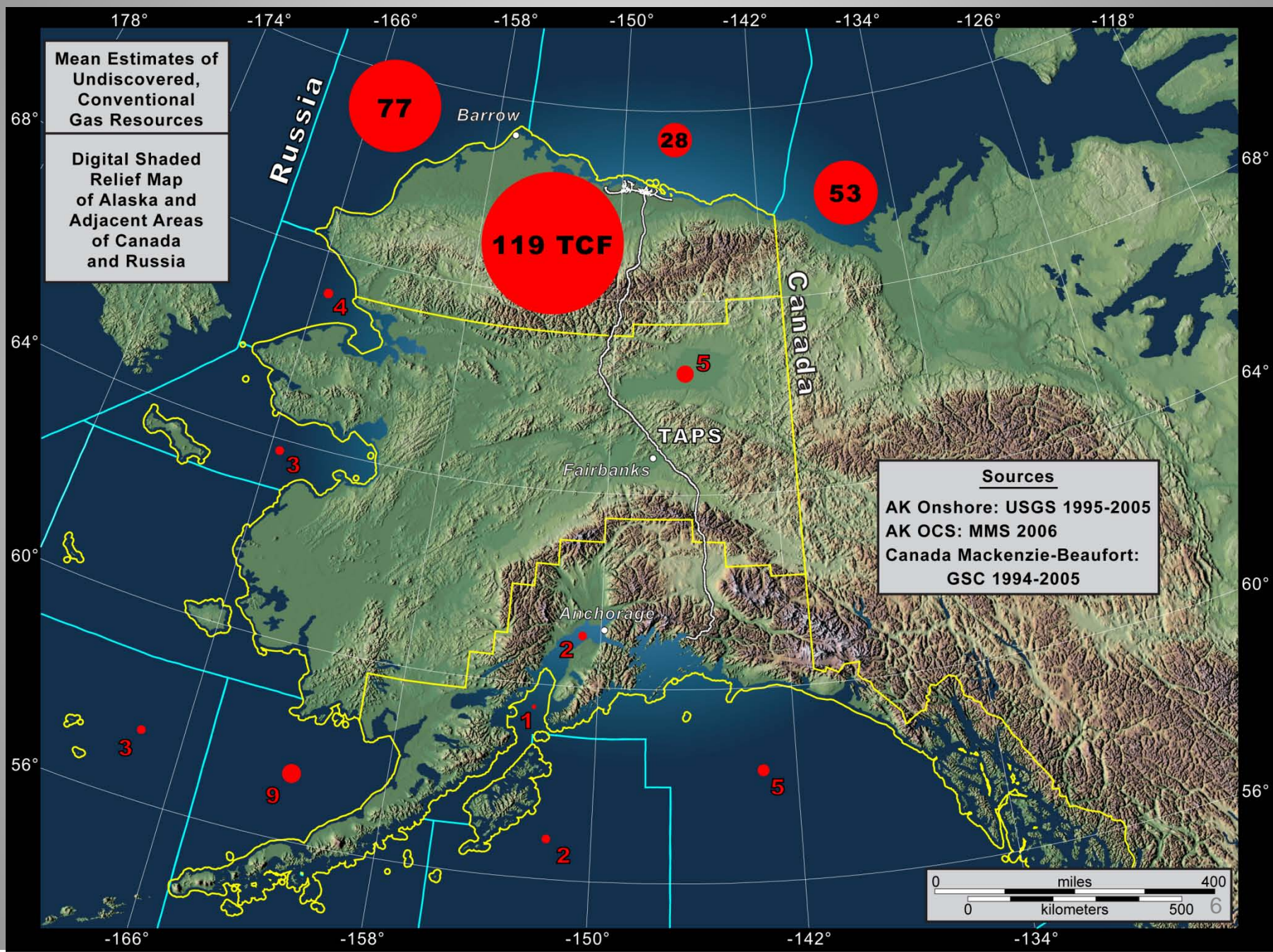


Known Gas Accumulations in Arctic Alaska



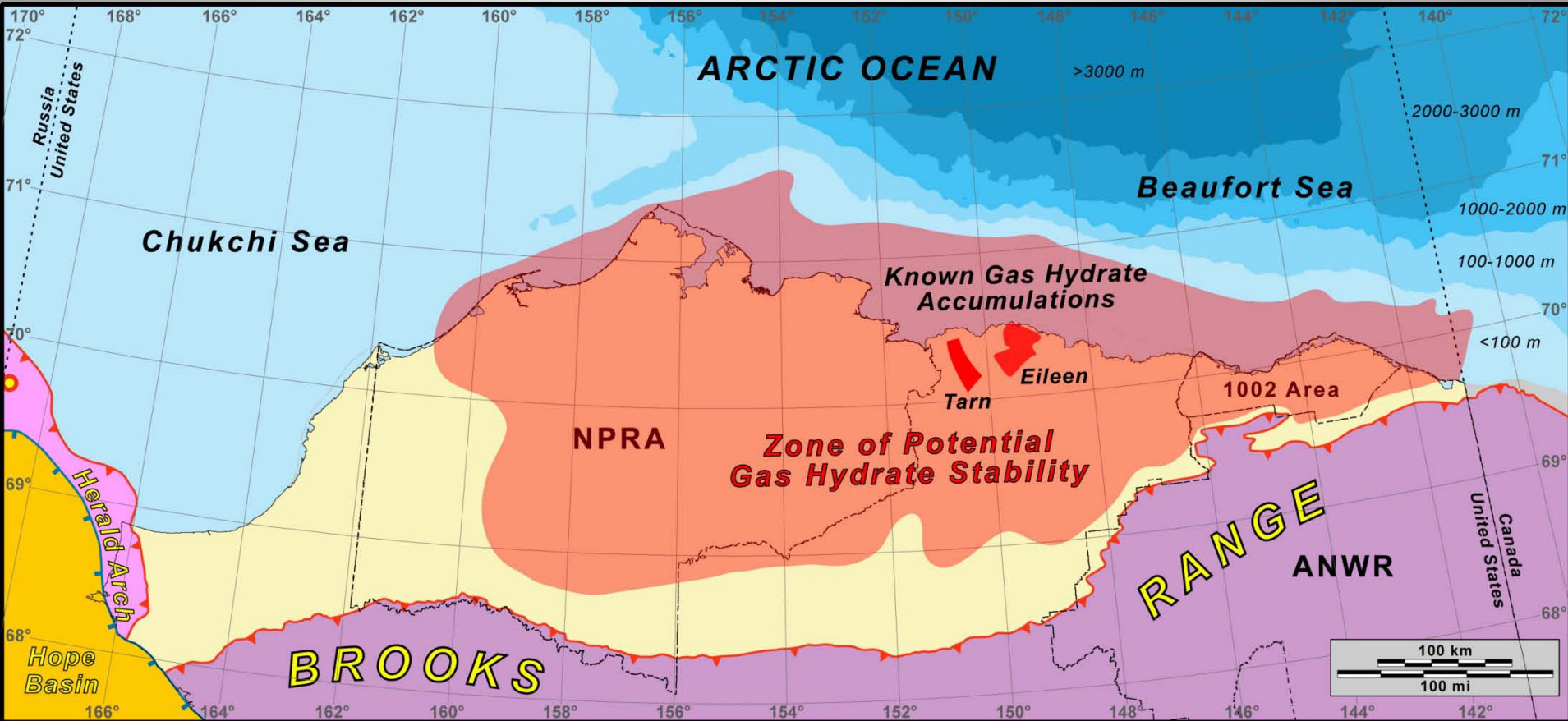
Data from Thomas et al., 1996 (DOE)
 Craig & Sherwood, 2004 (MMS)
 Bird, pers. comm., 2008 (USGS)

Undiscovered Conventional Gas Potential



Gas Hydrates

Northern Alaska Zone of Potential Hydrate Stability



Information from Tim Collett (USGS)

Potential Infrastructure; Small Diameter In-State Pipeline

Alternate Routes Evaluated

- Spur Routes

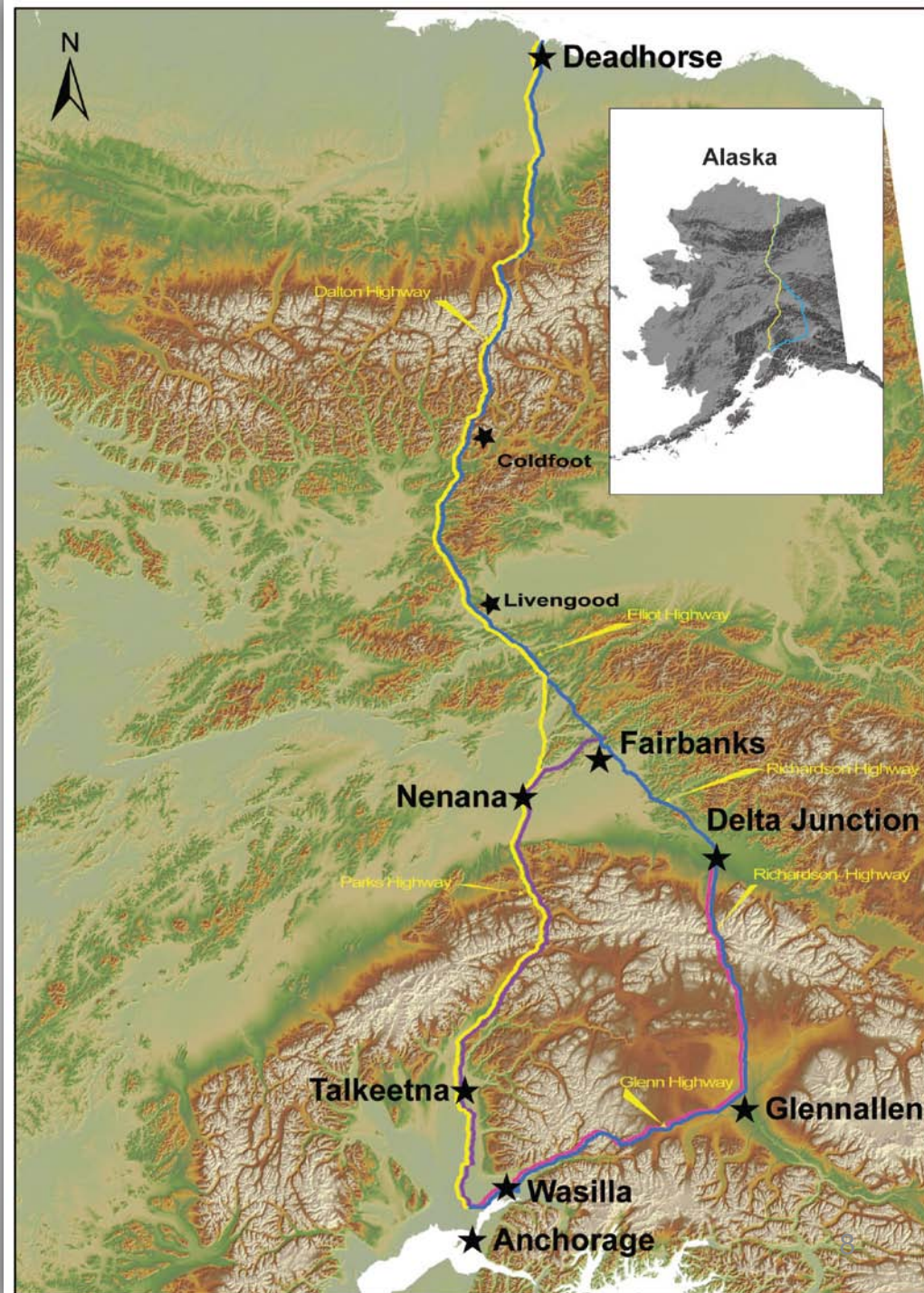
- Richardson
- Parks

- Stand Alone

- Richardson
- Parks

- Pre- Build

- Richardson
- Parks



Purpose of the State's effort

- Evaluate a Stand-Alone gas pipeline project that transports gas from the North Slope to tidewater at Cook Inlet
- Provide back-up plan for Large diameter gas line with spur lines to southcentral for in-state use
- Reduce risk to potential project by acquiring major permits, determining cost of transport, and economic feasibility
- Prepare permit and project data package to transfer project to pipeline developer

Methodology

The Program was set-up to Reduce Risk by:

- Defining Costs
- Acquiring Major Permits
- Acquiring Letters of Intent
 - Bring Buyer/Sellers together
 - Let the market place decide scope and timing

Work Completed

- Route Alternative Analysis - Parks and Richardson Highway routes:
 - Associated comparative pipeline cost estimates
 - Environmental Surveys
- Initial Project Description (for permitting)
- Commercial Group Scoping Document
- Initial Review of ENSTAR Capital Cost Estimate – Pipeline
- Major permits applied for

Work Underway

- Updating pipeline cost estimates
- Developing cost of facilities
- Cost of transport analysis
- Preparing detailed project description
- Continued engineering support for EIS and ROW process
- Identify commercial entities to finalize costing and permitting for construction sanction
- Developing data package for full economic analysis
- Work with producer group and identify new market potential.

Facilities Scenarios Identified

- CGF Residue Gas only, North Slope Gas Conditioning, Cook Inlet NGL Extraction
- CGF Residue Gas only, Cook Inlet Gas Conditioning and NGL Extraction
- CGF Residue Gas Only, North Slope Gas Conditioning, North Slope NGL Extraction
- CGF Residue Gas spiked with CGF Stabilizer Overhead Gas, North Slope Gas Conditioning, Cook Inlet NGL Extraction
- Each scenario evaluated at 250, 500, 750 and 1000 MMscfd

Cost of Transport Analysis

- 16 Material Balances
 - 4 Scenarios
 - 4 Flow Rates per scenario (250mmscfd each)
- Match Facility Component Cost to Each Balance
- Generate Annual Schedules for Capital Outlays, Revenues and Expenses
- Feeds Data To Economic Analysis

Permit Status

- U.S. Army Corps of Engineers Section 404/10
 - Filed November 16, 2009
 - Expect 404/10 permits shortly after NEPA Record of Decision
- State of Alaska Title 38 Right-of-Way
 - Filed November 25, 2009
 - Review timeline undefined
- Bureau of Land Management Right-of-Way
 - Filed November 25, 2009
 - Expect ROW approval shortly after NEPA Record of Decision

State's share of Project Costs

- FY10 -- \$8.3 mm (projected)
- FY 11 -- \$ 6.5 mm (requested)
- Negotiated use of ENSTAR data
- Expenses reimbursed upon transfer to commercial entity

Time Line Ranges

Stand Alone Gas Pipeline Project

Fast Track Schedule*

DRAFT

[illegible]

* Assumes timely availability of fabrication facilities, equipment and craftsman for GCP

Time Line Ranges

Stand Alone Gas Pipeline Project

Alternative Schedule*

DRAFT

SCHEDULE	2009				2010				2011				2012				2013				2014				2015				2016				2017						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4							
Engineering Support																																							
Design Basis	=>																																						
Corridor Selection	=>																																						
Conceptual Design	=>				=====				==																														
Alternatives Analysis					==																																		
Project Description (filing)	=>				===																																		
Final Project Description					=====																																		
Cost Estimate & Logistics	=>				=====																																		
Project Documentation Package					=====				=====																														
Permitting																																							
COE 404					=				=====				=====																										
Federal and State ROW					=				=====				=====																										
Draft EIS									X																														
Final EIS									X																														
Additional Permits and NTP's					=====				=====				=====				=====				=====				=====				=====										
Project Review & Sanction																																							
Company Due Diligence									=====																														
Transfer of Permits													==																										
Project Sanction																	X																						
Detailed Engineering Design																																							
Pipeline													=====				=====				==: = = =				= = = = =				= = = = =										
Facilities													=====				=====				==: = = =				= = = = =				= = = = =										
Cost Estimate & Logistics																	=: =====				=: = = = =																		
GCP Construction																																							
Order Equipment													X																										
Fabricate Modules																					=====				=====				=====										
Pre-construction Preparation																																							
Module sea-lift																													==										
Install & Testing																													==				=====						
Compressor Stations																																							
Order Equipment													X																										
Fabricate Skids																					=====				=====				==										
Pre-construction Preparation																									=====				==										
Construction & Testing																													=====				=====						
Pipeline																																							
Order Pipe and Valves													X																										
Pre-construction Preparation																					=====				=====														
Construction & Testing																									=====				=====				=====						
NGL Plant & Storage																																							
Order Equipment													X																										
Fabricate Skids																					=====				=====				==										
Pre-construction Preparation																									=====				==										
Construction & Testing																													=====				=====						
Start-up																																							
Start-up & Operations																																	==: ==X						

* Assumes timely availability of fabrication facilities, equipment and craftsman for GCP

Time Line Ranges

Stand Alone Gas Pipeline Project

Extended Schedule*

DRAFT

[illegible]

* Assumes limited availability of fabrication facilities, equipment and craftsman for GCP due to competition with other world projects

** Assumes longer time frame for private industry decision to proceed with project

*** Assumes start up delays of GCP and NGL Plant

Questions / Comments