



Bud E Fackrell  
President

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November 11, 2009

The Honorable Gary Stevens  
Senate President  
305 Center Ave., Suite 1  
Kodiak, Alaska 99615

The Honorable Mike Chenault  
Speaker of the House  
145 Main Street Loop #223  
Kenai, Alaska 99661

Dear President Stevens and Speaker Chenault,

Attached is Denali's second project update to the legislature. As you are aware, Denali is moving forward outside of the Alaska Gasline Inducement Act (AGIA) and is doing so without monetary assistance from the State of Alaska. Denali is funded 100% by its owners, BP and ConocoPhillips. To date, Denali has spent over \$120 million.

Since the last update, Denali has continued to progress the project in preparation for its open season in 2010. The work to estimate the cost of the pipeline and the Gas Treatment Plant (GTP) is nearing completion. Denali has augmented its core capabilities in pipelines and gas treatment plants with the expertise of world class engineering and construction companies. A Fluor/WorleyParsons joint venture (Arctic Solutions) is assisting with the GTP and Bechtel is assisting with the pipeline. Denali is concentrating on preparing a credible cost estimate that will provide the basis for Denali's open season commercial offering. Denali has also initiated pre-open season discussions with potential anchor shippers and is formulating its open season plans.

Denali has continued to work closely with the Federal Energy Regulatory Commission (FERC) and the Office of the Federal Coordinator (OFC) as well as other U.S. federal and Alaska state agencies to ensure a common understanding of the framework for the required regulatory approvals. In addition, Denali has entered into reimbursable services agreements with the U.S Bureau of Land Management (BLM) and the Alaska Department of Natural Resources (DNR) that will allow both agencies to work closely with Denali as it progresses its right-of-way efforts in Alaska.

Significant progress has been made in Canada to advance and coordinate the regulatory review framework. The Major Projects Management Office (MPMO) has been

designated by Canadian authorities as the single window coordinator for federal regulatory review for the project. Denali anticipates that this action will facilitate an efficient and expedited review process for a Canadian Certificate of Public Convenience and Necessity (CPCN).

Denali's outreach efforts in Alaska and Canada have remained strong and substantial and have been focused on communities, landowners, Alaska Native organizations, and Canadian Aboriginal groups along the pipeline route. To date, Denali has participated in over 450 meetings with project stakeholders in the U.S. and Canada.

Denali has an Anchorage headquarters and an office in Calgary. The total number of personnel working on the project (excluding contractor personnel such as those working for Bechtel and Fluor/WorleyParsons) is approximately 95 of which about 80 are Alaskans. Through October 2009, Denali has contracted with 47 Alaska businesses that have provided goods and services to Denali. Denali also participated in two Alaska workforce development projects.

Denali's work on the Alaska gas pipeline project represents a major advancement in understanding the cost and complexity of this enormous undertaking. Denali will use the product of its work efforts to underpin its open season commercial terms and conditions and provide prospective shippers the best opportunity to determine if the economics justify the multi-billion dollar commitments necessary to construct the project.

Should you have any questions, please feel free to contact me.

Sincerely,



Bud E Fackrell

Cc: Members of the Senate via email  
Members of the House of Representatives via email  
The Honorable Sean Parnell, Governor  
Drue Pearce, Federal Coordinator – Office of the Federal Coordinator for Alaska  
Gas Transportation Projects via email