WHO IS APACHE CANADA?
Apache Canada is the Canadian division of Apache Corporation - an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids around the world. Apache Canada (Apache) has 4.9 million net acres across the provinces of British Columbia, Alberta and Saskatchewan.

Apache fosters exploration of new territory, including unconventional gas. In keeping with that belief, Apache pioneered coalbed methane (CBM) production in Canada, and is now the second largest producer of CBM in Alberta. The company has also spearheaded the production of shale gas in northeast British Columbia’s Horn River Basin.

The first shale gas test well in the Horn River Basin was drilled by Apache in February 2005 – the first company to drill in the play. To date, Apache has drilled more than 50 per cent of the horizontal wells in the basin with our partnering company – about 55 wells.

Contributing to Apache’s success in the Horn River Basin is our approach to finding new ways to minimize environmental footprint and work collaboratively, both with stakeholders and other operators in the region. Apache formed the Horn River Basin Producers Group (HRBPG) in 2007 with 13 other companies. Today, the HRBPG, chaired by Apache, acts as a single point of contact for residents, stakeholders, government and local organizations.

APACHE IN NEW BRUNSWICK
Like the Horn River Basin, the Moncton Basin in southern New Brunswick holds significant potential for natural gas, and early test results are encouraging. Estimated gas reserves in the area could be up to 25 per cent of the entire province of Alberta. While there are several variables that will further determine commercial feasibility of shale gas, such as the price of natural gas, land access and infrastructure, technical advancements have made strides toward economic viability of shale gas.

In late 2009, Apache entered into a farm-in agreement with Corridor Resources Inc. (Corridor) to explore and potentially develop oil and natural gas resources in the Elgin region of southern New Brunswick. The 18-month program, ending in June 2011, will evaluate the commercial potential of natural gas development in hydrocarbon rich shale known as the Frederick Brook Formation. The Frederick Brook Formation has key characteristics that are of interest to Apache. Most importantly, there is 1,750 - 4,000 metres between drinking water aquifers and the hydrocarbon-bearing reservoir. The formation is the only known hydrocarbon rich shale in the region.

The success of this project means that the main concerns from each major stakeholder group - the local communities of New Brunswick, the government representing the people of New Brunswick, the First Nations and Apache/Corridor are understood and addressed while responsibly developing the asset.

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PROJECT OVERVIEW
Apache’s project in the Elgin area of southern New Brunswick is a three phased approach, with each subsequent phase dependent on the success of the one before.

PHASE ONE
Phase One is designed to test the commerciality of a tight gas siltstone reservoir and a shale gas reservoir in the Elgin region. This phase consists of drilling two wells, and possibly one re-completion of an existing well, before June 1, 2011. Both wells will be drilled next to existing wells, and will use existing leases.

The first well will twin the well ‘G-41’ located on Green Road. The new well will be drilled to 2,100 metres depth before turning horizontal for another 1,000 metres. This well will test a tight gas siltstone reservoir with five fracture stimulation stages.

The second well, will twin the Wille de Mille ‘H-59’ well north-west of Elgin. It will be drilled to a depth of 2,400 metres before turning horizontal for another 1,000 metres. This well will test the shale gas reservoir with five fracture stimulation stages.

The production test results obtained from these wells will determine if Apache proceeds into Phase Two of the program. Poor results will halt further exploration.

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APACHE BY THE NUMBERS
- 700 employees across Canada
- 77,747 barrels of oil equivalent per day
- 530,997 million barrels of oil equivalent in reserves
- 4.9 million net acres across Canada
- 201 wells drilled in 2009, of those, 188 are producing
- 359 million cubic feet of natural gas production per day

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PHASE TWO & THREE
Should Apache be successful in Phase One, the two wells will be tied in to assess production performance. We also plan to drill and test 6 to 8 more wells in 3 or 4 more areas by March 2013.

Though plans are not certain, Phase Two would probably consist of three pairs of horizontal wells in three different locations. Each pair would be one tight gas siltstone well and one shale gas well. We anticipate these horizontal wells would be at depths greater than 2,000 metres, have approximately 2,000 metres of horizontal length and we would use 10 to 20 fracture stages per well. One additional well may also be drilled as a very deep exploration well in the vicinity of Goshen.

Phase Two may also involve the construction of a pipeline to handle gas production from the wells.

Again, favorable results from these wells will lead to the third phase (long-term development) and poor results would end Apache’s activity in the Moncton Basin. Should results be favorable at this stage, Apache would be looking at drilling 24 to 32 wells per year from two well pads, for about 10 to 30 years.

To get an idea of the benefit to the community, Apache is referencing the investment in the McCully field in New Brunswick. It is estimated that, as only two wells will be drilled on existing leases.

The fluids used and flowed back in fracture stimulations are contained in closed systems. They do not come in contact with local water sources or aquifers and are disposed of through an approved facility.

Freshwater aquifers are protected by protective steel casing surrounded by cement; this is administered and enforced under provincial regulations.

Benefits and Opportunity in the Community
When looking at the long-term benefit to the community, including corporate investment, job creation and use of local services, it is important to remember that this is a phased exploration project. In particular, for the first phase, there will not be a significant number of jobs created, as only two wells will be drilled on existing leases.

To get an idea of the benefit to the community, Apache is referencing the investment in the McCully field in New Brunswick. It is estimated that, for each well drilled, 10 to 15 skilled labour jobs have been held by either oilfield workers originally from the Maritimes who returned to work or by local contractors. In addition, approximately $500,000 is spent in the local economy per well.

Elgin project: Phase one timeline

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>Twin Green Rd 6-4L T55 Horizontal</td>
<td>Jan</td>
<td>Jan</td>
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<tr>
<td>Twin Wifle de Mille H-39 SG Horizontal</td>
<td>Feb</td>
<td>Feb</td>
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<tr>
<td>Re-Complete 6-36 Oil Zone or Shale Gas</td>
<td>Mar</td>
<td>Mar</td>
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Minimizing our environmental footprint:

Multi-well pads

In all of our activities throughout Canada, we use innovative ways to minimize our environmental impact— including the surface footprint. Apache plans to drill multiple horizontal wells per well pad, known as a ‘multi-well pad’. Multi-well pads use significantly less surface land than the equivalent number of vertical wells.

For example, each pad has 8 to 16 horizontal wells with multiple fracture stimulations. One horizontal well can produce equivalent to 10 vertical wells. With this configuration, one multi-well pad can produce as much as 60 to 160 vertical wells. This number of vertical wells would normally require the use of 200 to 400 acres (at 2.5 acres per well), whereas the surface footprint of a multi-well pad is 3 to 6 acre and will deliver the same production.

Multi-well pads drain very large areas of the reservoir. In fact, one multi-well pad can access 5 to 10 square kilometres of reservoir. That means, at surface, there would be a well pad every 5 to 10 square kilometres.

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For the two wells to be drilled in 2010, the employment and spending will remain very local. If Phase Two proceeds, the 6 to 8 wells planned between June 2011 and June 2013 would require additional drill rigs and pipeline construction.

If long-term development proceeds, revenue generated from royalties would likely benefit residents of New Brunswick for generations.

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