



Imperial Oil Resources
237 - 4th Avenue S.W.
Calgary, AB T2P 0H6

News Release

Mackenzie Delta Producer Group Reports Progress and Initiates Work with Aboriginal Pipeline Group

Calgary, December 12, 2000 - Imperial Oil Resources, Gulf Canada Resources Limited, Shell Canada Limited and Mobil Canada have made significant progress on their joint study of the feasibility of developing Mackenzie Delta gas. The four companies are evaluating the feasibility of developing onshore natural gas resources totaling approximately six trillion cubic feet, including pipeline transportation to market.

Based on progress to date on the feasibility study, the producers are also sufficiently encouraged to commission further conceptual engineering work and to initiate the collection of baseline biophysical data in 2001.

"We are pleased with the overall progress we've made on our feasibility study this year," said K.C. Williams, senior vice-president, Imperial Oil, on behalf of the producer group. "Our relationship with the Aboriginal Pipeline Group (APG) has been highly beneficial in the advancement of our study and we are further encouraged that we will be working more directly with the APG in 2001 to determine mutually acceptable arrangements under which a Mackenzie Valley pipeline could proceed." Formed earlier this year to facilitate development of a Mackenzie Valley natural gas pipeline, the APG consists of more than 30 Aboriginal leaders from the Northwest Territories.

Williams also stated, "Some work still needs to be completed and our study will continue into 2001. Based on progress to date, we will be stepping beyond the feasibility study by advancing activities such as furthering conceptual engineering and the gathering of baseline biophysical data. These initiatives, including activities worked jointly with the APG and other parties, should position the producer group to begin work in 2001 on the development of a regulatory application."

The producer group has carried out extensive and open discussions with more than 70 parties representing a variety of interests.

As the largest resource-holder in the Mackenzie Delta region, Imperial is acting as spokesperson for this producer group.

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For further information, contact:

Hart Searle - Public Affairs
Imperial Oil Limited - 403-237-4062

Note to Editors: Backgrounder Attached



Mackenzie Delta Producer Group Feasibility Study:

Backgrounder

Since the feasibility study was announced in February 2000, the Mackenzie Delta producer group has focused its efforts on studying four primary areas it views as essential in determining if, and when, Mackenzie Delta natural gas development can proceed. The four areas are:

- Support from Northern parties
- Pipeline involvement
- Regulatory approval processes
- Fiscal terms

Support from Northern parties

It is encouraging that the Government of the Northwest Territories (GNWT) and northern Aboriginal leaders have indicated support for pipeline development in the Mackenzie Valley. This provides a strong impetus to the producers to advance their work on natural gas development, both in the Mackenzie Delta and elsewhere in the Mackenzie River valley.

The producers are working with aboriginal groups and governments on a protocol to define principles and processes that would apply to the development of benefits to be derived from a development. This protocol will address benefits for Aboriginals, northerners and all Canadians.

Pipeline involvement

The producer group has been examining alternative approaches to pipeline development, ownership and financing with the objective of achieving a cost-efficient, timely transportation system to support development. The producer group has met with the APG and pipeline companies. The group has also met with oil and gas companies with northern interests, recognizing that natural gas transmission from the Mackenzie Delta would be accessible to all producers in the North at commercial rates and terms.

Regulatory approval processes

The producers have assessed the information requirements needed to pursue regulatory approvals. A draft regulatory "roadmap" has been prepared. This will also help position the producers to begin collecting baseline biophysical data in 2001, augmenting existing information collected in the past.

Fiscal terms

The application of current rules with respect to royalties and taxes has been clarified. Discussions are planned regarding the certainty of fiscal terms.

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