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News Release

Mackenzie Delta Producers Group and Mackenzie Valley Aboriginal Pipeline Corporation advance to project definition phase

Calgary, AB., January 7, 2002 - The Mackenzie Delta Producers Group and the Mackenzie Valley Aboriginal Pipeline Corporation (MVAPC) have announced their intent to begin preparing regulatory applications needed to develop onshore natural gas resources in the Mackenzie Delta, including a Mackenzie Valley Pipeline.

Since initiating a feasibility study into Mackenzie Delta gas development in early 2000, the Producers Group -- Imperial Oil Resources, Conoco Canada, Shell Canada Limited and ExxonMobil Canada -- has consulted with more than 100 parties, including Northern communities, governments and oil and gas companies. During the project definition phase, the public will continue to be consulted to ensure their input is represented and considered.

In October 2001, the Producers Group and the MVAPC, representing the Aboriginal peoples of the Northwest Territories, signed a memorandum of understanding to guide future work on economic and timely development of a Mackenzie Valley Pipeline. The memorandum was signed in the Aboriginal community of N'Dilo, near Yellowknife, N.W.T. The pipeline would be anchored by nearly six trillion cubic feet of natural gas at the Taglu, Parsons Lake and Niglintgak gas fields, and would be accessible to other existing and future natural gas discoveries in the Mackenzie Delta and Mackenzie Valley regions.

Today's announcement signals the producers' intent to move from the feasibility study phase to the project definition phase. This phase includes technical, environmental, consultation and commercial work required to prepare, file and support regulatory applications for field, gas-gathering and pipeline facilities. Work will also begin to develop benefit plans, access agreements and other arrangements in support of the applications.

"Announcing our intent to proceed with the project definition phase demonstrates the confidence of the Producers Group and the MVAPC that development of Mackenzie Delta gas, including a Mackenzie Valley Pipeline, is potentially commercial and can be beneficial to the people of the North and to all resource developers," said K.C. Williams, senior vice-president, Imperial Oil, on behalf of the Producers Group. "The historic memorandum of understanding signed in October has the support of Aboriginal leaders who represent about three-quarters of the Aboriginal people of the Northwest Territories. We remain committed to continuing the dialogue with all Aboriginal leaders and communities, independent of whether they have ratified the memorandum of understanding. While we are optimistic, the ultimate decision to build the pipeline can only be made after obtaining regulatory approval, and will be a function of many factors, including natural gas markets, construction costs, and regulatory and fiscal certainty."

Nellie Cournoyea, chair of the MVAPC, said, "The decision by the MVAPC and the Producers Group to proceed with the preparation of regulatory applications is a significant step toward a Mackenzie Valley Pipeline. The business partnership negotiated with the producers allows all Aboriginal people of the North to participate in and benefit from this opportunity, including parties who have not yet indicated their support."

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"We are very pleased with the progress made over the past year," added Henry Sykes, president of Conoco Canada. "Moving to the project definition phase is a significant milestone in the development of this opportunity. This is pioneering work and we're creating new ways of doing business including better ways of partnering with northern communities. We can now start preparing the regulatory applications needed for the development of the Parsons Lake gas discovery, which we operate on behalf of ourselves and ExxonMobil Canada."

Ray Woods, senior operating officer, Resources, Shell Canada Limited, said: "We are one step closer today to developing Mackenzie Delta natural gas resources, including Shell's Niglintgak discovery. We would like to recognize the efforts of the MVAPC in helping to build the broad-based support that was key to taking the decision to proceed with the project definition phase."

Expenditures required to complete the project definition phase, which includes the preparation and regulatory review of the applications, are estimated at about \$200 million to \$250 million (Cdn.). Timing is dependent on a number of factors, including the regulatory review process. As part of regulatory application preparation, an environmental impact assessment including plans for environmental protection and subsequent monitoring will be prepared.

As the holder of the natural gas rights at Taglu, the largest of the three discovered Mackenzie Delta gas fields, Imperial is the designated operator of the gas gathering and pipeline systems.

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**Note to editors: Project overview and map attached.
This material is also available at www.imperialoil.ca**



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Backgrounder

MACKENZIE GAS PROJECT OVERVIEW

PROJECT SCOPE

The Mackenzie Gas Project involves developing onshore natural gas resources at the Taglu, Parsons Lake and Niglintgak gas fields, and would be accessible to other existing and future natural gas discoveries in the Mackenzie Delta and Mackenzie Valley regions. The gas would be transported by a pipeline through the Mackenzie Valley to existing gas pipelines in northwestern Alberta for further transportation to market.

PROJECT PROPONENTS

The project is being proposed by the Mackenzie Delta Producers Group -- Imperial Oil Resources, Conoco Canada, Shell Canada Limited, ExxonMobil Canada and the Mackenzie Valley Aboriginal Pipeline Corporation (MVAPC).

The initial development would be anchored by the three largest onshore discoveries of natural gas in the Mackenzie Delta:

- Taglu (3 trillion cubic feet) is wholly held and operated by Imperial Oil Resources (Imperial)
- Parsons Lake (1.8 trillion cubic feet) is 75 percent held by Conoco Canada (Conoco) and 25 percent held by ExxonMobil Canada (ExxonMobil), and operated by Conoco
- Niglintgak (1 trillion cubic feet) is wholly held and operated by Shell Canada Limited (Shell)

Additional gas discoveries in the Mackenzie Delta and Mackenzie Valley regions would be able to gain access to the Mackenzie Valley Pipeline.

The three anchor fields would be developed by the operators of each field. Ownership of the gas-gathering and pipeline facilities by members of the Producers Group would be proportional to their capacity needs in the system. The MVAPC, which was formed in 2001 to represent the Northwest Territories Aboriginal interest in the proposed Mackenzie Valley Pipeline, is targeting a one-third participation and ownership interest in the pipeline, which is incremental to the producers' initial capacity. Imperial will be the operator of all jointly owned facilities.

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MAJOR PROJECT COMPONENTS

The development being considered is anchored by six trillion cubic feet of sweet gas from Taglu, Parsons Lake and Niglintgak.

Combined initial production rates from these anchor fields are expected to be between 800 million cubic feet a day and one billion cubic feet a day. Additional gas discovered in the Mackenzie Delta and Mackenzie Valley regions will be able to obtain access to the Mackenzie Valley Pipeline. The memorandum of understanding signed by the Mackenzie Delta Producers Group and the MVAPC provides for a target MVAPC participation of one third, equivalent to a right to initial capacity of 400-500 million cubic feet a day, which is incremental to the Producers' initial capacity. Ownership of capacity beyond this level would be shared.

The development plan emphasizes simplicity, the use of proven technology and minimizing environmental effects. The current plan consists of five main components:

- individual field developments to produce and dehydrate gas
- a pipeline gathering system to collect gas and deliver it to a new compression facility near Inuvik
- a pipeline to transport dehydrated gas and natural-gas liquids (condensate) from the Inuvik area to Norman Wells
- a separation and processing facility at Norman Wells to remove natural-gas liquids (condensate) and compress the gas
- a pipeline, including compressor stations, to transport the gas from Norman Wells to existing pipelines in northwestern Alberta

Natural gas will be transported to markets utilizing spare capacity in the TransCanada Pipeline gas pipeline system from northwestern Alberta. Natural-gas liquids (condensate) at Norman Wells will be transported to markets utilizing spare capacity in the Enbridge oil pipeline from Norman Wells.