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# News Release

## **Funding Agreements Reached & Preliminary Information Package to be Submitted, Mackenzie Delta Producer Group Confirms**

Calgary, Alberta, June 18, 2003 – Imperial Oil Resources, on behalf of the Mackenzie Gas Project proponents, announced today that funding and participation agreements between the Producers, the Aboriginal Pipeline Group (APG) and TransCanada PipeLines Limited have been reached and the Preliminary Information Package (PIP) for the Mackenzie Gas Project is being submitted to relevant regulatory authorities.

The Mackenzie Gas Project is being proposed by Imperial, ConocoPhillips Canada, Shell Canada Limited, ExxonMobil Canada (the Producers) and the APG. The APG was formed in 2000 to represent the ownership interest of the Aboriginal peoples of the Northwest Territories in the proposed Mackenzie Valley Pipeline.

The filing of the PIP is a key step in the process leading to the submission of applications for the development of the fields and pipeline facilities for the approximately \$5-billion (Cdn.) Mackenzie Gas Project. The Mackenzie Gas Project proponents are prepared to advance work to support filing regulatory applications in 2004. With regulatory and right-of-way approvals, followed by a potential decision to construct, gas production in excess of 800 million cubic feet a day could begin before the end of the decade. The specific timing will be dependent on the support and cooperation of all parties -- regulatory authorities, landowners and governments.

"This is a very significant step forward for the Mackenzie Gas Project. The commercial agreements reached are a win for all parties and conclude a lengthy, but constructive process," said K.C. Williams, president and chief executive officer, Imperial Oil Resources, on behalf of the proponents. "These agreements enable the APG to become a full participant in the Mackenzie Valley Pipeline, and allow the project proponents to move forward with submitting the PIP and advancing other work required to support preparation and filing of regulatory applications."

APG chair Fred Carmichael said, "I am excited to report to the aboriginal community of the Northwest Territories that we have established the framework for an unprecedented partnership between the aboriginal population and industry." The terms of the agreements strengthen the position of the Aboriginal peoples of the North in the proposed Mackenzie Valley natural gas pipeline, he said. "These agreements address APG financing, enhance the rights of the APG as defined in the 2001 Memorandum of Understanding and chart a course for the project to move forward in a way that will create real and lasting benefits for the people of the North."

"TransCanada is pleased to bring its broad pipeline expertise and resources to support advancement of the Mackenzie Valley pipeline," said TransCanada chief executive officer Hal Kvisle. "Natural gas from northern Canada will help meet anticipated increases in demand and will help keep our existing pipeline facilities full, which is good for both shippers and users of natural gas."

*(more)*

Terms of the agreements signed by the parties include the following:

- TransCanada has agreed to lend funds to the APG for its share of project definition phase costs. This funding, expected to be approximately \$80 million (Cdn.), is required by the APG to participate in the project definition phase of the Mackenzie Valley Pipeline. This loan will be paid out from APG's share of pipeline revenues.
- The Producers have agreed to potentially reduce their ownership share of the pipeline by five percent of anchor capacity, by providing TransCanada an option to obtain this interest at the decision to construct in consideration for TransCanada funding the APG's project definition phase costs.
- If any of the producer group companies sells, or reduces, its ownership interest in the pipeline, TransCanada will have the opportunity to acquire 50 percent of any such opportunities, with the APG and other owners sharing in the opportunity to obtain the remaining 50 percent.
- If firm shipping commitments above anchor field capacity or future expansions to the pipeline are required, the APG will be entitled to first increase its interest up to 1/3 (for 10 years after start-up). Once this level of APG participation is reached, the APG, TransCanada and other owners will each have the opportunity to obtain a 1/3 interest in additional expansions.
- The APG may also use the TransCanada project definition phase funds to support project financing of its share of construction costs. In addition, the Producers and APG have reached agreement on terms of an arrangement, which the APG can access if necessary, at their option, whereby the Producers will assist the APG in securing funding for its participation in the pipeline following the decision to construct. Before regulatory applications are filed, the Producers and the APG will finalize a mutually acceptable agreement reflecting these terms. The level of construction funding required by the APG before start-up will be tied to firm shipping commitments.
- TransCanada agrees to pursue extension of its Alberta pipeline system to connect with a Mackenzie Valley Pipeline just south of the Alberta-Northwest Territories border.

Natural gas liquids produced as part of the Mackenzie Gas Project will connect with the existing Norman Wells liquids pipeline to Zama, Alberta.

The PIP is being submitted to the boards, committees and agencies responsible for assessing and regulating energy developments in the Northwest Territories, consistent with the June 2002 Cooperation Plan for the coordinated review process developed by the regulatory authorities. Intended to assist regulators in finalizing arrangements for a coordinated regulatory review, the PIP includes preliminary information on environmental studies, public communication and consultation, the proposed pipeline route, size and capacity ranges, and developments for the Taglu, Parsons Lake and Niglintgak fields.

The Mackenzie Gas Project involves natural gas production facilities, compression and gathering pipelines in the Mackenzie Delta area, and a pipeline system in the Mackenzie River valley. Imperial is the operator of the gas gathering and pipeline systems for the project. Imperial, ConocoPhillips and Shell will operate the three fields.

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*Note to Editors:*

*Backgrounder and map attached.*

*This material also available at [www.imperialoil.ca](http://www.imperialoil.ca)*



# Backgrounder

## **MACKENZIE GAS PROJECT:**

### **KEY TERMS - “FUNDING AND PARTICIPATION” AGREEMENTS**

- Agreements apply to the Mackenzie Valley Pipeline, not the gas gathering system, liquids extraction facility, separate liquids pipeline or field developments
- Aboriginal Pipeline Group’s rights maintained and enhanced with respect to the Oct. 15, 2001 Memorandum of Understanding with the Producers (Imperial Oil Resources, ConocoPhillips Canada, Shell Canada Limited, ExxonMobil Canada)
  - TransCanada PipeLines Limited has agreed to lend funds to the APG for its share of project definition phase costs. This loan (approximately \$80 million) will be paid out from APG's share of pipeline revenues. If the project does not proceed, the APG does not have to repay its share of the project definition phase costs.
  - If firm shipping commitments above anchor field capacity or future expansions to the pipeline are required, the APG will be entitled to first increase its ownership interest up to 1/3 (for 10 years after start-up). Once this level of APG participation is reached, the APG, TransCanada and other owners will each have the opportunity to obtain a 1/3 interest in additional expansions.
- In the unlikely event no firm shipping commitments above anchor field capacity are available at the time of the decision to construct, the APG has the right to convert its pre-development expenditures into an equivalent ownership interest in the pipeline:
  - Producers will reduce their pipeline ownership by this amount
  - This interest will be supported by shipments of gas from the Producer's anchor fields
  - Should third-party commitments be signed after the decision to construct, they will first be used to re-instate the Producers ownership interest in the pipeline
- The Producers have agreed to potentially reduce their ownership share of the pipeline by five percent of anchor capacity, by providing TransCanada an option to obtain this interest at the decision to construct in consideration for TransCanada funding the APG's project definition phase costs:
  - TransCanada must exercise its option for the Producers to reduce their share
  - TransCanada's option is only in place at the decision to construct, which follows regulatory approval of the pipeline
- If any of the producer group companies sells, or reduces, its ownership interest in the pipeline, TransCanada will have the opportunity to acquire 50 percent of any such opportunities, with the APG and other owners sharing in the opportunity to obtain the remaining 50 percent.
- TransCanada agrees to pursue extension of its Alberta pipeline system to connect with a Mackenzie Valley Pipeline just south of the Alberta-Northwest Territories border
- The APG may also use the TransCanada project definition phase funds to support project financing of its share of construction costs. In addition, the Producers and APG have reached agreement on terms of an arrangement, which the APG can access if necessary at their option, whereby the Producers will assist the APG in securing funding for its participation in the pipeline following the decision to construct. Before regulatory applications are filed, the Producers and the APG will finalize a mutually acceptable agreement reflecting these terms. The level of construction funding required by the APG before start-up will be tied to firm shipping commitments.

## **MACKENZIE GAS PROJECT: PRELIMINARY INFORMATION PACKAGE**

### **Purpose of the PIP**

The purpose of the Preliminary Information Package (PIP), prepared by the proponents of the Mackenzie Gas Project, is to allow the relevant regulatory agencies to identify clearly the project components, their scale, location, and potential socio-economic and environmental issues. The PIP also identifies the proponents' approach to the socio-economic and environmental assessment process and provides a draft scope of the environmental assessment.

As a result, the regulatory boards and agencies will be able to:

- identify their roles and obligations in a coordinated regulatory assessment and approval process
- continue their development of a timely review process

A number of regulatory agencies and authorities are working together to develop procedures to coordinate the regulatory process. The overall project schedule is dependent on the result of this work. The *Cooperation Plan for the Environmental Impact Assessment and Regulatory Review of a Northern Gas Pipeline Project through the Northwest Territories* published in June 2002 describes the regulatory process and provides guidelines for the PIP.

### **Scope of the PIP**

The information in the PIP is intended to outline the scope of the proposed project for the regulatory agencies and identify the proponents' approach to the assessment and regulatory processes. The PIP is submitted by Imperial Oil on behalf of all project proponents.

The PIP includes preliminary information on, and discusses major elements of, the project, including:

- description of the field facilities, including facilities and drilling for Taglu, Parsons Lake and Niglintgak
- description of gas gathering and transmission facilities, including pipeline design, compression and proposed routing
- project construction plans, including logistics and related construction activities
- environmental and socio-economic features, such as proposed studies and field programs, and key issues
- communications and public consultation, as well as a description of industrial benefits
- commercial project matters, including a description of the Open Season Expression of Interest process, market need and capacity



### **Project Proponents**

This document outlines the initial plans for developing sweet natural gas from the three largest discovered onshore natural-gas fields in the Mackenzie Delta and transporting it by pipeline to market. Imperial Oil Resources, ConocoPhillips Canada, Shell Canada Limited, ExxonMobil Canada and the Aboriginal Pipeline Group (APG) are developing the project (APG's ownership interest is in the Mackenzie Valley Pipeline, which is a component of the Mackenzie Gas Project). Imperial will be the operator of the gas gathering and pipeline systems. Imperial, ConocoPhillips and Shell will operate the three fields.

### **Regulatory Schedule**

The Cooperation Plan regulatory schedule assumes that the formal applications are filed between six and 18 months after the PIP is submitted.

The formal regulatory applications, including the application for a Certificate of Public Convenience and Necessity (CPCN) for the Mackenzie Valley Pipeline and Development Plan Applications (DPAs) for natural gas fields and the natural gas gathering system are expected to be filed with the appropriate federal and northern boards and agencies in 2004.

### **Regulatory Process**

The submission of the PIP is expected to initiate a process with the National Energy Board (NEB) under the *National Energy Board Act* (NEBA), the *Canadian Oil and Gas Operations Act* (COGOA) and the *Canadian Environmental Assessment Act* (CEAA), as well as meeting the requirements of a project description under the CEAA and the *Inuvialuit Final Agreement* (IFA).

The project proponents also plan to apply for a Land Use Permit and a Water Licence for a barge landing site in the Mackenzie Valley region. These permit applications are in accordance with the *Mackenzie Valley Resource Management Act* (MVRMA) Preliminary Screening List requirement. It is believed this early application may require an environmental assessment and an environmental impact review.

### **Looking Forward**

Although one PIP is being submitted on behalf of the anchor field proponents, the gathering system proponents and the proponents of the Mackenzie Valley Pipeline, the proponents for each development component are planning to submit separate applications for regulatory approval related to their respective development components.

Developing the Mackenzie Delta natural gas reserves and constructing a Mackenzie Valley pipeline is a complex undertaking that requires a multi-year, phased effort, and may result in gas production starting between 2008 and 2010.

### **Major Project Components**

The Mackenzie Gas Project will likely consist of:

- natural gas field development facilities at Taglu, Parsons Lake and Niglintgak
- a gathering system to collect natural gas and associated NGLs from the three fields and ship them to natural gas compression and NGL facilities in the Inuvik area
- an NGL pipeline from the Inuvik area to Norman Wells
- a transmission pipeline system (the Mackenzie Valley Pipeline) from the Inuvik area south along the Mackenzie Valley via Norman Wells, to connect to the existing natural gas pipeline system in northwestern Alberta for delivery to market

The gathering system, transmission pipeline and associated facilities will be accessible for additional gas and NGLs from other natural gas fields in the Mackenzie Delta and other areas along or adjacent to the Mackenzie Valley area. These other projects would be the subject of other regulatory applications.

Current plans for the Mackenzie Gas Project are based on feasibility study and initial project definition work. The location and configuration of the project facilities will be subject to further technical and commercial studies, socio-economic and environmental impact assessments, and public input.

### **Accessing the PIP**

Copies of the Preliminary Information Package can be viewed at the offices of:

#### **Calgary**

National Energy Board

#### **Yellowknife**

Fisheries and Oceans Canada  
Government of the Northwest Territories

Northwest Territories Water Board  
Inuvialuit Settlement Region Joint Secretariat  
Mackenzie Valley Land and Water Board  
Indian Affairs and Northern Development  
Environment Canada - Northern Division  
Mackenzie Valley Environmental Impact Review Board

#### **Hull**

Canadian Environmental Assessment Agency  
Indian and Northern Affairs-Northern Pipelines

#### **Tuktoyaktuk**

Inuvialuit Land Administration

#### **Inuvik**

Gwich'in Land and Water Board  
Mackenzie Gas Project office

#### **Fort Good Hope**

Sahtu Land and Water Board

#### **Norman Wells**

Mackenzie Gas Project office

#### **Fort Simpson**

Mackenzie Gas Project office