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News Release

Mackenzie Delta Producer Group extends its work with Aboriginal Pipeline Group

Hay River, N.W.T., June 6, 2001 - The Mackenzie Delta Producers group -- Imperial Oil Resources, Gulf Canada Resources Limited, Shell Canada Limited and ExxonMobil Canada -- will continue to work cooperatively with the Aboriginal peoples of the Northwest Territories to further study the development of a Mackenzie Valley pipeline.

The producer group and the Aboriginal Pipeline Group (APG) tabled a memorandum of understanding at this week's Aboriginal Leaders Conference in Hay River. Not all of the Aboriginal groups represented at the conference were prepared to sign the proposed memorandum, which outlines mutually acceptable arrangements under which a Mackenzie Valley pipeline would proceed.

"We are encouraged by the support that was shown for the proposed memorandum, and we realize that work still needs to be done. We are breaking new ground, and the discussions are complex," said K.C. Williams, senior vice-president, Imperial Oil, on behalf of the producer group. "We are prepared to take the time necessary to understand the reasons why some parties were not prepared to sign the memorandum. We consider the support of the Aboriginal peoples of the North vital to any Mackenzie Valley pipeline development."

The producer group and the APG have been working cooperatively to define principles appropriate to guide future work in areas such as education, training, employment and business opportunities; land access; pipeline ownership; route selection (right of way); support through the regulatory process; environmental assessments; and abandonment.

"The producer group is encouraged by the progress we've made to date, and we appreciate the opportunity to participate in the Aboriginal Leaders Conference," Williams said. "We are grateful to the Aboriginal leaders for their hard work in helping to negotiate principles they believe represent the interests of their people."

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

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Note to Editors: Backgrounder Attached



Backgrounder

Memorandum of Understanding: Background and Highlights

Note: this Memorandum was not signed by some participants at the June 5-6 Aboriginal Leaders meeting in Hay River

Background

- The Memorandum of Understanding (MOU) has been reached between the Aboriginal Peoples of the Northwest Territories as represented by the Mackenzie Valley Aboriginal Pipeline Corporation (MVAPC), and the Mackenzie Delta Producers group (Imperial Oil Resources Limited, Gulf Canada Resources Limited, Shell Canada Limited and ExxonMobil Canada).
- The Aboriginal Pipeline Group (APG) wishes to ensure a secure, dependable, steady, long term source of income; to maximize benefits for the Aboriginal peoples of the Northwest Territories; and to promote their financial self-sufficiency to enable them to be meaningful participants in the economy and society of the Northwest Territories and Canada.
- The Producers are assessing the feasibility of developing their interests in natural gas resources in the onshore area of the Mackenzie Delta. A decision to proceed with the construction of a Mackenzie Valley pipeline will be dependent upon a number of factors, including natural gas markets, regulatory approvals -- and any conditions associated with those approvals -- fiscal terms and costs.
- The Producers and the APG have worked together to develop mutually acceptable arrangements for the economic and timely development of a Mackenzie Valley pipeline. The MOU documents principles the two parties consider appropriate for incorporation in arrangements to be negotiated between the parties with regard to a Mackenzie Valley pipeline.
- These arrangements include matters related to education, training, employment and business opportunities; land access; pipeline ownership; route selection (right of way); support through the regulatory process; cooperation and support on baseline socioeconomic and biophysical surveys; environmental assessments; and abandonment.
- The Producers and APG are supportive of a Mackenzie Valley pipeline to be developed in a manner that is safe, reliable, environmentally responsible and cost competitive.
- The Producers and the APG are also supportive of future resource development that enhances the economic life of a Mackenzie Valley pipeline.



Highlights

1. SCOPE OF MACKENZIE VALLEY PIPELINE

- The pipeline would start at the outlet of a facility located near Inuvik and extend to pipeline infrastructure in northwestern Alberta, and include intermediate compressor stations.
- Initial shipping needs of 800-1000 MCFD (million cubic feet per day) are contemplated from existing discoveries in the Mackenzie Delta totaling an estimated 5.8 TCF.
- The estimated proportion of this initial shipping need for each of the Producers is Imperial 50%, Gulf 25%, Shell 17% and EMC 8%.
- Pipeline access would be provided to other producers at commercial rates and terms that are subject to NEB review and approval.
- The scope of this proposed pipeline does not include, and the Memorandum of Understanding does not apply to, a natural gas transportation system that includes Alaska.

2. BENEFITS PROTOCOL

The Parties established a set of principles and processes to be utilized in developing benefits and related arrangements for a Mackenzie Valley pipeline.

3. ACCESS AGREEMENTS

The parties agreed to principles that apply to the processes and fees associated with obtaining the necessary access arrangements.

4. MACKENZIE VALLEY PIPELINE OWNERSHIP AND FINANCING

- The Producers' ownership interest in initial capacity in a Mackenzie Valley pipeline is equivalent to their shipping needs, i.e. 800-1000 MCF/D.
- The MVAPC's target participation and ownership in the pipeline is one-third (1/3). This target ownership interest is equivalent to a right to initial capacity of 400-500 MCFD.
- The Producers welcome the MVAPC as a pipeline owner participant as an equity investor with its own financing consistent with shipping commitments being arranged for MVAPC's share of initial capacity.

5. COOPERATION AND SUPPORT

- The Parties wish to obtain regulatory approvals in a timely manner, respecting the need to follow due process. The Parties will work together regarding environmental and socio-economic issues, pipeline route selection and benefits plans.
- The Parties agree to not support competing alternate proposals that are primarily for the transportation of Mackenzie Delta natural gas.

6. PIPELINE ABANDONMENT

The parties have agreed to cooperate in developing an approach to pipeline abandonment.