

PURPOSE OF THIS PRELIMINARY INFORMATION PACKAGE

In June 2002, various regulatory agencies with responsibility for assessing and regulating energy developments in the Northwest Territories released a document entitled *Cooperation Plan for the Environmental Impact Assessment and Regulatory Review of a Northern Gas Pipeline Project through the Northwest Territories* (the Cooperation Plan).

The purpose of this Preliminary Information Package (PIP), prepared by the proponents of the Mackenzie Gas Project, is to:

- outline the scope of the proposed project for the regulatory agencies, including identifying the project components, their scale, location and potential socio-economic and environmental issues
- identify the approach to the socio-economic and environmental assessment process and provide a draft scope of the environmental assessment
- enable the regulatory boards and agencies to:
 - identify their roles and obligations in the regulatory assessment and approval processes
 - continue their discussions on a timely review process

SCOPE OF THIS PIP

This PIP outlines the 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 (see [Figure 1-1](#)).

The pipeline would be anchored by the development of about 164 billion m³ (Gm³) (5.8 trillion cubic feet [Tcf]) of sweet natural gas from the three natural gas fields. These gas fields, referred to as the anchor fields, are:

- Taglu – containing an estimated 85 Gm³ (3 Tcf)
- Parsons Lake – containing an estimated 51 Gm³ (1.8 Tcf)
- Niglintgak – containing an estimated 28 Gm³ (1 Tcf)

The information is presented in two volumes:

- [Volume 1](#): Project Description
- [Volume 2](#): Project Maps

The five components of the Mackenzie Gas Project, representing each of the three natural gas fields, the gathering pipeline system and the Mackenzie Valley

SCOPE OF THIS PIP (cont'd)

Pipeline system, are being brought forward in a coordinated and timely fashion for the regulators to consider. 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.

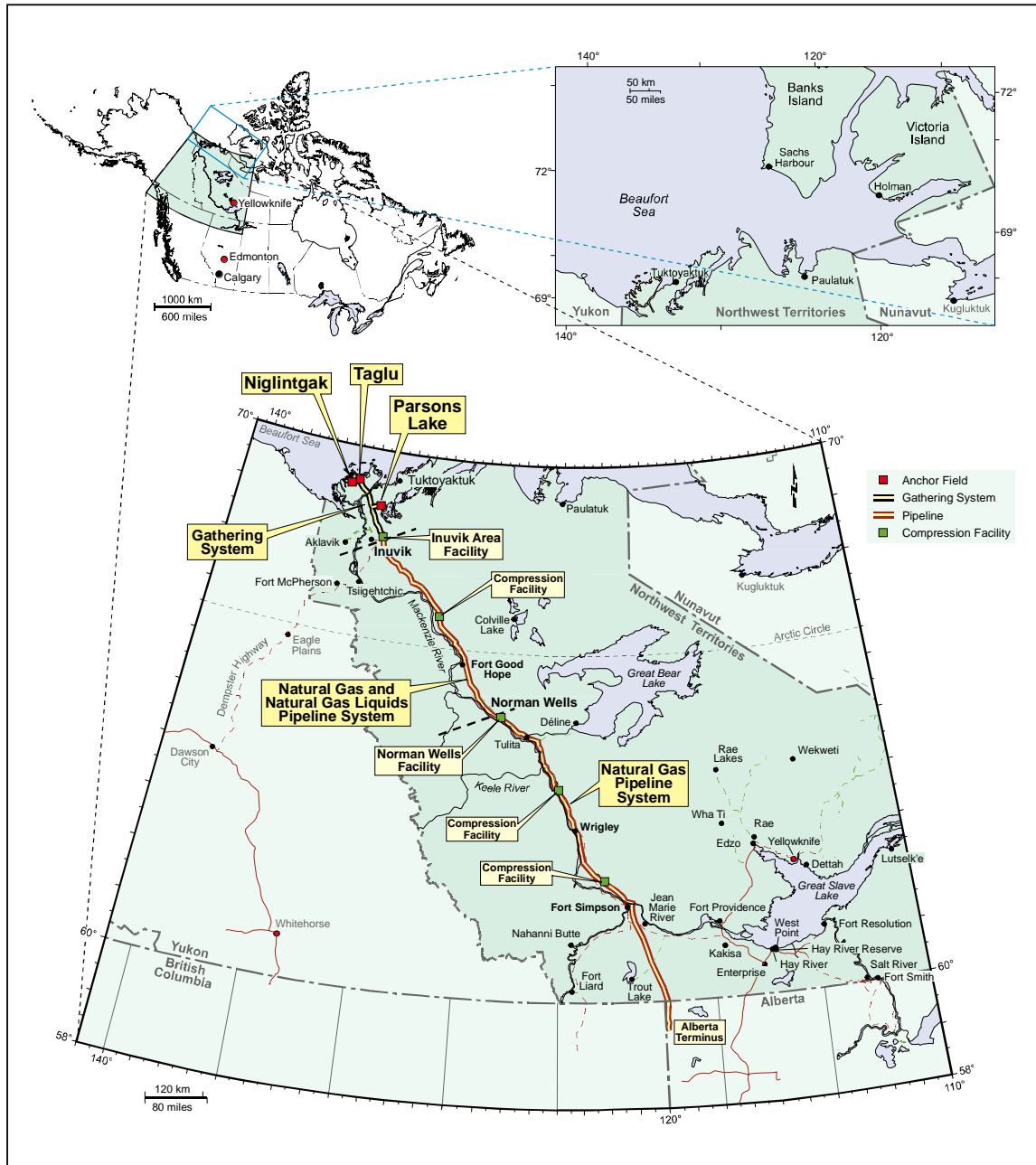


Figure 1-1: Project Location

PROJECT PROPONENTS

The Mackenzie Gas Project is being developed by:

- Imperial Oil Resources Ventures Limited, a subsidiary of Imperial Oil Limited (Imperial), which holds and operates the Taglu gas field and will have an interest in the gathering and Mackenzie Valley Pipeline systems
- the Aboriginal Pipeline Group (APG), which was formed by representatives of various aboriginal groups to represent the ownership interest of the aboriginal people of the Northwest Territories in the Mackenzie Valley Pipeline
- ConocoPhillips Canada (North) Limited (ConocoPhillips) and ExxonMobil Canada Properties (ExxonMobil), which jointly hold the Parsons Lake gas field and will have an interest in the gathering system and Mackenzie Valley Pipeline. The field is 75% held by ConocoPhillips and 25% held by ExxonMobil, and is operated by ConocoPhillips.
- Shell Canada Limited (Shell), which holds and operates the Niglintgak gas field and will have an interest in the gathering system and Mackenzie Valley Pipeline

The three anchor fields would be developed by the respective operator of each field. Ownership of the gathering and pipeline facilities by the field owners would be proportional to their capacity needs in the system.

The APG ownership interest in the Mackenzie Valley Pipeline will be based on such considerations as the contracted transportation volumes of natural gas that are incremental to those contracted from the three anchor fields. For the expected pipeline ownership, see [Section 1.3](#), Proponents' Corporate Profiles.

REGULATORY PROCESS

The Cooperation Plan that was issued in June 2002 by the Northern Pipeline Environmental Impact Assessment and Regulatory Chairs' Committee provides the framework for the regulatory approval process for the Mackenzie Gas Project.

Applications for regulatory approval are expected to be submitted in 2003. The regulatory process will require cooperation among a number of regulatory agencies, as described in the Cooperation Plan. Regulatory authorities are working to develop procedures to coordinate the regulatory process. The project schedule depends on the results of this work.

Developing natural gas from the onshore reserves in the Mackenzie Delta, and constructing the required gathering system and transmission pipeline system to connect with existing delivery systems in Alberta, will require a phased effort over several years. The feasibility study, completed in 2001, assessed the regulatory approval processes that the project proponents would have to follow to

REGULATORY PROCESS (cont'd)

meet federal, provincial, territorial and settlement area requirements. The need for collaboration between the many regulatory authorities, and their capacity to handle the significant number of applications that will be filed, were identified as critical success factors for the project.

MAJOR REGULATORY COMPONENTS

Preliminary Information Package

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

Early Project Licence and Permit Applications

The proponents of the Mackenzie Valley Pipeline also plan to seek water licences (Type B) and land use permits (Type A) for a barge landing and storage site at Camsell Bend on the Mackenzie River. This will be necessary to support the project's Construction Phase. The potential for these early project licence and permit applications to lead to a public hearing should enable the responsible northern authorities under the Mackenzie Valley Resource Management Act (MVRMA) to develop a coordinated approach to the application review and hearing processes. This suite of licence and permit applications for land and water use is in accordance with the MVRMA Preliminary Screening Requirements List regulation.

Field Development Applications

The individual operators for the Taglu, Parsons Lake and Niglintgak fields plan to file Commercial Discovery Declarations (CDDs) with the NEB in 2003. The CDDs will be followed by an individual Development Plan Application (DPA) for each of the natural gas fields. The individual field developers are responsible for filing these applications, as well as applications for supporting licences and permits.

Gathering System and Pipeline Development Applications

The gathering system proponents will file development plan applications for the gathering system and associated compression and natural gas liquid (NGL) facilities and pipeline.

The proponents of the Mackenzie Valley Pipeline will file an application for a Certificate of Public Convenience and Necessity (CPCN) for the Mackenzie Valley Pipeline.

Applications for the supporting construction and operating licences and permits that might require a public hearing as part of the regulatory approval process will also be filed. This should allow these hearings, if required, to be coordinated with the DPA and CPCN hearings.

Licences, Permits and Authorizations

Other licences, permits and authorizations required for the project include:

- participation and access agreements
- wildlife compensation agreements
- land use permits
- surface tenure agreements
- water use licences
- quarry permits
- bird sanctuary access permits
- authorizations under the Fisheries Act and the Navigable Waters Act

Between 400 and 500 applications for licences, permits and authorizations are expected to be filed during the definition, construction and start-up phases.

PROJECT SCHEDULE

The project schedule (see [Figure 1-2](#)) assumes that the major regulatory applications for the Mackenzie Gas Project are filed between six and 18 months after this PIP is submitted.

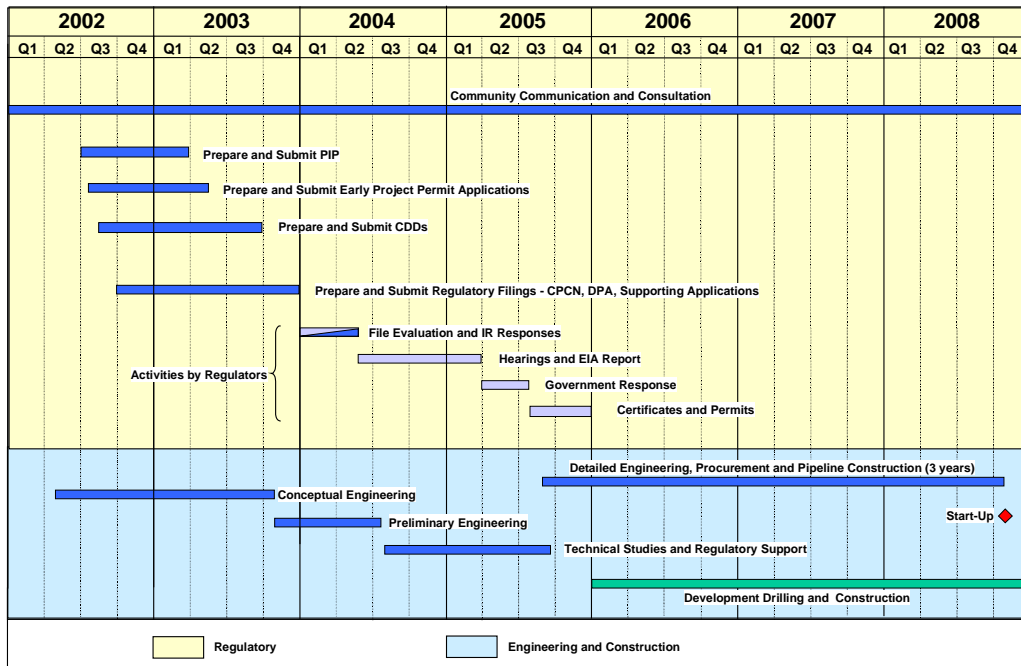


Figure 1-2: Mackenzie Gas Project Preliminary Schedule

PROJECT SCHEDULE (cont'd)

A phased approach is planned for filing applications that might result in public hearings.

The major regulatory applications, including applications for the CPCN and DPAs, would be filed in 2003. Supplementary material and applications for supporting licences, permits and authorizations would be filed with, or following, the initial regulatory submissions.

REGULATORY CONTACTS

Communications related to this Preliminary Information Package for the Mackenzie Gas Project should be directed to:

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PURPOSE OF THE PROJECT

The purpose of the Mackenzie Gas Project is to develop Mackenzie Delta onshore natural gas and deliver it to market by 2008.

The major project priorities are to design, construct and operate the project safely, to meet quality, cost and schedule expectations, while demonstrating care for the environment and creating a wide range of opportunities for aboriginal and other northern and Canadian residents.

MAJOR PROJECT COMPONENTS

The 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

Figure 1-3 illustrates the major project components.

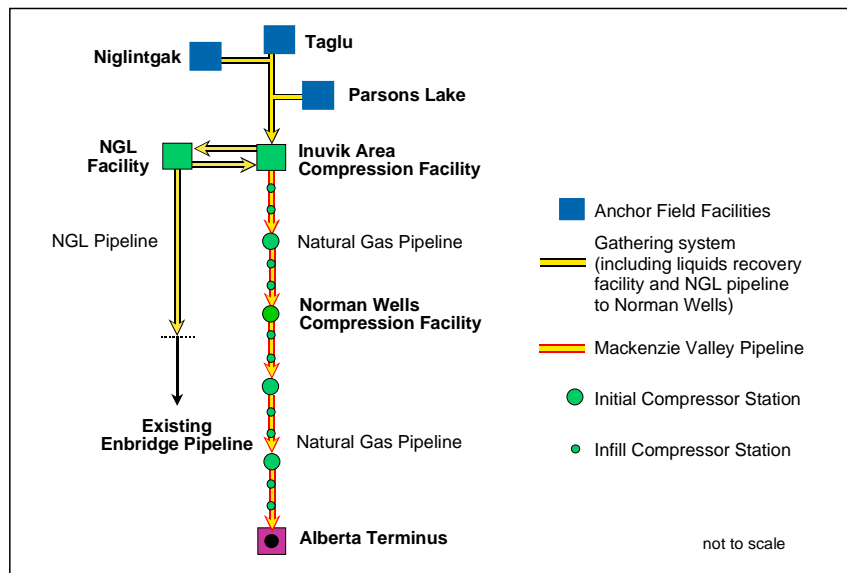


Figure 1-3: Major Project Components

MAJOR PROJECT COMPONENTS (cont'd)

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.

Public communication and consultation forms a central part of the planning process and is designed to respect the unique nature and cultures of the North. People in the neighbouring communities are being informed of project plans and feedback is being solicited.

EXPECTED INITIAL PRODUCTION RATES

The combined production rate of natural gas from the three anchor fields is expected to be between 23 and 28 Mm³/d (0.8 and 1 Bcf/d). The estimated production rate for NGLs from the anchor fields is between 2,000 and 2,500 m³/d (12,000 and 15,600 bbl/d).

The Mackenzie Delta and other areas in the North contain other discoveries of natural gas and are active areas of exploration. Therefore, the project proponents will provide an opportunity for other companies to commit volumes of natural gas and associated NGLs to be shipped through the gathering system and the Mackenzie Valley Pipeline system. Such commitments will be used in determining the initial capacity of the systems.

Based on a recent Open Season Expression of Interest process, nonbinding expressions of interest from potential shippers, including those from the three anchor fields, indicated that an initial gas volume of 34 Mm³/d (1.2 Bcf/d) might be available to be shipped through the Mackenzie Valley Pipeline.

PROJECT DEVELOPMENT PHASES

Feasibility Study Phase

In January 2000, aboriginal leaders from the Northwest Territories indicated that they wished to pursue a business relationship to maximize ownership of, and to benefit from, the Mackenzie Valley Pipeline.

In February 2000, the operators of the three anchor gas fields announced that they planned to conduct a study to determine the commercial feasibility of developing Mackenzie Delta natural gas. This study was to evaluate the feasibility of

commercially developing the three largest onshore natural gas fields, and transporting the natural gas to market via pipeline.

The technical and economic viability of such a project was of renewed interest because several conditions that affected the commercial feasibility had recently changed. For example:

- natural gas markets had improved and were integrated across North America
- pipeline systems in Western Canada were being expanded, thereby increasing pipeline capacity
- technology and construction techniques had improved
- some aboriginal land claims had been settled
- support from interested northern parties for a Mackenzie Valley pipeline had increased

Developing the Mackenzie Delta natural gas reserves and constructing the Mackenzie Valley Pipeline require a multi-year phased effort (see [Figure 1-4](#)). This could result in natural gas production starting in 2008.

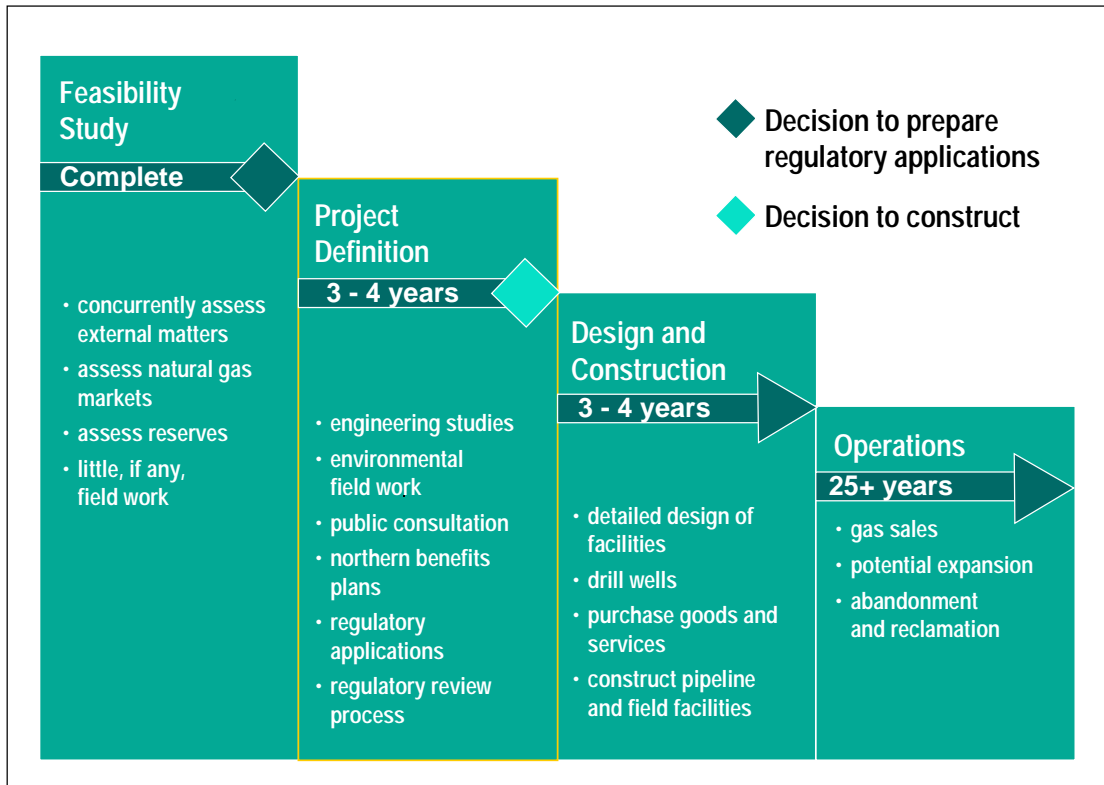


Figure 1-4: Mackenzie Gas Project Development Phases

Project Definition Phase

In January 2002, plans to proceed to the Project Definition Phase were announced. These plans include conducting conceptual engineering studies, preparing applications for regulatory approval, including the associated socio-economic and environmental impact assessments, and developing plans for environmental protection and monitoring. Expenditures required to complete this phase are estimated at about \$250 million. Timing depends on several factors, including the regulatory review process.

Design and Construction Phase

The decision to proceed to construction of the project can only be made at the end of the Project Definition Phase. The decision will consider the terms and conditions of regulatory approvals, if granted, the results of engineering, commercial and public consultation activities, and other factors such as:

- natural gas markets
- fiscal terms
- the cost of construction, operation, abandonment and reclamation

Detailed design and construction is expected to take three to four years.

Operations Phase

The first natural gas production could be shipped through the gathering and transmission pipeline systems in 2008, if all necessary regulatory approvals for the field development, gathering and transmission pipeline systems have been received.

PUBLIC COMMUNICATION AND CONSULTATION

The project proponents are committed to a public communication and consultation program that provides aboriginal and other northern residents, and other Canadians, with an opportunity to influence the project planning process. The communication and consultation program will help to identify opportunities to participate in the employment and business created by the project.

The project's communication and consultation process is intended to be open, two-way, timely, respectful and responsive. Input will continue to be sought from interested individuals, communities and associations during all phases of the project.

SOCIO-ECONOMIC AND ENVIRONMENTAL ASSESSMENTS

A socio-economic impact assessment (SEIA) is being conducted. This assessment considers the project's economic, social, community and cultural effects and the

use of traditional knowledge, and will recommend mitigation measures. Public input is an important part of this assessment and the related benefits plan.

An environmental impact assessment (EIA) is also being conducted. This work began in 2001 with the collection of baseline biophysical data. Work on the data collection and other EIA studies continued through 2002 and into 2003.

INDUSTRIAL BENEFITS

The project proponents expect to invest between \$4 billion and \$5 billion in the field development, gathering system, transmission pipeline, and compression and NGL facilities. This will provide both direct and indirect benefits to the people in the North, as well as to other Canadians.

The direct benefits include employment and business opportunities during the definition, construction and operation phases of the Mackenzie Gas Project.

The indirect benefits include employment and business opportunities in:

- service, transportation and other industries required to support the project
- natural gas exploration and development with companies involved in developing other projects

Benefits will also flow to governments in the form of taxes and royalties.

The APG's ownership interest in the Mackenzie Valley Pipeline and the payment of associated access fees will also contribute to enhancing the aboriginal benefits from the pipeline.

IMPERIAL OIL RESOURCES VENTURES LIMITED

Imperial Oil Resources Ventures Limited is a wholly owned subsidiary of Imperial Oil Limited (Imperial). Imperial is one of Canada's largest corporations and has been a leading member of the country's petroleum industry for more than a century. Imperial is one of the largest producers of crude oil in the country and a major producer of natural gas.

Imperial is also the largest refiner and marketer of petroleum products, sold primarily under the Esso brand, with a coast-to-coast supply network.

Imperial's long history of successful operations in Canada is based on responding effectively to the expectations of communities, customers, employees and shareholders. Imperial is committed to maintaining the highest standards of ethics, safety, health and environmental care.

Imperial, which has been actively exploring and producing petroleum resources in northern Canada for more than 80 years, including the ongoing crude oil production operation at Norman Wells, is the designated operator of the Mackenzie Valley Pipeline, gathering system, compression and NGL facilities for the Mackenzie Gas Project.

ABORIGINAL PIPELINE GROUP

Representatives of various aboriginal groups in the Northwest Territories formed the Aboriginal Pipeline Group (APG). Currently, the APG is composed of the Mackenzie Valley Aboriginal Pipeline Corporation, which was formed in 2001 for the sole purpose of acting as general partner in the Mackenzie Valley Aboriginal Pipeline Limited Partnership. When formed, this partnership will hold the ownership interest of aboriginal people of the Northwest Territories in the Mackenzie Valley Pipeline. The Mackenzie Valley Aboriginal Pipeline Limited Partnership is expected to be owned primarily by organizations controlled by the Deh Cho, Sahtu, Gwich'in, Inuvialuit, Akaitcho, Dogrib, Salt River First Nation, North Slave Métis Alliance and South Slave Métis Alliance.

The APG is targeting participation and ownership of 33.3% in the Mackenzie Valley Pipeline.

On October 15, 2001, the Mackenzie Valley Aboriginal Pipeline Corporation signed a Memorandum of Understanding (MOU) with the other proponents. The MOU was also endorsed by numerous representatives of aboriginal groups in the Northwest Territories. This MOU documented the principles considered appropriate for incorporation into arrangements to be negotiated among the various parties for developing a potential Mackenzie Valley pipeline, and was an important milestone in northern development.

CONOCOPHILLIPS CANADA (NORTH) LIMITED

ConocoPhillips Canada (North) Limited (ConocoPhillips) is an indirect, wholly owned subsidiary of ConocoPhillips Canada Limited.

ConocoPhillips Canada Limited is one of Canada's largest oil and natural gas exploration and production companies. The company's diverse mix of oil and gas exploration and development opportunities stretch from Western Canada to the frontier regions of the Mackenzie Delta and offshore Atlantic Canada. ConocoPhillips Canada Limited is a leading marketer and distributor of crude oil, natural gas and NGLs.

ConocoPhillips Canada Limited is committed to the principle of sustainable development and is a recognized leader in the area of environmental stewardship. The company conducts business within the framework of its core values – safety, people, integrity, responsibility, innovation and teamwork.

SHELL CANADA LIMITED

Shell Canada Limited (Shell) is one of the largest integrated petroleum companies in Canada. The company is a major producer of natural gas, NGLs and bitumen, and the country's largest producer of sulphur. Shell is also a leading manufacturer, distributor and marketer of refined petroleum products.

Shell is committed to the principles of sustainable development, which means integrating economic, environmental and social considerations into all of its business activities.

EXXONMOBIL CANADA PROPERTIES

ExxonMobil Canada Properties is a partnership of ExxonMobil Canada Ltd. and its wholly owned subsidiary ExxonMobil Resources Ltd.

ExxonMobil Canada Ltd. (ExxonMobil) is one of Canada's leading energy producers with a leadership position in key exploration basins, and is a reliable producer of energy products to customers across North America. Company operations produce conventional crude oil, heavy oil, natural gas and NGLs.

ExxonMobil is committed to responsible stewardship. The company believes that with superior safety, health and environmental performance it can earn the public's trust, build respectful relationships with its neighbours and achieve success.

PIPELINE OWNERSHIP

Ownership of the Mackenzie Valley Pipeline is expected to be structured as an unincorporated joint venture (see [Table 1-1](#)).

Table 1-1: Mackenzie Valley Pipeline Expected Ownership Distribution

Owner Organization	Ownership (%)
Imperial Oil Resources Ventures Limited	34.4
Aboriginal Pipeline Group	33.3
ConocoPhillips Canada (North) Limited	15.7
Shell Canada Limited	11.4
ExxonMobil Canada Properties	5.2
Total	100.0