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**Where Will Gas from the Mackenzie Delta Go?
Bitumen Development!**

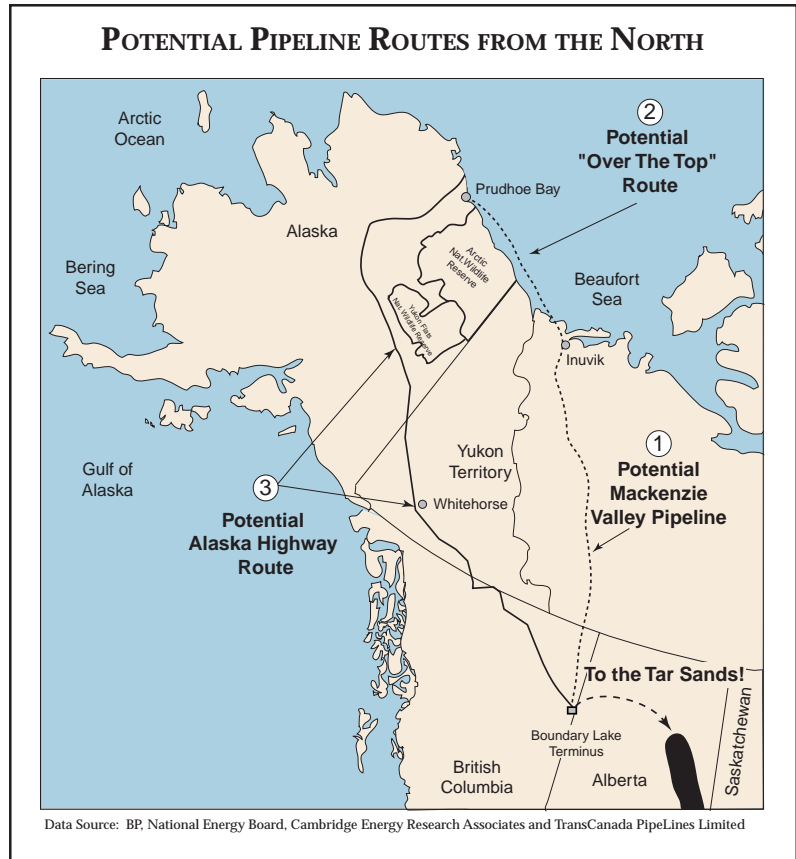
October 19, 2001

Producers Sign Pipeline Agreement With First Nations. The Mackenzie Valley Producer Group, which consists of Imperial Oil, Conoco Canada, Shell Canada and ExxonMobil Canada, announced on Monday they signed a memorandum of understanding (MOU) with the First Nations of the Northwest Territories. The MOU provides a framework to pursue the potential development of the Mackenzie Valley pipeline which can transport Mackenzie Delta gas to markets in Canada and access pipelines to The United States. The potential pipeline route as well as other potential routes from Alaska are shown in the map to the right. The First Nations were represented by the Mackenzie Valley Aboriginal Pipeline Corporation which is an entity that will hold the interests in the pipeline on behalf of the First Nations. The MOU addresses several issues including employment, training, education and pipeline ownership. Note that this is not a formal announcement of the pipeline work beginning, as the Producer Group is still working on the feasibility study and the decision to begin the regulatory process is expected to be made by the end of this year.

Initial Volumes For The Producer Group Of 800 to 1,000 Mmcf/d. Imperial is expected to have the highest production rates of the Producer Group with our estimate of approximately 500 Mmcf/d of capacity, which is based on 3.0 Tcf of reserves in the Taglu field (100% IMO) and assuming a 15 year reserve life index (RLI). Using 1.0 Tcf of reserves in the Niglintgak field (100% SHC) and the 15 year RLI, we estimate Shell will have 180 Mmcf/d of productive capacity. The 1.8 Tcf Parsons Lake field (75% Conoco and 25% ExxonMobil Canada), will add approximately 250 Mmcf/d for Conoco and 80 Mmcf/d for ExxonMobil Canada. The location of the Taglu, Niglintgak and Parsons Lake fields are shown in the map on page two.

As part of the MOU the First Nations has a target participation in the pipeline of one third, or 400 to 500 Mmcf/d. This is in addition to the Producer Group's volumes of 800 to 1,000 Mmcf/d (for a total initial production of 1,200 to 1,500 Mmcf/d in the pipeline). In addition to financing, the First Nations are also responsible for providing gas volumes which will come from new discoveries in the Delta by either the Producer Group or other parties, such as AEC, Anadarko, Anderson, BP, Burlington and Petro-Canada.

Some Northern Gas Will Likely Be Used For Bitumen Projects. It is important to note that three producers in this pipeline group, Conoco, Imperial and Shell, all have large bitumen projects that are either on production or expected to be brought on production over the next ten years which require significant amounts of natural gas. The Northern gas provides Conoco, Imperial and Shell either a hedge against higher gas prices or actual CH₄ molecules to be used in their bitumen operations.



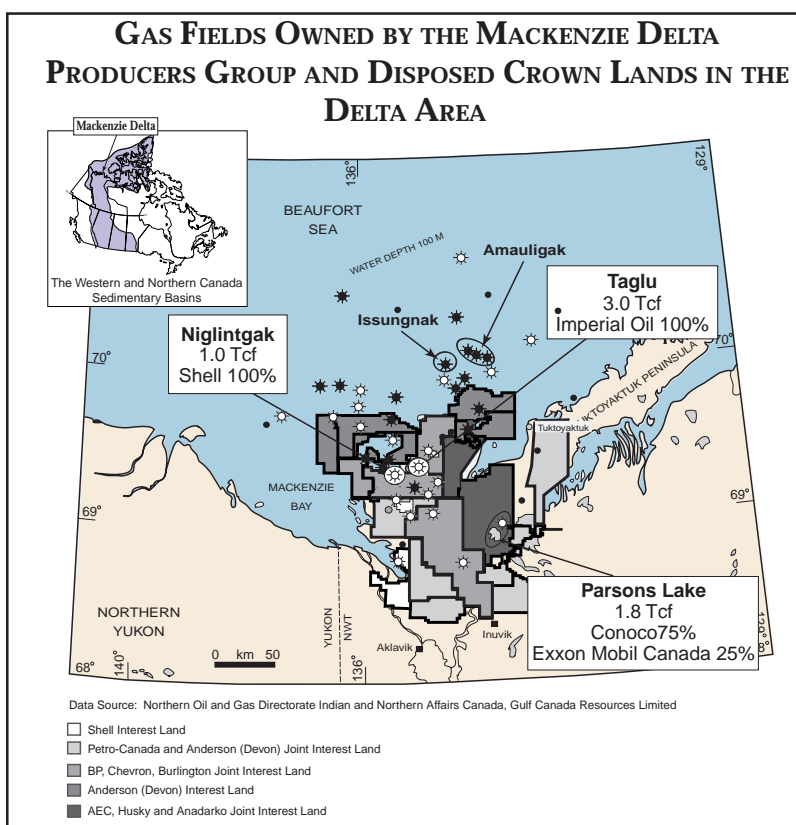
John R. Mawdsley, P.Geol.

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Imperial's bitumen production from Cold Lake is expected to grow to 180,000 B/d by 2010 which will consume approximately 150 Mmcf/d of gas and its 25% interest in Syncrude will require 75 Mmcf/d by 2010. This totals 225 Mmcf/d for these two operations, almost half of the production Imperial may produce from the Mackenzie Delta. Conoco's Surmont project could be producing 75,000 B/d by 2010 which would consume approximately 65 Mmcf/d of gas, or 25% of the Company's Mackenzie Delta production volumes.

Shell's Athabasca Oil Sands Project (SHC 60%), which is planned to come on-stream in approximately one year, may be producing as much as 225,000 B/d (gross) of bitumen by 2010 if a second phase of development goes ahead. Including the gas required at the upgrader in Edmonton, this project would consume over 140 Mmcf/d. Shell is considering the development of another 200,000 B/d mine which, including associated upgrader capacity, would require another 125 Mmcf/d of gas. This would total 265 Mmcf/d for these projects, significantly more than our estimate of 180 Mmcf/d the Company may be producing from the Mackenzie Delta.



From the perspective of the bitumen business as a whole, including all in-situ and mining operations, we expect that the demand for gas from these projects and the associated upgraders will be almost 1,500 Mmcf/d by 2010. Note that this is significantly more than the 800 Mmcf/d to 1,000 Mmcf/d of initial rates that the Mackenzie Delta may provide. **In other words, we need all the Northern gas for the development of our immense bitumen resource – and more.**

Do the Current Low Gas Prices Concern the Producer Group? Simply, No. The Producer Group is concerned about what gas prices will be in the years following when the pipeline comes on-stream. We (and they also must) believe that the demand for gas in North America will increase in the coming decades due not only to bitumen development but also for new power generation projects and growth in traditional markets. This will occur at the same time as gas becomes more difficult to find, more expensive to bring on-stream and has steeper declines. As a result, we

believe that gas prices will exceed US \$3.50 per Mcf for the longer term, a price that will make it feasible to build the pipeline from the Mackenzie Delta to markets in Canada and the "Lower 48".

The Debate Continues: Which Pipeline Will Be Built First? As we have discussed in the past, we expect that both the Mackenzie Valley and Alaska Highway pipelines will be built; the demand for gas will be there for both projects. Although the "over the top" route might be less expensive than the Alaska Highway route, we do not believe it will be built due to political and environmental reasons. At this point, the Mackenzie Valley route and the Producer Group appear to have more momentum than the Alaska Highway route. The Mackenzie Delta Producer Group is expected to decide by the end of the year if they will begin the regulatory process while the Prudhoe Bay producers have recently stated that, under current conditions and fiscal structure, no pipelines from Alaska are economic. We believe that the Mackenzie Delta Producer Group will decide to initiate the regulatory process early next year and the gas could be on-stream in five to seven years. This is clearly positive for the Producer Group as well as the Canadian pipeline companies (TransCanada Pipelines and Enbridge) that will likely become involved in the pipeline construction and operation.