



Imperial Oil Limited  
237 - 4<sup>th</sup> Avenue S.W.  
Calgary, AB T2P 0H6

# News Release

## **Mackenzie Delta Producers Group signs Memorandum of Understanding with Aboriginal Leaders**

**Yellowknife, N.W.T., October 15, 2001** - The Mackenzie Delta Producers Group -- Imperial Oil Resources, Conoco Canada Limited, Shell Canada Limited and ExxonMobil Canada -- have today signed a memorandum of understanding with the Aboriginal peoples of the Northwest Territories, as represented by the Mackenzie Valley Aboriginal Pipeline Corporation (MVAPC), that provides a framework for the parties to move forward on economic and timely development of a Mackenzie Valley pipeline.

The memorandum outlines principles that the parties agree are appropriate to guide future work. These principles address such matters as education, training, employment and business opportunities; pipeline ownership; route selection (right of way); land access; support through the regulatory process; environmental assessments; and abandonment.

"The Producers Group values its relationship with the Aboriginal communities, and this memorandum establishes the framework for moving forward. It lays the groundwork for a business relationship beneficial to the peoples of the North and to resource developers," said K.C. Williams, senior vice-president, Imperial Oil, on behalf of the producer group. "We are breaking new ground, and have come a long way in a short period of time in understanding one another. We look forward to working with the MVAPC and Northern communities on the arrangements outlined in this Memorandum of Understanding."

The Memorandum of Understanding was developed jointly with the Aboriginal Pipeline Group, representing the Aboriginal peoples of the Northwest Territories. The memorandum was tabled at a meeting of Northern Aboriginal leaders at Hay River, N.W.T. in June 2001. At that meeting, representatives from five of the six Aboriginal regions in the Northwest Territories signed the memorandum, while leaders from the Deh Cho region indicated they wanted further time to study and review it with their individual communities. Since then, the Producers Group has participated with the Aboriginal Pipeline Group at Deh Cho assemblies at Kakisa and Wrigley, N.W.T. and met with a number of Deh Cho communities to help further their understanding of the memorandum. Similar reviews were conducted, where requested, in other regions. Williams said the Producer Group is committed to continuing the dialogue.

"The memorandum has substantial support from the Aboriginal people of the Northwest Territories, including most recently the Deh Cho community of Fort Liard. The leaders who have indicated support represent about three-quarters of the Aboriginal people of the Northwest Territories," said Williams. "We also recognize that not all leaders have yet decided to sign, and we are sensitive to and respect their concerns."

Based on progress to date on the feasibility study, the Producers Group is selectively advancing activities such as furthering conceptual engineering and the gathering of baseline biophysical data. Before proceeding to the regulatory and project definition phase, the Producer Group will conclude other aspects of the feasibility study, such as the negotiation of the necessary commercial agreements. These initiatives should position work to begin on the development of regulatory applications later this year.



**Imperial Oil**

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

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For further information, contact:  
Public Affairs - Imperial Oil Limited  
403-237-2710

***Note to Editors: Backgrounder Attached***



Imperial Oil Resources  
237 - 4<sup>th</sup> Avenue S.W.  
Calgary, AB T2P 0H6

# Backgrounder

## Memorandum of Understanding: Background and Highlights

*Note: this Memorandum was signed in Yellowknife  
by the Mackenzie Delta Producers Group and representatives of the Aboriginal  
Pipeline Group*

### Background

- The Memorandum of Understanding (MOU) was developed jointly by the Aboriginal Pipeline Group, representing the Aboriginal peoples of the Northwest Territories, and the Mackenzie Delta Producers group (Imperial Oil Resources Limited, Conoco Canada Limited, Shell Canada Limited and ExxonMobil Canada).
- The Aboriginal Pipeline Group (APG) wishes to maximize benefits for the Aboriginal peoples of the Northwest Territories; to ensure them a secure, dependable, steady, long-term source of income; 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; pipeline ownership; route selection (right of way); land access; 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 proposed 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.
- The pipeline is expected to be sized to accommodate the Producers' initial capacity, plus additional supplies from other future discoveries.
- The Producers' 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%, Conoco 25%, Shell 17% and EMC 8%.
- The MVAPC's target participation ownership in the initial pipeline capacity is one third (1/3) and is incremental to the Producers' initial capacity.
- Pipeline access for additional gas 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 and processes that apply to the determination of 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, which is incremental to the Producers' initial capacity.
- Gas volumes to support the MVAPC's share of capacity would be sourced from other existing Mackenzie Delta and Mackenzie Valley discoveries, or from new exploration activity currently underway in these areas.
- 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.