



Imperial Oil

## Raymond James Oil Sands of Canada Conference

### **Imperial Oil – A Leader in Canada’s Oil Sands**

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**Imperial Oil Limited**

**May 8, 2006**

- Good morning. I'd like to thank Raymond James for the opportunity to speak to you today and to share with you Imperial Oil's opportunities in Canadian oil sands.
- Following my remarks, I'd be pleased to address your questions.

## Cautionary Statement

**This presentation contains forward-looking information on future production, project start-ups and future capital spending. Actual results could differ materially due to changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors.**

**Oil-equivalent barrels (OEB) may be misleading, particularly if used in isolation. An OEB conversion ratio of 6,000 cubic feet to one barrel is based on an energy-equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.**

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- Before we begin, I want to remind you that the presentation this morning contains forward-looking information and actual results could be different as a result of many factors -- which are noted on this slide.

## Overview

**Imperial Oil's leading oil sands position**

**Cold Lake thermal in-situ**

**Syncrude mining**

**Proposed Kearl oil sands mining project**

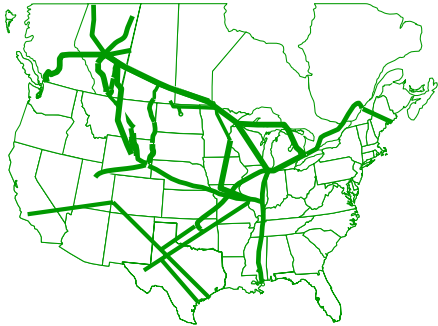


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- Imperial Oil has a leading position in Canadian oil sands.
- In terms of current production -- from our wholly-owned Cold Lake thermal in situ development and our 25% share in Syncrude -- or our future opportunities spearheaded by the proposed Kearl oil sands mining project -- Imperial commands a substantial and significant position in the development of this vast resource.

## Canada's Distinct and Advantaged Role

Crude Oil



- Extensive pipeline infrastructure
- Secure source of future supply

- Only G-7 country with hydrocarbon growth potential
- Sound fiscal regime

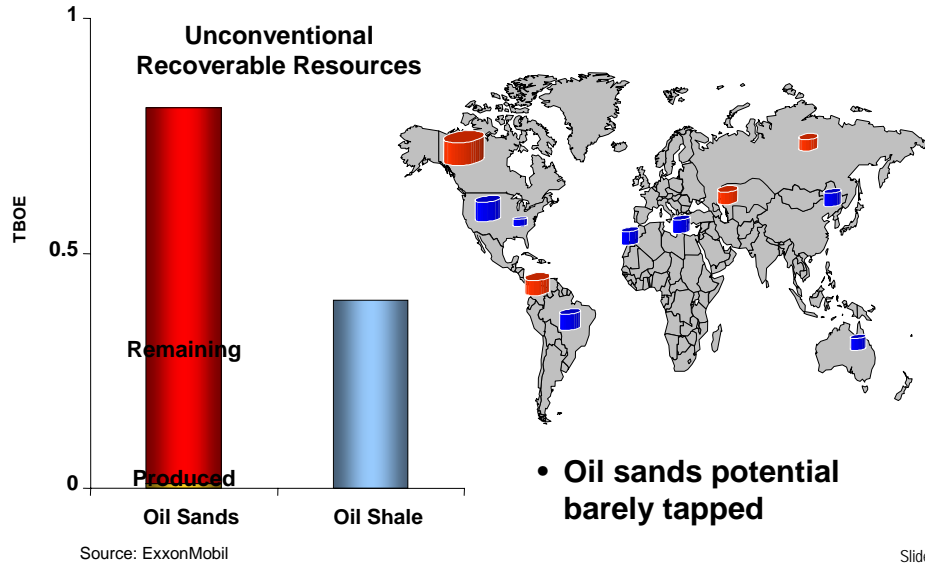
Natural Gas



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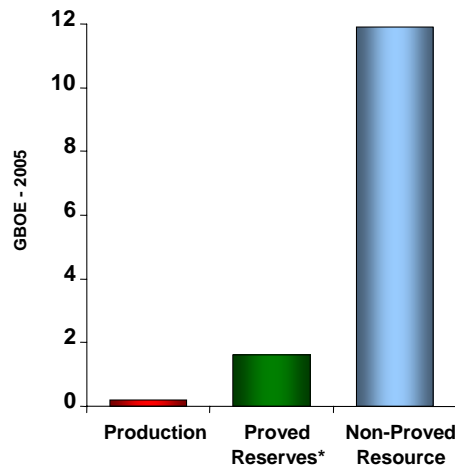
- The demand for energy is tightly linked to population growth and ultimately, economic growth. Looking forward to the increasing demand for energy globally and here in North America, Canada and its petroleum industry are uniquely positioned to take advantage of the opportunities to meet growing demand.
- Canada is the only G-7 country with significant potential for growth in hydrocarbon production. It has the resource base to support increased production -- and the educated, skilled workforce and industrial capacity to develop the resource efficiently.
- Canada's fiscal regime is sound, consistent, and not prone to sudden "overnight" changes in the regulatory framework.
- An efficient, reliable pipeline infrastructure already connects the Canadian and US markets for oil and natural gas, providing producers with access to customers continent-wide.
- And, notably important in a world of continuing geopolitical uncertainty and instability, Canada represents a uniquely secure source of future energy supply -- in both a physical and political sense. Security is further strengthened by important multilateral arrangements like NAFTA.

## Canada's Oil Sands a Major Resource



- This chart shows a global view on the recoverable resources for oil sands (in red) and oil shale resources (in blue).
- While both are very important, the more significant of these are the oil sands, with about 800 billion barrels of recoverable resource. As you can see from the map, the largest single deposits are in Canada and are largely untapped compared to their ultimate potential.
- Unlike much of the potential conventional resources to be produced, we know exactly where the oil sands resources are -- there is no exploration risk. And we already have the technologies needed to develop them. However, we will continue to refine and improve these technologies, making the resources both more competitive and increasing recovery rates.
- Oil sands are already making a contribution to world supply today and one that will become increasingly important as demand grows.
- I'd now like to share with you the major role Imperial has played in the commercial development of Canada's oil sands over the past several decades, and where our future plans will take us.

## Developing a Leading Canadian Resource Base



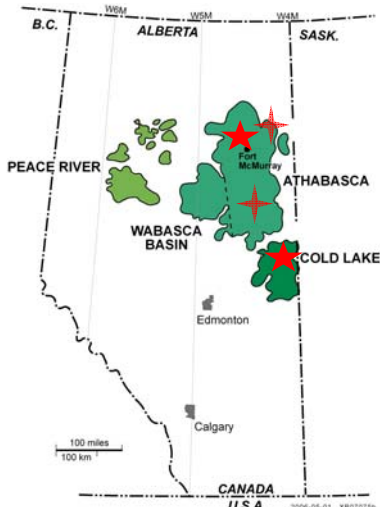
\* Before year-end price/cost revisions

- High quality, diverse portfolio
- Reserve Life Index – 14 years
- ‘Resource’ to ‘reserve’ actions
  - Syncrude expansions
  - Mackenzie and Kearl
  - New technology applications; Cold Lake and other heavy oil

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- Imperial Oil is developing one of Canada's leading resource bases -- a high quality, diverse portfolio of opportunities which will enable us to sustain long-term volume growth.
- This chart shows our annual oil and gas production on an oil-equivalent basis for 2005 at over 115 million barrels shown in the red bar. By comparison, our net proved reserves were over 1.6 billion barrels shown in the green bar -- one of the largest and highest quality proved reserves base in Canada with a reserve life index of 14 years.
- But the proved reserves are only a small portion of our total resource base. At the end of 2005, we had a non-proved resource of about 12 billion barrels, shown in the blue bar, of which over 10 billion barrels are in the oil sands. We are pursuing many opportunities, including the Mackenzie Gas Project, to migrate these resources to reserves and ultimately production but my comments today will focus on how we are developing our oil sands opportunities.

## Significant Oil Sands Position



- Active in the oil sands since early 1960's
- Premier lease position and quality resource

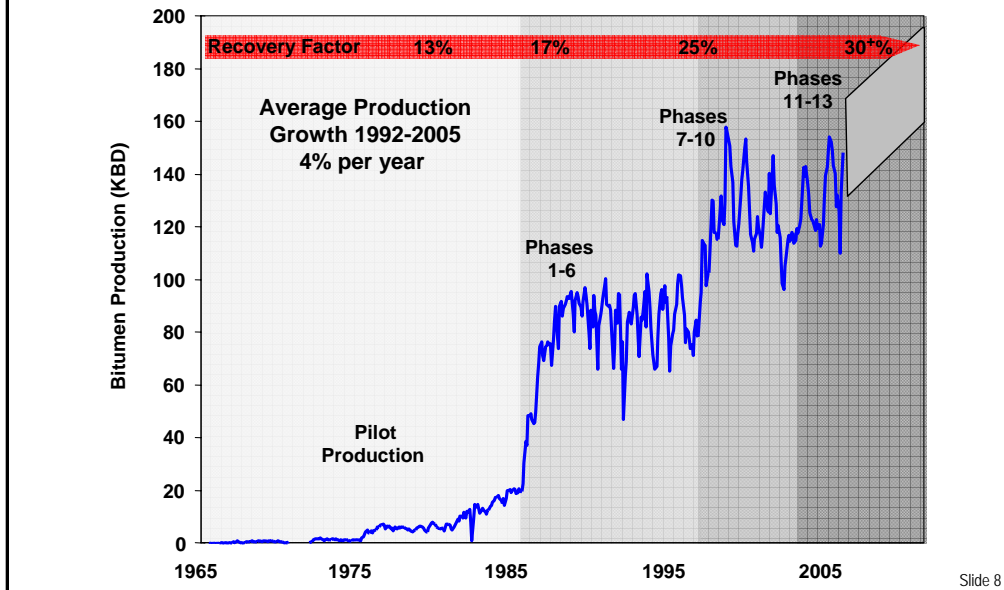
	Oil Sands Land Holdings (K acres, net)	Oil Sands Non-proved Resource (GB)
In situ	361	3
Mining	104	7
<b>Total</b>	<b>465</b>	<b>10</b>

-  Current oil sands production
-  Undeveloped oil sands lease locations

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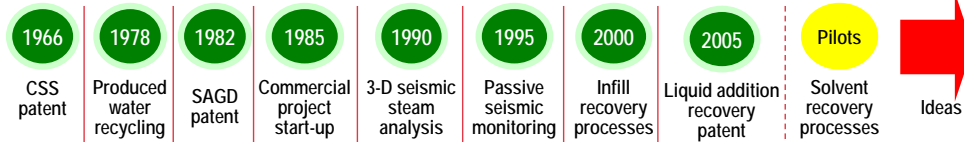
- Imperial's oil-sands assets are enormous in size and scope, and offer strategic long-term growth opportunities for the company.
- We have been a pioneer in the development of Alberta's vast oil sands resources for many decades -- in both in-situ and mining projects. In fact we have been active in some of the first oil sands developments in the early 1960s.
- This map shows the three major oil sands deposits and illustrates how we are positioned in both current oil sands production and in undeveloped oil sands leases.
- Imperial holds about 465,000 acres of oil sands leases including Cold Lake -- the largest in-situ oil sands operation in the world and the premier in-situ project in Canada. This asset is wholly owned and operated by Imperial.
- Imperial also has extensive oil-sands interests which are currently undeveloped -- mostly in the Athabasca area of Alberta.

## Cold Lake – A Premier In-Situ Asset



- Cold Lake is a premier oil sands asset, and produces as much as all other Canadian in-situ thermal operations combined.
- Net proved reserves at the end of 2005 were about 700 million barrels, enough for 15 years of production at today's rates. There is considerable non-proved resource in addition to proved reserves and we will continue to develop this site in a measured, productive way.
- We have taken a deliberate, phased approach to developing this high-quality asset -- bringing production on in stages over the past 20 years. This has allowed for advances in technology -- many of them developed and patented by Imperial -- to be fully incorporated into new production phases.
- You can see from this graph changes in production as we brought on more phases since commercialization in the mid-1980's.
- Volume has come on in measured, staged additions and has been absorbed into the North American refining markets. We currently market Cold Lake blend to refineries here in Canada -- including our own Sarnia, Nanticoke and Strathcona refineries -- as well as refineries in PADD II (Chicago) and PADD IV (Rocky Mountain). And, with the recent reversal of the 20 inch ExxonMobil pipeline south from Patoka, Illinois, Canadian heavy crudes can now reach the Gulf Coast -- the single largest high conversion market in North America.
- We have been active at Cold Lake since the mid-1960's when we started up our first pilot plant on the site producing an average of 150 barrels a day. Currently we are producing 150,000 barrels a day from 13 commercial phases.
- In 2002, we brought on phases 11-13 – on-schedule and on-budget – which included a 170 megawatt co-generation plant that meets the full site electricity needs. This project was named "Project of the Year" by *Alberta Construction* magazine for 2003.
- Across the top of this graph are listed the changes in bitumen recovery factor over the last 20 years. The increase from 13% to 30+% is a direct result of our continued focus in research and technology development and our growing expertise in thermal operations.

## Cold Lake – Technology in Action



**Enhanced Recovery Pilot**

- **Enhanced recovery pilot in operation since 2002**
- **Commercial development 2006/07**

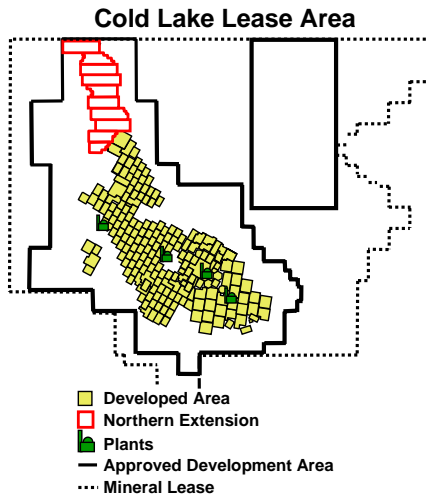
**Alternate Recovery Technique**

- **Pilot to be initiated 2006**

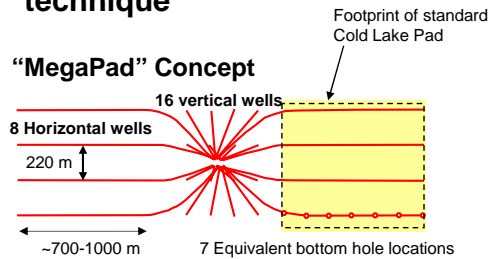
- The circles at the top of this chart highlight the numerous technology advances that we have made at Cold Lake since the 1960's.
- Imperial invested \$250 million on research and technology development before the start-up of the commercial project in 1985. Since then, expenditures have averaged more than \$25 million per year at our research centre in Calgary and in field pilots at Cold Lake. This sustained commitment to development of technology is a unique competitive advantage for Imperial Oil.
- Many may not be aware that Imperial invented and held patents on both cyclic steam stimulation (CSS) and steam assisted gravity drainage (SAGD), the processes underpinning all commercial in-situ thermal production in Canada today.
- Our on-going commitment to technology is unwavering. Our most recent invention late last year was a patented process to enhance CSS recovery with liquid addition. In the bottom left is a picture of this pilot - in operation since 2002. Results are encouraging and plans for larger-scale implementation are now being developed. This technology has the potential to increase recovery in areas already developed, using existing wells and facilities.
- The diagram on the right is a schematic representing another recovery process we are also investigating which will be pilot tested on company leases in the near future. This pilot is focused on improving the economics for resources where SAGD is currently the leading recovery technology for development. This is an enhancement to the SAGD process which was invented by Imperial in 1982. The enhancement involves the addition of solvent to the injected steam and is currently being tested in scaled models at Imperial's laboratory in Calgary.
- In addition to our in-house research, we also have access to global research through our relationship with ExxonMobil, our major shareholder and the leader in energy development worldwide. And in 2004, we established the Imperial Oil Centre for Oil Sands Innovation at the University of Alberta. With a funding commitment of \$10 million over five years, the Centre's mandate is to focus on break-through research to develop more efficient, economically viable and environmentally responsible ways to produce Alberta's vast oil sands resource.

## Cold Lake – Current Development

Near term development focused on northern extension



- New generation of facilities – advantage of phased approach
- Modified pad “custom-fit”
- IOL-patented completion technique

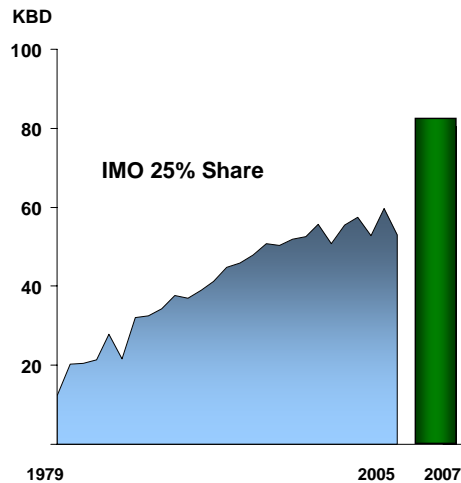


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- Near term development at Cold Lake is focused on developing the "northern extension" of our approved development area.
- The Cold Lake lease area (shown as the dashed black line on the map) is about 300 square miles. The approved development area shown as the solid black line is about 140 square miles and we are currently active in about half of that.
- Our efforts from now to the end of the decade are to develop the area shown in red, one of the new areas which we received regulatory approval for in 2004.
- Over the next five years, we plan to develop 10 new pads in this area. The first investments were made in 2005 with the drilling of two new pads in the southerly part of this area.
- This development is another example of our commitment to continuous improvement through technology application and shows how we continue to apply new technology at Cold Lake today;
  - The well design and layout in this development has been custom-fit to the resource.
  - Looking at the illustration in the bottom right of this slide, you can see that these new 'mega' pads use horizontal as well as vertical wells. One pad can now access the same resource as three standard Cold Lake pads, which reduces the overall capital required for this development as well as the surface footprint.
  - For successful thermal operations, it is essential to control the steam distribution in a horizontal well to achieve optimal production results. Imperial has developed a patented completion technique with a special designed wellbore assembly to achieve this objective.

## Syncrude

A long-life, high quality mining resource



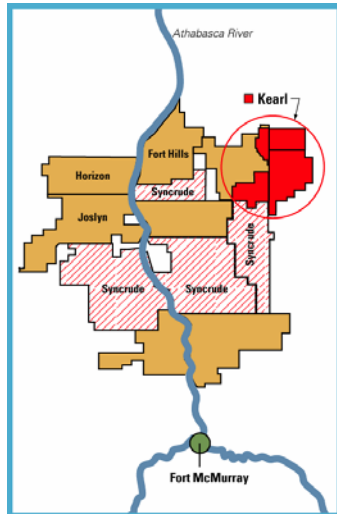
- Imperial Oil an original owner
- Current expansion project increases production by 40% – coker start up in May 2006



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- Imperial is a founding member of the Syncrude consortium established in 1964 and holds a 25% interest.
- Syncrude is the largest oil-sands operation in the world, with a resource base to support decades of production. Annual production from Syncrude has steadily increased since it's start-up 25 years ago.
- The current Stage 3 expansion includes the addition of a third, 100,000-barrel a day coker. As a result, site production will increase by about 40%. As well, the quality of the entire synthetic crude output will be improved to capture higher realizations.
- The expansion project is essentially complete with feed-in to the new coker expected [this week]. Imperial and ExxonMobil have provided experts to assist with project execution and start-up.
- And, as you heard from Marcel Coutu this morning, there are additional expansion opportunities.

## Kearl Oil Sands Project



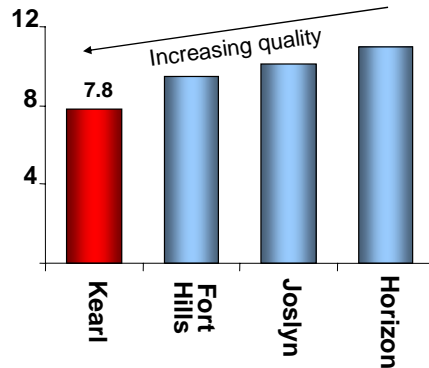
- **Proposed 300 KBD mining project NE of Fort McMurray**
- **Imperial Oil (70%) and ExxonMobil Canada (30%)**
- **Imperial is project operator**
- **Progress to date:**
  - conceptual engineering and process selection completed
  - regulatory application filed July 2005
  - public hearings expected to begin fall 2006 with AEUB decision by year-end

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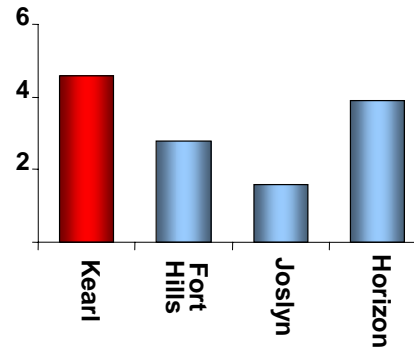
- Let me turn now to Kearl, a proposed bitumen mining project in Fort McMurray.
- Imperial owns 70% and is operator of the project. The remaining 30% is held by ExxonMobil Canada.
- The Kearl leases hold sufficient bitumen to support a 300 KBD mine. We plan to develop Kearl in phases with the initial phase sized at 100,000 barrels per day with two subsequent phases to follow.
- To date on this project we have completed conceptual engineering and completed process selection for the project -- Kearl would employ proven technology already up and running in Athabasca using truck and shovel mining, hydrotransport and paraffinic froth treatment conditioning technology.
- The regulatory application was filed in July 2005 and we have just completed responding to the information requests from the regulator. We expect public hearings to begin this fall and a decision by the Alberta Energy Utilities Board near year-end.

## Kearl Best Undeveloped Mining Resource

**Oil Sands Mining Quality  
TV:BIP**  
Total Volume (overburden + ore)/  
Bitumen in Place



**Resource Potential  
Billion Barrels**

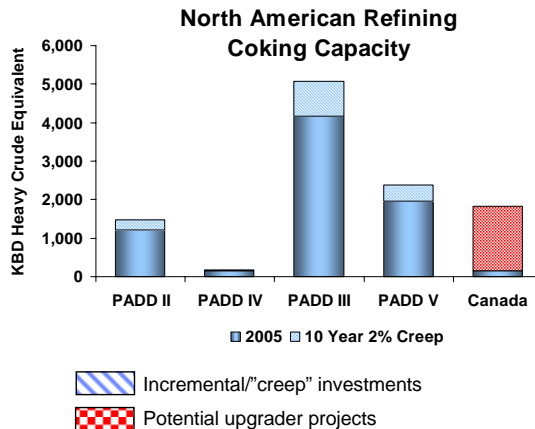


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- Kearl is the best undeveloped resource in the Athabasca region.
- A key quality indicator for mineable oil sands is a metric referred to as "TV to BIP". This measures the total volume that has to be mined -- overburden plus ore -- relative to the amount of bitumen-in-place. Low numbers are better. Less material is handled for each barrel of bitumen produced so there is an operating expense advantage for a mine.
- For the entire Kearl mine -- all three phases -- TV to BIP is 7.8.
- The combination of the high quality of the resource on the site and large resource size (4.6 billion barrels) is a significant economic advantage for development of this project.

## Additional Heavy Crude Capacity

### Capacity expansions in key markets



- **>7.5 MBD coking capacity in target markets**
- **Additional incremental coking expected; +1.7 MBD by 2015 in US markets**
- **Potential for +~2 MBD for proposed Canadian upgrading projects**

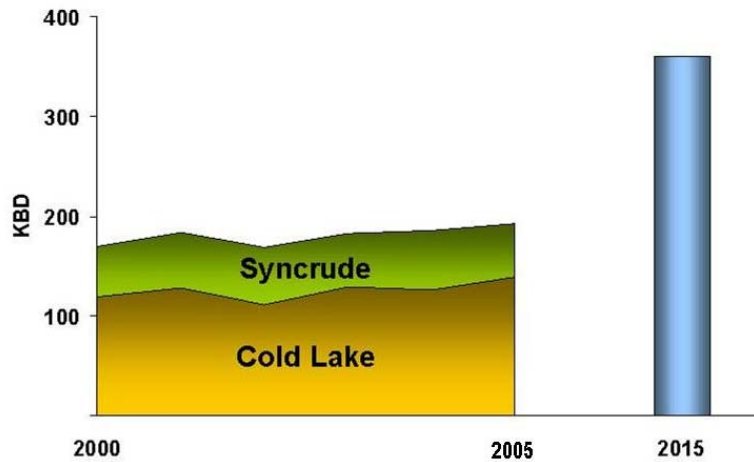
Source: Actual Oil & Gas Journal; Projections IOL

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- Our assessment is that the most economic approach for the first 100,000 barrel per day phase of Kearn bitumen is to market to existing upgrading facilities.
- Imperial refineries already process a significant amount of heavy crude oil and we will advance low-cost expansions to take more. But, more broadly, we expect that there will be additional heavy crude capacity in the markets we currently sell into.
- For capital-intensive industries, the most attractive investment is incremental expansion, or "creep" -- and this is especially true for the refining business.
- The blue bars on this chart illustrate current coking capacity, expressed in thousands of barrels of Heavy Crude Equivalent - over 7.5 million barrels per day in the North American market.
- Modest creep shown in the blue hatched bar of only 2% a year will yield an additional 1.7 million barrels per day of capacity by 2015. In addition, there are proposed upgrading projects in Canada, shown in the red checkered bar -- either stand-alone or with dedicated bitumen supply -- that could deliver an additional 2 million barrels per day by 2015.
- We'll continue to evaluate upgrading facilities at our Edmonton refinery. But a decision to do so will not be made until we're convinced that this capital investment will be profitable, competitive and yield attractive returns for our shareholders.

## Oil Sands Production Outlook

Success case doubles oil sands production by 2015



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- This chart illustrates the potential impact of Imperial's oil sands resource portfolio on future production. The successful development of the Kearn resource along with continued selective investments at Syncrude and Cold Lake, could lead to doubling of Imperial's production from the oil sands by 2015.

## A Leader in Canada's Oil Sands

- A pioneer in the development of Canada's oil sands
- Leader in oil-sands research
- Significant current position and potential for future growth
  - Cold Lake
  - Syncrude expansion projects
  - Kearl mining project
  - Undeveloped oil-sands assets

**Focus on quality earnings growth**



- Let me close with a summary of the key points that I feel distinguish Imperial Oil from the competition.
- We have been a pioneer in the development of oil sands -- with extensive operating experience and knowledge. Our commitment to research and technology development will provide us with the key to continued economic and responsible development of oil sands resources.
- We hold a significant position in the oil sands resource, and are well positioned for continued future growth.
- And the bottom line, for any investor, underpinning our strengths is the continued focus on long-term quality earnings growth.
- Thank you. I would be pleased to answer any questions that you may have.

**For more information**

Imperial Oil Limited's site on the World Wide Web contains a variety of corporate and investor information. It can be accessed at <http://www.imperialoil.ca>.

**For more detailed investor information, or to receive annual and interim reports, please contact:****Susan Swan**

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