



Imperial Oil

**TD Newcrest  
Oil Sands Forum 2006**

## **Imperial Oil – A Leader in Oil Sands**

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Good morning. I'd like to thank TD Newcrest for the opportunity to speak to you today and to share with you Imperial Oil's current development and future opportunities in the oil sands.

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## Cautionary Statement

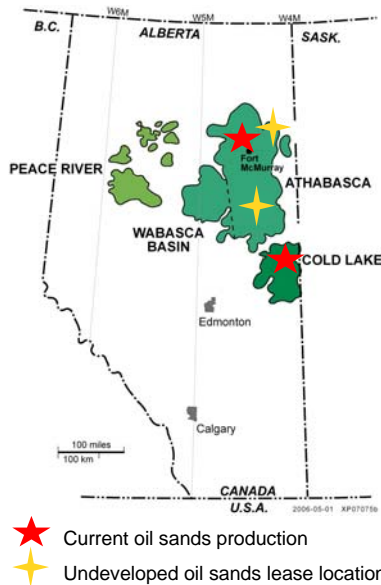
**This presentation contains forward-looking information on future production, project start-ups and future capital spending. Actual results could differ materially due to changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic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

Slide 2

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.

## Significant Oil Sands Position



- Active in the oil sands since early 1960s
- 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>

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Imperial's oil-sands assets are enormous in size and scope, and offer long-term growth opportunities for the company.

We have been a pioneer in the development of Canada's vast oil-sands resources since the early 60's -- in both in-situ and mining projects.

This map illustrates the three major oil-sands deposits and shows our position in both current oil-sands production (red symbols) and in undeveloped oil-sands leases (gold symbols).

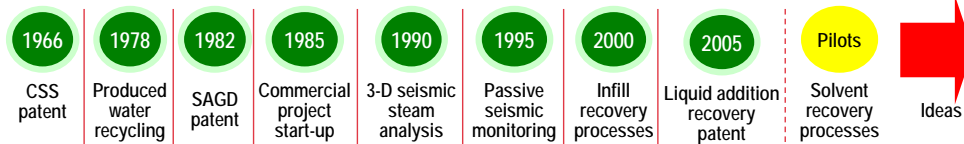
Imperial holds about 465,000 acres of oil-sands leases including Cold Lake -- the largest in-situ oil-sands operation in the world and the premier in-situ project in Canada. This asset is wholly owned and operated by Imperial.

Imperial also has extensive oil-sands interests which are currently undeveloped -- mostly in the Athabasca area of Alberta. The gold star northeast of Fort McMurray represents the Kearl leases on which we propose to develop a 300,000 barrel-a-day mining project with ExxonMobil Canada.

The gold star to the southeast of Fort McMurray represents a number of leases which we are evaluating for development using in-situ methods.

Let me start with a few words on our development at Cold Lake with some history on our research efforts in the oil sands.

## Cold Lake – Technology in Action



**Enhanced Recovery Pilot**

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

**Alternate Recovery Technique**

- AEUB application filed for pilot

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Imperial has been a leader in the development of much of the technology that has underpinned the commercial development of Canada's vast oil-sands resource.

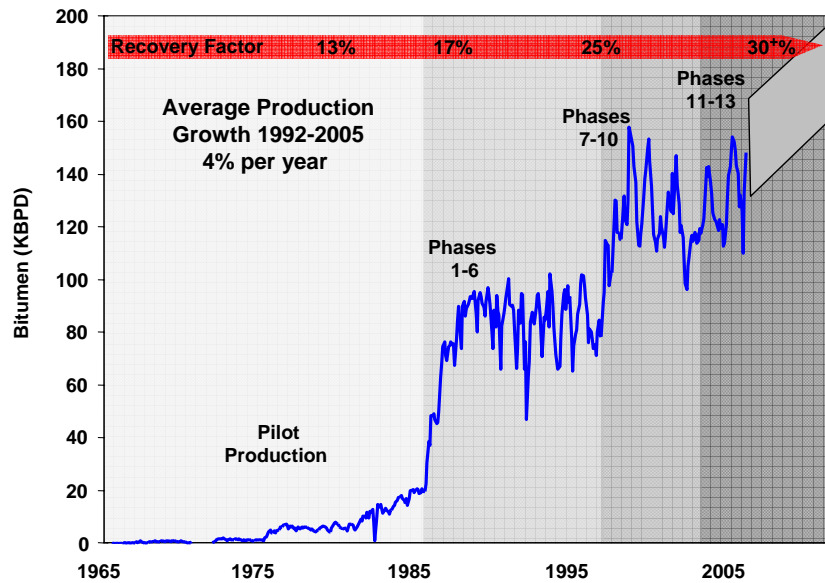
The circles at the top of this chart highlight the numerous technology advances that we have made at Cold Lake since the 1960's. Imperial invested over \$250 million on research and technology development before the start-up of the Cold Lake commercial project in 1985. Many of you may not know that Imperial invented and held patents on both cyclic steam stimulation (CSS) and steam assisted gravity drainage (SAGD).

Our ongoing commitment to technology is unwavering. Our most recent success is a process we successfully patented in 2005. This invention enhances CSS performance through the addition of diluent with the steam. As a result, we will increase recovery in areas already developed, using existing wells, facilities and infrastructure. We have piloted this process since 2002 and an application will be filed with the AEUB for a larger-scale implementation of the technology later this quarter, with field start-up occurring in 2007.

In June we filed a pilot application with the AEUB for another recovery process. This new recovery process (shown in the schematic on the lower right) enhances the performance of SAGD through the addition of diluent with the steam. Drilling of two well pairs required for the pilot is to occur in early 2007, once the pilot application has been approved by the AEUB.

This sustained commitment to development of technology is a unique competitive advantage for Imperial Oil.

## Cold Lake – A Premier In Situ Asset



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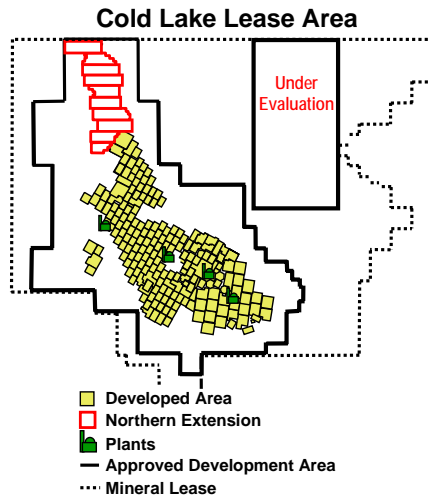
Imperial's wholly-owned Cold Lake project is a world-class asset and the premier in-situ asset in the oil sands. It produces as much as all other thermal in-situ oil-sands projects combined.

As you can see from the graph on this slide, bitumen production at Cold Lake has increased significantly since our first pilots in the 1960s, to the current production level of over 150,000 barrels-per-day. We have taken a deliberate, phased approach to developing this high-quality asset -- bringing production on in stages to incorporate advances in technology into new production phases.

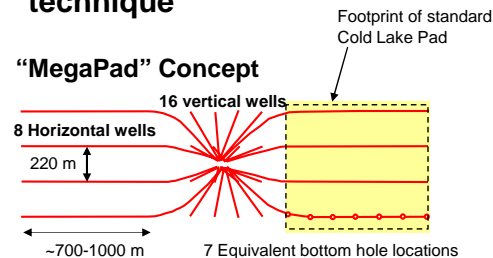
Across the top of the graph in red, I have listed the changes in bitumen recovery factor over the last 20 years. The increase from 13% to 30+% is a direct result of our continued focus in research and technology development and our growing expertise in thermal operations.

## Cold Lake – 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



Slide 6

Looking forward ...

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 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 -- we are just completing construction of the surface facilities and will begin steaming these pads in the next few months.

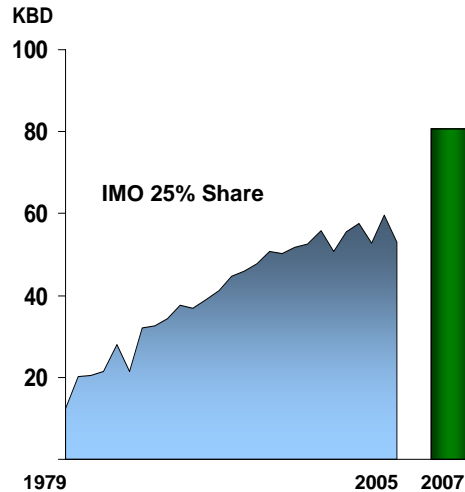
This development is another example of our commitment to continuous improvement through application of new technology at Cold Lake;

- The well design and layout in this development has been customized to optimize resource access.
- 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.

Finally, I'll draw your attention to the black rectangle directly to the east of our northern extension area. This is the next section of the Cold Lake lease that we will develop. We have a team in place evaluating the most economic options to bring this part of the Cold Lake lease into production.

## Syncrude

A long-life, high quality mining resource



- Imperial an original owner
- Recent expansion project increases production 40%
- Early May start-up affected by de-sulphurization unit



Slide 7

Turning to mining....

Imperial is a founding member of the Syncrude consortium established in 1964 and remains the operation's second-largest owner, holding a 25 percent interest.

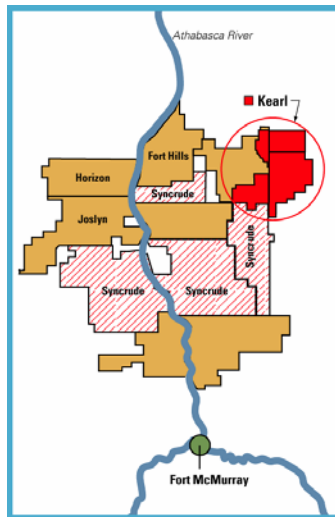
Syncrude is the largest oil-sands operation in the world, with a resource base to support decades of production. Annual production from Syncrude has steadily increased since its start-up 25 years ago.

The recently completed Stage 3 expansion included the addition of a third, 100,000 barrel-a-day coker. As a result, site production will ultimately increase by about 40 percent. As well, the quality of the entire synthetic crude output will be improved to capture higher realizations.

The expansion project was completed and started up on May 6, but unfortunately had to be brought down on May 18 to deal with a persistent odour problem associated the start-up of the new Flue Gas Desulphurization unit.

Syncrude has been working with experts from ExxonMobil to resolve this unexpected problem, and the current expectation is that the underlying problem will be rectified and the new coker brought back on line later this month.

## 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
  - joint provincial/federal panel expected to begin hearings in fall

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Let me turn now to Kearl, a proposed bitumen mining project in Fort McMurray.

Imperial owns a roughly 70 percent interest and is operator of the project. The remaining 30 percent is held by ExxonMobil Canada.

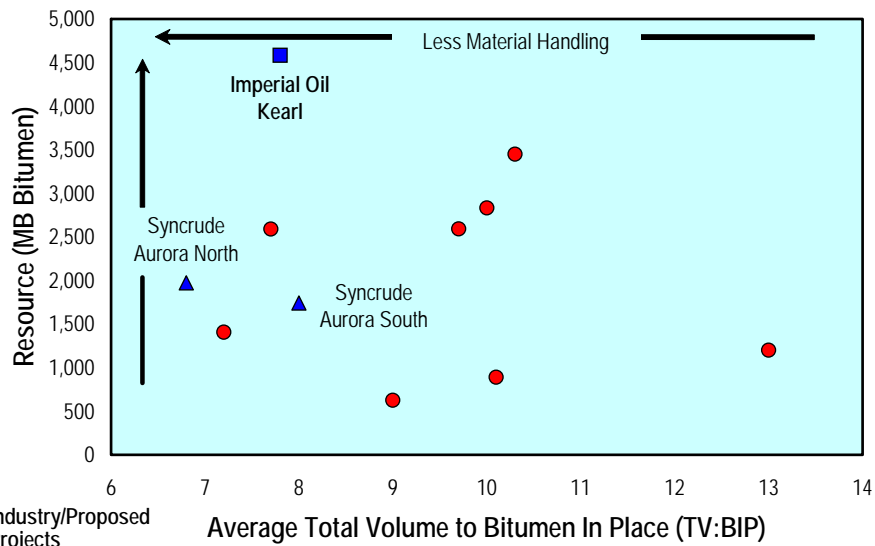
The Kearl leases hold sufficient bitumen to support a 300,000 barrel-a-day mine for more than 40 years. We plan to develop the Kearl project in phases with the initial phase sized at 100,000 barrels-per-day, and two subsequent phases to follow.

To date, we have completed conceptual engineering and process selection for the project.

The regulatory application was filed in July 2005. We were notified last month that a joint provincial/federal panel will conduct the hearings for the Kearl project, and we expect public hearings to begin this fall with a regulatory decision about the end of this year.

## Kearl – “Bigger and Better” is Best

Imperial participates in top-tier mining projects



Slide 9

Kearl is arguably the best undeveloped resource in the Athabasca region -- and with apologies to our conference host, while "bigger is better" in some circles, for Kearl, a **bigger** resource combined with a **better** quality is **best** for development.

This chart plots projects based on the relative size and quality of the bitumen resource.

The "x" axis plots "TV to BIP" (total volume to bitumen in place) -- a key quality metric for mineable oil sands. 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 a natural operating expense advantage for a mine.

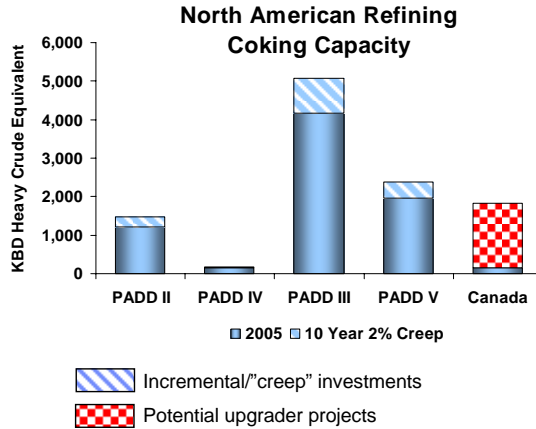
The "y" axis plots recoverable resource. The "sweet spot" on this graph is the upper left hand corner indicating high quality and large recoverable resource.

The red circles represent industry projects -- both producing and proposed. The blue symbols represent the projects that Imperial is participating in -- you can see that Syncrude and Kearl are both high quality projects and Kearl is the best of the bunch.

For the entire Kearl mine -- all three phases -- TV to BIP is 7.8. The combination of the high quality of the Kearl resource on the site and large resource size -- 4.6 billion barrels -- is a significant economic advantage for development of this project.

I'd like to add that although the current mine plan filed in our regulatory application for Kearl is 4.6 billion barrels of recoverable bitumen, total bitumen-in-place on the Kearl leases is over 13 billion barrels.

## 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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A final point on Kearn related to how we will market the bitumen.....

For the first phase of Kearn, we plan to market the bitumen as a blended heavy or sour crude, selling into the increasingly expanding North American markets for Canadian heavies. Marketing plans for volumes from additional phases are being developed.

Our assessment is that the most economic approach for the first 100,000 barrels-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.

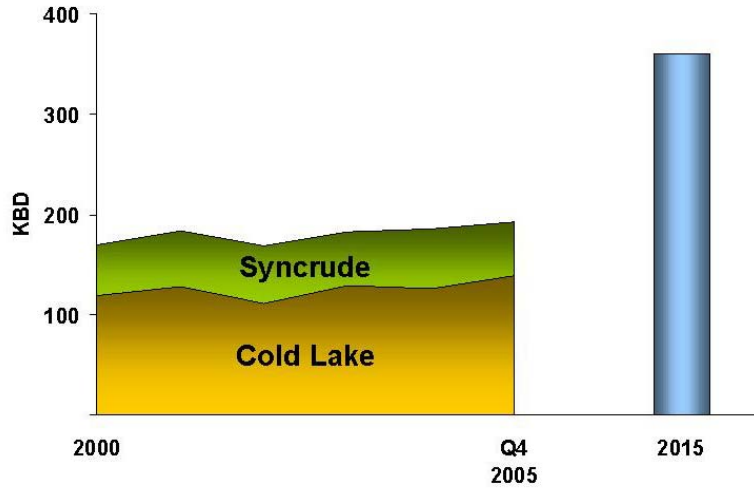
The blue bars on this chart illustrate current coking capacity, expressed in thousands of barrels of Heavy Crude Equivalent - over 7.5 million barrels per day in the North American market.

Modest creep shown in the blue hatched bar of only two percent 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 two million barrels per day of capacity 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



Slide 11

This chart illustrates the potential impact of Imperial's oil sands resource portfolio on future production. The successful development of the Kearl 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

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



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Let me close with a summary of the key points that I feel distinguish Imperial Oil as a leader in the development of oil sands.

We have been a pioneer in the development of oil sands -- with extensive operating experience and knowledge. Our continued 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 -- with high-quality assets like Cold Lake -- and are well positioned for continued future growth in both in-situ operations as well as mining.

Thank you for your attention.

**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:**

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