

Imperial Oil Resources
1001 Canol Drive
Bag #5000
Norman Wells NT X0E0V0

Jennifer L. Watson
Operations Superintendent
Norman Wells Operation

Tel: (867) 587-3105
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Paul Dixon
Executive Director
Sahtu Land and Water Board
P.O. Box 1, Fort Good Hope
Northwest Territories
X0E 0H0

February 28, 2014

Dear Mr. Dixon

RE: Additional Information Requests for Imperial Oil Water Licence Renewal S13L1-007

Imperial hereby submits the information requested by the Board in your letter of February 6, 2014.

IORL IR#4: Provide a Security Estimate

The Board requests IORL provide a cost estimate for the total site liabilities associated with the closure and reclamation of its Norman Wells Operations. The estimate should:

- be prepared using an appropriate model which reflects best practices for oil and gas operations in Canada;*
- be based on the cost of having the necessary reclamation work done by a third party contractor;*
- include the total cost of reclamation, including temporary shutdown, closure and post-closure stages;*
- include all components of the project broken down by line item;*
- include costs for an initial site assessment, completion of future closure plans, regulatory approvals, compliance with other regulatory instruments, consultation with other communities and other parties, operational and post-closure monitoring;*
- include contingency factors appropriate to the particular work to be undertaken;*
- be provided in both pdf and excel format with a rationale included for unit costs.*

IOR Response:

The undertaking which is the subject of this water licence is related to the withdrawal of water including the water intake, the cooling system, the settling pond and the water outlet. IOR submits that the closure and reclamation liabilities for all other aspects of the Norman Wells Operation, including the central processing facility, wells, roads, artificial islands, etc., fall under the jurisdiction of other federal agencies. Final abandonment and reclamation responsibilities

are addressed in the Proven Area Agreement, and, as such, fall within the jurisdiction of the federal Minister. Sections 3.49, 3.50 and 3.51 of the Devolution Agreement expressly preserve this responsibility and the associated ultimate liability. If the Board feels otherwise, we would ask it to rule on its jurisdiction as a preliminary matter prior to the hearing scheduled for April 2-3. Imperial has answered the question asked in good faith.

Asset Retirement Obligations are represented on a consolidated basis in the Imperial Oil Limited Annual Financial Statements for the benefit of investors who need to have a complete picture of company performance. The consolidated statements are independently audited by PricewaterhouseCoopers LLP, who determines reasonableness and accuracy of the underlined details of Imperial Oil Limited environmental liabilities on a quarterly and annual basis.

The Imperial Oil Limited Securities and Exchange Commission (SEC) 10-K filing demonstrates how asset retirement obligations and environmental liabilities are determined. As stated in the on page 52 of the 2013 filing: "Asset retirement obligations and other environmental liabilities are based on engineering estimated costs, taking into account the anticipated method and extent of remediation consistent with legal requirements, current technology and the possible use of the location. Since these estimates are specific to the locations involved, there are many individual assumptions underlying the company's total asset retirement obligations and provision for other environmental liabilities."

Imperial is not in a position to provide these detailed estimates on an individual field basis as doing so may negatively impact the competitive bid process to undertake this work.

IORL IR#5: Evidence of Financial Capacity

The Board requests IORL submit appropriate evidence of its financial capacity, in relation to its Norman Wells operations and site, to operate and reclaim the site so that the Board can adequately assess the financial capacity of IORL, as required by the Northwest Territories Waters Act (Paragraph 14(4)(d)).

IOR Response:

Imperial has a solid financial position and long-standing reputation for meeting its end-of-life obligations. In addition to the ongoing progressive reclamation work underway at Norman Wells since the 1990s, recent work at former exploration sites in the Northwest Territories, including the Base at Tuktoyaktuk and Tununuk Point/BAR-C, demonstrate this commitment.

In 2013, total assets were \$37,218M (U.S. GAAP). Imperial had a net income of \$2,828M and a corporate total return on average capital employed of 12.9 percent (2013 SEC 10-K). Imperial Oil is the only Canadian industrial company with a AAA credit rating (highest rating indicating extremely strong capacity to meet financial commitments) from Standard and Poor's and a AA (high) credit rating (superior credit quality and the capacity for the payment of financial obligations is considered high) on the long-term obligations rating scale from DBRS with these abandonment obligations fully recognized.

Imperial Oil Resources N.W.T. Limited is a wholly owned subsidiary of Imperial Oil. The corporate financial resources of Imperial Oil stand behind our obligations, not just the funds available from the Norman Wells Proven Area agreement. These obligations cannot be assigned by Imperial without the prior written consent of the Minister.

IORL IR#6: Security for Norman Wells Operations

The Board requests IORL provide the amount of any security deposits related to its Norman Wells site and operations held by regulators, including the federal Minister and the National Energy Board. Further, the Board is requesting evidence on what portion of said security deposits, if any, are allocated for the purpose of closure and reclamation.

IOR Response:

Per Part B, section 2 of the current licence, Imperial maintains a security deposit in the amount of two million (\$2,000,000) pursuant to section 17(1) of the Northwest Territories Water Act and section 12 of the Northwest Territories Water Regulations. IOR understands the security may be applied to reimburse costs incurred by government should IOR fail to follow direction given by the Inspector or should the Minister need to take reasonable measures to prevent, counteract or remedy impacts to persons, property or the environment from IOR's activities. This security is not Imperial's mechanism for financing A&R activities at Norman Wells. A copy of the irrevocable letter of guarantee issued September 7, 2004, is attached. The letter is automatically renewed each September. Imperial confirms it was last renewed September, 2013.

Imperial has also provided financial security to Her Majesty the Queen in right of Canada, as represented by the National Energy Board, in respect of operations on the Norman Wells Proven Area pursuant to section 27 of the Canada Oil and Gas Operations Act. The NEB security consists of a \$26 million Imperial Oil Limited marketable promissory note placed in the custody of the Royal Bank of Canada. It may be used by the NEB to cover third party claims for compensation and in relation to clean-up operations, resulting from a spill or the unauthorized discharge, emission or escape of oil or gas. This Security is not Imperial's mechanism for financing A&R activities at Norman Wells. A copy of this Financial Security Agreement dated July 28, 1995, is attached. Imperial confirms this Agreement remains in force.

Further, Imperial has also provided to the NEB a Continuing Guarantee and Undertaking to the extent of an additional \$75 million, guaranteeing the obligations of Imperial at Norman Wells pursuant to the Canada Oil and Gas Operations Act. The Guarantee also includes the costs of abandonment of any installation or structure, and corresponding site restoration, if not performed by Imperial. This Security is not Imperial's mechanism for financing A&R activities at Norman Wells. A copy of this Financial Security Agreement dated July 28, 1995, is attached. Imperial confirms this Agreement remains in force.

Securities under the Canada Oil and Gas Operations Act are required to remain in place until Imperial has satisfied all of its obligations including the clean-up of any spills, the removal of any installations and structures, and the reclamation of the Proven Area.

Current annual A&R work is financed from current year revenues for both Imperial and the federal government. As of year-end 2013, \$181.4 million was held in a Trust Account that was set up in 1998 to secure the Crown's portion of the A&R costs once this revenue stream ends. When Norman Wells Operations' revenue ceases, Imperial will fund Imperial's outstanding share of A&R costs from other revenue streams within the company.

If you require any further information, please contact Helga Shield (403-237-2618). Thank you.

Sincerely,



Jennifer L. Watson

Attachments:

Irrevocable Letter of Guarantee \$2M
Financial Security Agreement \$26M
Continuing Guarantee and Undertaking \$75M

INT'L TRADE CENTRE ALBERTA
5TH FLOOR,
335 - 8TH AVENUE SW
CALGARY, ALBERTA T2P 1C9
CANADA

AMENDMENT TO IRREVOCABLE LETTER OF GUARANTEE

DATE: SEPTEMBER 7, 2004

OUR REFERENCE NO.: G37261C00489

CURRENCY AND AMOUNT: CAD 2,000,000.00

BENEFICIARY:
RECEIVER GENERAL FOR CANADA
C/O DEPT. OF INDIAN AFFAIRS AND
NORTHERN DEVELOPMENT
YELLOWKNIFE, N.W.T.

APPLICANT:
ESSO RESOURCES CANADA LIMITED
237 - 4TH AVENUE S.W.
CALGARY, ALBERTA T2P 0H6

KINDLY NOTE THAT THE ABOVE MENTIONED IRREVOCABLE LETTER OF GUARANTEE IS AMENDED AS FOLLOWS:

THE DATE OF EXPIRY IS AMENDED TO: SEPTEMBER 6, 2005.

-FIRST PARAGRAPH, LAST LINE, LICENSE NO. IS NOW CHANGED TO READ:

S03L 1-001



NON-NEGOTIABLE

PAGE: 2

-THE AUTOMATIC RENEWAL CLAUSE IS HEREBY ADDED TO THIS LETTER OF CREDIT:

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE DEEMED TO BE AUTOMATICALLY EXTENDED, WITHOUT AMENDMENT, FOR ONE YEAR, FROM THE PRESENT OR AN FUTURE EXPIRATION DATE HEREOF, AND SO FROM YEAR TO YEAR THEREAFTER, UNLESS THIRTY (30) DAYS PRIOR TO SUCH EXPIRY DATE, WE NOTIFY THE BENEFICIARY IN WRITING, BY COURIER THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH ADDITIONAL PERIOD.

-APPLICANT'S NAME/ADDRESS NOW TO READ:
IMPERIAL OIL RESOURCES
237-4TH AVENUE SW
CALGARY, ALBERTA
T2P 0H6

WHEREVER THE APPLICANT'S NAME APPEARS IN THIS LETTER OF CREDIT AS "ESSO RESOURCES CANADA LIMITED", IT IS NOW CHANGED TO READ: "IMPERIAL OIL RESOURCES".

THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE IRREVOCABLE LETTER OF GUARANTEE AND MUST BE ATTACHED THERETO.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

ROYAL BANK OF CANADA

ORIGINAL SIGNED BY
J. FIGUEREDO

AUTHORIZED SIGNATURE

ORIGINAL SIGNED BY
LAURA AMODEO

AUTHORIZED SIGNATURE

FINANCIAL SECURITY AGREEMENT

AMONG:

Imperial Oil Limited, a body corporate, incorporated under the laws of Canada, having its head office in the City of Toronto, in the Province of Ontario (hereinafter referred to as "Imperial")

- and -

The Royal Bank of Canada, a body corporate, incorporated under the laws of Canada, having an office in the City of Toronto, in the Province of Ontario (hereinafter referred to as the "Custodian")

- and -

Her Majesty the Queen in right of Canada, as represented by the National Energy Board (hereinafter referred to as the "Board")

WHEREAS Imperial Oil Resources North West Territories Limited ("IORNWTL") is a wholly owned subsidiary of Imperial Oil Resources Limited, which is a wholly owned subsidiary of Imperial;

AND WHEREAS in furtherance of IORNWTL complying with section 27 of the *Canada Oil and Gas Operations Act*, R.S.C. 1985, c. O-7, as amended (the "Act") in respect of its production and drilling operations at Norman Wells, Northwest Territories, Imperial is willing to deposit with the Custodian marketable securities having a market value of not less than \$25-million;

AND WHEREAS the Custodian is willing to undertake and perform its duties according to the terms and conditions hereof;

NOW THEREFORE the parties agree as follows:

1. Imperial agrees to deposit the securities set out in Schedule "A" to this Agreement with the Custodian, to be held by the Custodian in accordance with this Agreement (such securities and any supplementary or replacement securities held by the Custodian hereunder from time to time are hereinafter referred to as the "Securities"); and the Custodian agrees to hold the Securities in trust in accordance with this Agreement.

2. (a) Imperial shall not sell, assign, hypothecate, encumber or otherwise deal with the Securities in any manner while they are subject to this Agreement.

(b) Imperial may substitute other shares or debt instruments of comparable investment quality for all or part of the Securities, provided that

(i) Imperial gives the Board at least 30 days written notice of its intention to do so, specifying the date that Imperial proposes to replace the Securities and describing in detail the Securities to be replaced and the proposed replacement securities, and

(ii) the Board does not object before the date specified by Imperial in its notice.

3. (a) Imperial shall be responsible for monitoring the Market Value of the Securities. If the Market Value of the Securities held by the Custodian falls below \$25-million at any time, Imperial shall notify the Board and shall forthwith provide the Custodian with additional shares or debt instruments, satisfactory to the Board, to be held by the Custodian in accordance with this Agreement, so that the total Market Value of the Securities held by the Custodian shall be restored to at least \$25-million.

(b) For purposes hereof, "Market Value" at any time shall mean the immediately realizable cash value of the Securities based on the last price bid for the Securities on The Toronto Stock Exchange or, if the Securities do not trade on The Toronto Stock Exchange, the last price bid for the Securities (or comparable securities of the same issuer) in the over-the-counter market or such other trading system as is commonly used by registered brokers to deal in financial securities of the same nature as the Securities.

4. The Custodian shall keep the Securities in trust in a separate account for purposes of this Agreement. The Custodian shall advise the Board when it initially receives the Securities and shall promptly notify the Board of any changes in the Securities held from time to time.

5. (a) The Board may require the Custodian to sell all or part of the Securities to satisfy any amounts that the Board may require to be paid, pursuant to section 27 of the Act, in respect of claims for which proceedings may be instituted under section 26 of the Act, by serving on the Custodian a duly executed Requirement in the form attached hereto as Schedule "B".

(b) The Board shall not serve a Requirement hereunder unless it has notified IORNWTL in writing of the payments required at least 10 days in advance of the date of the Requirement and IORNWTL has not satisfied the Board that it has made such payments.

(c) The Custodian, on the Trading Day immediately following the delivery of a duly executed Requirement, shall sell in the principal markets therefor all or such portion of the Securities as may be necessary to realize an amount sufficient to pay to the Receiver General for Canada on behalf of the Board the sum set out in the

Requirement and to pay all brokers' fees, commissions and other reasonable costs incurred by the Custodian in the sale. The Custodian shall pay from the proceeds of the sale the sum set out in the Requirement in accordance with the terms of the Requirement. In no event shall the sum paid pursuant to a Requirement hereunder exceed \$25-million.

(d) "Trading Day" shall mean any day on which The Toronto Stock Exchange is open for trading.

6. Imperial shall indemnify and save harmless the Custodian from and against all claims, suits, demands, costs, damages and expenses which may be occasioned by reason of the Custodian's compliance in good faith with the terms of this Agreement.

7. The Custodian shall have no responsibility for the genuineness or validity of the Securities and shall be fully protected in relying upon any written instructions given to it hereunder and reasonably believed by it to be genuine.

8. (a) This Agreement may be terminated:

(i) by agreement between Imperial and the Board upon Imperial or IORNWTL providing another means satisfactory to the Board of IORNWTL meeting the financial responsibility requirements under section 27 of the Act; or

(ii) by any party on six months' advance written notice to the other parties.

(b) Upon termination of this Agreement the Securities held by the Custodian shall be returned to Imperial.

9. Any notice required or permitted to be given under this Agreement shall be in writing and may be given by delivering same or mailing same by registered mail or sending same by facsimile telecommunication to the following addresses:

Imperial: Imperial Oil Limited
Treasurer's Department
111 St. Clair Avenue West
Toronto, Ontario
M5W 1K3

Attention: Vice President and Treasurer

Custodian: The Royal Bank of Canada
Corporate Banking
10th Floor, 20 King Street West
Toronto, Ontario
M5H 1C4

Attention: Senior Account Manager - Corporate Banking

Board: National Energy Board
311 - 6 Avenue S.W.
Calgary, Alberta
T2P 3H2

Attention: Chief Conservation Officer

- 10. This Agreement shall be subject to the laws of the Province of Ontario.
- 11. This Agreement may be executed in several parts in the same form and the parts as so executed shall together form one agreement.
- 12. This Agreement supersedes and replaces all prior Financial Security Agreements relating to financial security for IORNWTL's operations at Norman Wells including without limitation that Financial Security Agreement executed by Imperial on June 28, 1993, the Custodian on June 30, 1993, and the Deputy Minister of the Department of Indian Affairs and Northern Development, representing Her Majesty the Queen, on August 11, 1993.

IN WITNESS WHEREOF Imperial, the Custodian and the Board have executed this Agreement to be effective as of July 28, 1995.

IMPERIAL OIL LIMITED

July 28, 1995
Date

John F. Kyle
Vice President and Treasurer

THE ROYAL BANK OF CANADA

July 26, 1995.
Date

P. Handberg
Senior Account Manager

HER MAJESTY THE QUEEN in right
of Canada, as represented by the
National Energy Board

Date

Chairman

Date

Secretary

SCHEDULE "A"
TO THE FINANCIAL SECURITY AGREEMENT

Security	Total Face Value
Imperial Oil Limited discounted commercial paper notes having a term of not more than one year	\$26,000,000

SCHEDULE "B"

TO THE FINANCIAL SECURITY AGREEMENT

REQUIREMENT FOR SALE OF SECURITIES AND PAYMENT OF PROCEEDS

[DATE]

The Royal Bank of Canada
Royal Bank Plaza
200 Bay street
Toronto, Ontario
M5J 2J5

Dear Sirs:

We refer to the Financial Security Agreement dated as of July 28, 1995 (the "Agreement") among Imperial Oil Limited ("Imperial"), The Royal Bank of Canada (the "Bank") and Her Majesty the Queen in right of Canada as represented by the National Energy Board (the "Board"), which provides for Imperial to provide financial security in the amount of \$25-million in respect of production and drilling operations at Norman Wells.

We hereby certify that Imperial Oil Resources North West Territories Limited has failed to satisfy the Board that it has made a payment or payments in the amount of \$_____ pursuant to a notice given to it under the Agreement on _____. Pursuant to clause 5 of the Agreement we hereby require the Bank to sell on the Trading Day (as defined in the Agreement) immediately following the delivery of this demand, in the principal markets therefor, all or such portion of the Securities (as defined in the Agreement) as may be necessary to realize the sum of \$_____ net of fees, commissions and other reasonable costs incurred in the sale, and to pay this amount to the Receiver General for Canada on behalf of the National Energy Board.

HER MAJESTY THE QUEEN in right of
Canada, as represented by the National
Energy Board

By: _____
Secretary

CONTINUING GUARANTEE AND UNDERTAKING

WHEREAS Imperial Oil Resources N. W. T. Limited ("IORNWTL") is a wholly owned subsidiary of Imperial Oil Resources Limited, which is a wholly owned subsidiary of Imperial Oil Limited;

AND WHEREAS IORNWTL is carrying out and proposes to carry out additional oil and gas exploration and production operations in the area of Norman Wells, Northwest Territories;

AND WHEREAS in furtherance of IORNWTL complying with Section 27 of the Canada Oil and Gas Operations Act, R.S.C. 1985, c. O-7, as amended (the "Act"), Imperial Oil Limited is willing to provide a guarantee of certain financial obligations of IORNWTL that may arise in connection with its exploration and production operations in the said area.

NOW THEREFORE in consideration of the foregoing, Imperial Oil Limited hereby undertakes in favor of Her Majesty the Queen in the right of Canada, as represented by the National Energy Board (hereinafter referred to as the "NEB"), as follows:

1. From and after the Effective Date, in accordance with the provisions set out in this Guarantee and Undertaking, Imperial Oil Limited agrees to be liable for all financial obligations of IORNWTL, to the extent not fulfilled by IORNWTL, that may arise under the Act and any regulations made thereunder in connection with operations conducted by or on behalf of IORNWTL in the area of Norman Wells, Northwest Territories. The obligation of Imperial Oil Limited hereunder is limited to seventy-five million dollars (\$75 million), in addition to the obligations of Imperial Oil Limited under the Financial Security Agreement dated as of July 28, 1995, among Imperial Oil Limited, The Royal Bank of Canada, and the NEB or any other specific financial security that Imperial Oil Limited may give from time to time in respect of the obligations of IORNWTL in addition to or in substitution for the said Financial Security Agreement.
2. This Guarantee and Undertaking shall be a continuing guarantee and undertaking of Imperial Oil Limited, and Imperial Oil Limited hereby waives notice of any extensions, modifications or amendments to any authorities granted by Her Majesty the Queen in right of Canada for IORNWTL's operations subsequent to the Effective Date and agrees that no such extensions, modifications or amendments will release Imperial Oil Limited of its obligations hereunder, and that Imperial Oil Limited will not be released by any waiver of any obligation of IORNWTL or by any indulgence or

concession granted to it except to the extent that any such extension, modification, amendment, indulgence or concession releases IORNWTL from its obligations pursuant to the Act.

- 5. The NEB shall not be required to exhaust its remedies against IORNWTL before claiming against Imperial Oil Limited hereunder.
- 4. This Guarantee and Undertaking shall not be construed as an agreement to increase the liability of IORNWTL beyond any limits, if applicable, provided for in the Act and regulations.
- 5. NEB shall release Imperial Oil Limited from this Guarantee and Undertaking upon the earlier of:
 - a) IORNWTL finally satisfying its obligations under the Act and any regulations made thereunder; or
 - b) Imperial or IORNWTL providing another means satisfactory to NEB for the purpose of IORNWTL meeting its obligation under Section 27 of the Act to provide proof of financial responsibility.

IN WITNESS whereof the undersigned has executed this instrument effective as of the 28th day of July, 1995 (the "Effective Date").

IMPERIAL OIL LIMITED c/s

APPROVED AS TO	
Form	Date
<i>AMS</i>	<i>950727</i>
Terms	Date

Per: *John F. Kyle*
 Per: *Jim Henderson*

ASSISTANT SECRETARY