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December 19, 2017

Office of the Regulator of Oil and Gas Operations
P.O. Box 1320
Yellowknife, NT
X1A 2L9

**Attention: James Fulford
Chief Conservation Officer**

Mr Fulford:

Re: Mackenzie Gas Project – Requirement for Annual Update

In the Imperial Oil Resources Ventures Limited Application for an Extension to the Sunset Clause for the Mackenzie Gas Project (OA-2015–001) the NWT Office of the Regulator of Oil and Gas Operations included the following planning condition in their approval:

The Proponents shall file an Annual Report with the Regulator by December 31st of each year beginning in December 2017. The report will describe any steps the Proponents have taken to advance activities or decisions that are preconditions to the Proponents' "Final Decision to Construct" the MGS, including but not limited to:

- *Re-staffing*
- *Engineering*
- *Field programs*
- *Initiating applications for site-specific permits from other regulators*
- *The timing of a "Final Decision to Construct" and whether construction of MGS can reasonably be expected to commence prior to 31 December 2022*

Imperial Oil Resources Limited, on behalf of the MVP proponents and the MGS proponents, advises that due to the continuing challenging North American natural gas market conditions and a prevailing view that these conditions are unlikely to improve in the foreseeable future, a decision has been made to not progress the project at this time and to dissolve the MVP and MGS joint ventures. The proponents are currently of the view that construction of the Mackenzie Gas Project (MGP) is unlikely to begin prior to December 31, 2022. However, the proponents realize that market dynamics are very unpredictable and it is difficult to determine when the currently oversupplied North American natural gas market will recover sufficiently to warrant a resumption in the project work. The MVP and the MGS proponents, therefore request that this planning condition be waived until such time as market conditions make it appropriate to resume progress on the project.

The proponents continue to believe that the answer to the Board's 2010 question "*whether the North and Canada would be better off with the project than without the project*" remains, "*the North and Canada would be better off with the project*" (1). Discussions with Northerners this November have found that broad support continues for the project and its potential to significantly enhance the economy in the western Northwest Territories. The proponents remain committed to working with Northerners to mitigate adverse project impacts and provide benefits to Northern residents and businesses when the time is right for the project to proceed. In addition to the Aboriginal Pipeline Group's support of this request as a project proponent, support from affected Aboriginal communities and the government of the Northwest Territories was expressed in our discussions with key stakeholders this November.

The MGP proponents remain compliant with the regulatory conditions and obligations that apply to the project's components – the anchor fields, the Mackenzie Gathering System and the Mackenzie Valley Pipeline. The OROGO can be satisfied that the proponents' ongoing compliance with the conditions attached to the regulatory approvals will ensure that MGP remains in the public interest.

In conclusion, the MGP proponents continue to believe that, despite current natural gas market-driven delays, the approved basin-opening project remains in the interest of Northerners and Canadians. The original approvals gave *Mackenzie Delta gas an opportunity to compete* (2). Waiving the planning condition will maintain that opportunity.

Please direct future correspondence on this matter to Michele Power, who can be reached by e-mail at michele.k.power@esso.ca or by phone at 587-476-2179.

Sincerely,


for:

Theresa Redburn
Sr. Vice President – Commercial & Corporate Development
Imperial Oil (on behalf of the proponents of the Mackenzie Gas Project)

References

- (1) NEB GH-1-2004, Volume 1 - Reasons for Decision Page 74
- (2) NEB GH-1-2004, Volume 1 - Reasons for Decision Page 78