Appendix G

Sproule ASSOCIATES LIMITED

Geological and Petroleum Engineering Consultants

Ref.: 1183.14021

VIA FAX 519-436-5237

January 15, 2001

Mr. John W. Finkbiner, P.Eng.
Manager, Storage Asset Development
Union Gas Limited
P.O. Box 2001
50 Keil Drive North
Chatham, Ontario N7M 5M1

Re: Natural Gas Storage Development Potential, Southwestern Ontario

Dear Sir:

In response to your query, we have prepared a review of natural gas storage development potential in southwestern Ontario based on our work conducted across this area on behalf of several clients during the past four years. Client names and details of individual documents and reports are confidential, and may not be disclosed without receipt of written authorization by those respective clients, but an overall review related to these studies is herein presented.

As of 1996, Ontario had 21 active natural gas storage pools having a total working capacity of about 200 Bcf. The majority of these facilities originated as natural gas-bearing reservoirs within Silurian Guelph pinnacle reefs. Storage has proven essential to meet peak natural gas demands in Ontario. It is thought that the efficient use of gas storage reservoirs has reduced the cost to local consumers by as much as 12 percent. Several series of scoping studies have been conducted for storage working capacities ranging from 3 to 12 Bcf, and for economic conditions in effect over the past four years. These model sizes have been shown to be economically viable. The strongest economics arise when the operator of the structure produces sufficient original gas to determine the effective reservoir size and uses the remainder as cushion gas to support ongoing injection and production operations over a 30-year storage life.

During the past four years, Sproule Associates Limited has reviewed the exploration and development programs of several companies active within the Silurian Guelph pinnacle and patch reef belt which crosses southwestern Ontario. In the process, we have reviewed many of the structures discovered to date and exploration potential as defined by 2-D and 3-D seismic programs. The area reviewed extends over more than 400,000 acres. During this process, a series of exploration prospects has been reviewed in which a number of Guelph pinnacle, incipient pinnacle and patch reef structures were identified. The most effective current exploration programs involve blanket 3-D seismic to identify the areal extent, height, and resolution of anomalies, followed by a drilling program to discover those bearing oil or natural gas in commercial quantities. The seismic character of these anomalies is compared to that of already discovered reef structures to give the explorationist a measure of confidence in his program.

The data for several hundred such undrilled geophysical anomalies (2-D and 3-D data) was reviewed. Based on calculated areal extent and height and average porosities and net pay to gross reef thickness ratios calculated from known drilled reefs, it appears that about 50 percent of the structures will be capable of holding less than 2 Bcf of original gas in place (OGIP), i.e., probably too small to be actively pursued as candidates for future natural gas storage. Twenty percent are anticipated to range from 2 to 5 Bcf (OGIP), 20 percent are anticipated to range from 5 to 10 Bcf (OGIP), and about 10 percent may be larger than 10 Bcf (OGIP). The median-size values for those structures deemed large enough potentially to be converted to gas storage facilities in the future are about 3 Bcf, 6 Bcf, and 12 Bcf, respectively.

Assuming that 50 of the several hundred anomalies are drilled and encounter commercial quantities of hydrocarbons, and that half of these will be too small to be economically viable gas storage units, and the others will fit the size range and rate of discovery listed above, some 150 Bcf of OGIP will be discovered, resulting in some 120 Bcf of additional storage capacity to augment the current system.

Due to the quality and resolution of modern 3-D seismic interpretation techniques and past drilling success, it is our opinion that the aforementioned anticipated successes and related volumes have not been overstated, and there indeed remains considerable opportunity to increase the natural gas storage capacity across southwestern Ontario.

We trust that this general review will assist you in your understanding of potential gas storage reservoirs in southwestern Ontario. Should you have any questions concerning our letter, or if we can be of further assistance in this or any other matter, please do not hesitate to contact us.

PERMIT TO PRACTICE
Sproule Associates Limited

Signature

Jan 15, 2001
Date

PERMIT NUMBER: P417
The Association of Professional Engineers, Geologists and Geophysicists of Alberta

Sincerely,

M. Wayne Sargent, Ph.D., P.Geol.
Associate

Ken H. Crowther, P.Eng.
President

Enclosure(s)
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