

May 8, 2008, Tokyo
Japan Petroleum Exploration Co., Ltd.

Environmental Impact Assessment of Hangingstone Oil Sands Expansion Project in the Province of Alberta, Canada

Japan Canada Oil Sands Limited (JACOS), a consolidated subsidiary of Japan Petroleum Exploration Co., Ltd. (JAPEX), currently produces approximately 8,000 barrels of bitumen per day at its Hangingstone Demonstration Operation (the so called 3.75 Section Operation) south of Fort McMurray. In an undeveloped part of the Hangingstone area, JACOS has been conducting geological evaluation as the operator (a 75% interest) in a joint project with Nexen Inc. (a 25% interest). The results of the evaluation so far have led JACOS/JAPEX to judge that the expected resource of recoverable bitumen in the area is large enough to justify development. Consequently, as part of the necessary work for the final decision to carry out the development, JACOS has submitted its Public Disclosure Document to initiate the process required by the Ministry of Environment of the Government of Alberta to conduct an Environmental Impact Assessment on the oil sands expansion project applying the process of Steam-Assisted Gravity Drainage (SAGD) (hereinafter, “the project”).

As the first step in the Environmental Impact Assessment process, JACOS submitted a Public Disclosure Document outlining the project to the Ministry of Environment of the Government of Alberta on May 7th, local time. JACOS will thereafter proceed with the preparatory work by holding careful discussions concerning the environmental and socio-economic impacts of the project in the local area. The discussions will involve the landowners, residents, including local Aboriginal communities, and other stakeholders in the area, as well as the appropriate authorities. It is expected to take approximately 18 months after the submission of the Public Disclosure Document to complete the Environmental Impact Assessment.

Based on the current assessments of the resource of recoverable bitumen, JACOS estimates that up to 35,000 barrels of bitumen will be produced per day for over the next 25 to 30 years from the undeveloped portion of its Hangingstone area. JACOS aims to start production around the fourth quarter of 2014, although the development schedule will vary according to factors such as the progress of the additional geological evaluation to follow and the business environment.

Since 1999, JACOS has been engaged in a demonstration project for bitumen production applying the SAGD process. Bitumen is extra heavy oil whose viscosity is extremely high at natural reservoir temperature. The SAGD process is generally used in the case of oil reserves at approximately 100 meters or more below ground level. Under this process, two horizontal wells are drilled in parallel. Steam is injected into the bitumen underground from the upper well to increase its mobility, and the bitumen is extracted through the lower well. JACOS was among the first to initiate operations applying the SAGD process in Alberta, and has expertise in operations using the SAGD process.

The document outlining the project, submitted to the Ministry of Environment of the Government of Alberta, will be posted on the JACOS website (<http://www.jacos.com>) commensurate with this news release. The area to be developed that is subject to the Environmental Impact Assessment, is called the Hangingstone SAGD Project, while the existing producing project is called the Hangingstone Demonstration Project (3.75 Section Project).

Hangingsstone SAGD Project Area Map



SAGD Process Schematic Representation

