

MANAGEMENT'S REPORT

The financial statements of Fort Chicago Energy Partners L.P. have been prepared by the management of Fort Chicago Energy Management Ltd. (the "General Partner") in accordance with accounting principles generally accepted in Canada. If alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Actual results may differ from these estimates and judgements. Management has ensured that the financial statements are presented fairly in all material respects.

Management maintains internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are appropriately accounted for and adequately safeguarded.

The Board of Directors of the General Partner is responsible for reviewing and approving the financial statements and, primarily through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting.

The Board of Directors of the General Partner has appointed an Audit Committee to meet periodically during the year with management and the external auditors. The Audit Committee reviews with management and the independent external auditors the annual financial statements prior to submission to the Board of Directors for final approval.

The independent external auditors, PricewaterhouseCoopers LLP, have been appointed by the Unitholders to express an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in conformity with Canadian generally accepted accounting principles.

(signed)

Guy J. Turcotte
Chairman and Chief Executive Officer

March 19, 2002

(signed)

Stephen H. White
President and Chief Financial Officer

AUDITORS' REPORT

To the Board of Directors of Fort Chicago Energy Management Ltd.
as the General Partner of Fort Chicago Energy Partners L.P.

We have audited the Consolidated Statement of Financial Position of Fort Chicago Energy Partners L.P. (the "Partnership") as at December 31, 2001 and 2000 and the Consolidated Statements of Income and Undistributed Income and Cash Flows for the years then ended. These financial statements are the responsibility of the management of the Partnership's General Partner, Fort Chicago Energy Management Ltd. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed)

Calgary, Canada
March 19, 2002

PricewaterhouseCoopers LLP
Chartered Accountants

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	DECEMBER 31 (\$ THOUSANDS)	2001	2000
	Assets		
	Current assets		
	Cash and short-term investments	\$ 13,677	\$ 37,031
	Distribution receivable	15,313	–
	Receivables	295	1,265
	Prepaid expenses	89	49
		<u>29,374</u>	<u>38,345</u>
	Investment in Alliance projects (Note 4)	586,430	593,725
	Deferred expenses (Note 6)	6,640	2,638
	Office equipment	7	15
		<u>\$ 622,451</u>	<u>\$ 634,723</u>
	Current liabilities		
	Payables	\$ 1,851	\$ 2,761
	Current portion of senior notes (Note 7)	4,778	–
	Distribution payable (Note 5c)	12,823	5,388
		<u>19,452</u>	<u>8,149</u>
	Non-current liabilities		
	Senior notes (Note 7)	113,472	–
	Bank debt	–	129,792
		<u>113,472</u>	<u>129,792</u>
		<u>132,924</u>	<u>137,941</u>
	Partners' equity		
	Partners' capital account (Note 5a)	433,786	424,876
	Warrants (Note 5g)	380	653
	Cumulative translation adjustment	17,975	–
	Undistributed income	37,386	71,253
		<u>489,527</u>	<u>496,782</u>
		<u>\$ 622,451</u>	<u>\$ 634,723</u>

Approved by the Board of Directors of Fort Chicago Energy Management Ltd.
as the General Partner of Fort Chicago Energy Partners L.P.

By: (signed) Guy J. Turcotte
Director

By: (signed) Stephen W. C. Mulherin
Director

FOR THE YEAR ENDED DECEMBER 31 (\$ THOUSANDS)	2001	2000	CONSOLIDATED STATEMENT OF INCOME AND UNDISTRIBUTED INCOME
Income			
Interest	\$ 534	\$ 1,633	
Expenses			
Administration	1,818	1,520	
Interest and other finance	9,301	11,352	
Foreign exchange loss	3,848	1,670	
Depreciation and amortization	2,283	1,335	
Taxes	2,206	(707)	
Net income (loss) before equity income	(18,922)	(13,537)	
Equity income of Alliance projects (Notes 2 and 4)	34,100	40,533	
Net income for the year	15,178	26,996	
Undistributed income at the beginning of the year	71,253	49,645	
Distribution paid or payable (Note 5c)	(49,045)	(5,388)	
Undistributed income at the end of the year	\$ 37,386	\$ 71,253	
Net income per Class A Unit			
Basic and diluted	\$ 0.21	\$ 0.40	

	MARCH 19, 2002	DECEMBER 31, 2001	DECEMBER 31, 2000	STATEMENT OF OUTSTANDING UNITS
	(UNAUDITED)			
Class A Units (Note 5a)	73,564,509	73,275,759	71,843,054	
Options				
Eligible Optionholder Warrants (Note 5f)	—	—	1,232,565	
Warrants (Note 5g)	—	288,750	495,000	

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS	FOR THE YEAR ENDED DECEMBER 31 (\$ THOUSANDS)	2001	2000
Operating			
Net income for the year	\$	15,178	\$ 26,996
Less: Equity income of Alliance projects		(34,100)	(40,533)
Add: Depreciation and amortization		2,283	1,335
Amortization of foreign exchange loss		3,686	1,272
Distribution from Alliance projects		51,942	—
Cash flow		38,989	(10,930)
Financing			
Partners' equity		8,669	47,899
Bank debt		(132,186)	97,227
Issue costs		(32)	(2,178)
Senior notes		114,675	—
Debt issue costs		(2,119)	—
Repayment of senior notes		(1,193)	—
Distribution paid		(41,610)	—
Changes in non-cash working capital		20	(1,355)
		(53,776)	141,593
Investing			
Investment in Alliance projects		(5,505)	(175,845)
Deferred expenses		(3,057)	1,216
Office equipment		(5)	(5)
		(8,567)	(174,634)
Increase (decrease) in cash and short-term investments		(23,354)	(43,971)
Cash and short-term investments at the beginning of the year		37,031	81,002
Cash and short-term investments at the end of the year	\$	13,677	\$ 37,031
Cash flow per Class A Unit			
Basic and diluted	\$	0.53	\$ (0.16)
Supplemental disclosure of cash flow information:			
Interest paid	\$	7,866	\$ 8,936
Income taxes paid	\$	3,512	\$ 732

See accompanying notes to the Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2001

(\$ THOUSANDS)	FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 (UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31, 2001
Cash inflows		
Distributions from Alliance projects	\$ 15,395	\$ 67,255
Interest income	87	534
	15,482	67,789
Cash outflows		
Administration	(447)	(1,818)
Realized foreign exchange gain (loss)	157	(162)
Interest and other finance	(2,379)	(9,301)
Taxes	(701)	(2,206)
Marketing losses	(1,140)	(2,290)
Senior note principal payment	(1,203)	(2,387)
Distributable cash	\$ 9,769	\$ 49,625
Distributable cash per Class A Unit	\$ 0.133	\$ 0.678
Distributions paid or payable	\$ 12,823	\$ 49,045
Distributions paid or payable per Class A Unit	\$ 0.175	\$ 0.670

**NOTE 1 –
CONSOLIDATED
STATEMENT OF
DISTRIBUTABLE
CASH**

Fort Chicago Energy Partners L.P. (the “Partnership”) is a limited partnership created under the laws of the Province of Alberta on October 9, 1997.

The Partnership was created to acquire the interests in the Alliance projects held by Chauvco Resources Ltd. (“Chauvco”) and all agreements related thereto. The business of the Partnership consists solely of directly or indirectly participating in the transportation, storage, marketing or processing of hydrocarbons and directly or indirectly investing and managing investments in other persons who are engaged primarily in these activities or carrying on the business of a financial intermediary.

Fort Chicago Energy Management Ltd., as General Partner, is responsible for overseeing the management of the Partnership, including the determination of the amount of distributions to the holders of limited partnership units of the Partnership.

The Consolidated Financial Statements include the accounts of the Partnership and its wholly owned subsidiary partnerships and corporations.

The Alliance projects consist of the Alliance Pipeline project and the Aux Sable Plant project. The Alliance Pipeline project involves the design, construction and operation of a mainline gas pipeline (with various connecting lateral pipelines) from Northeastern British Columbia to points near Chicago, Illinois. The Aux Sable Plant project involves the construction and operation of a natural gas liquids extraction and fractionation facility near the terminus of the Alliance Pipeline project.

**NOTE 2 –
BASIS OF
PRESENTATION
AND BUSINESS
OF THE
PARTNERSHIP**

The Partnership's interest in the Alliance projects is accounted for using the equity method, whereby the investment is recorded at the original cost plus the Partnership's share of income or loss less any distributions received. The Alliance Pipeline project follows the regulatory accounting method. Under the regulatory accounting method, certain revenues and expenses may be recognized differently than otherwise expected under generally accepted accounting principles applicable to non-regulated businesses.

For the year ended December 31, 2001, the Partnership recorded \$34,100,000 (2000 – \$40,533,000) as its share of the income of the Alliance projects.

FOREIGN CURRENCY TRANSLATION Prior to January 1, 2001, Fort Chicago was obligated to equity fund its foreign operations and accordingly treated them as integrated. With the finalization of the financing for those entities and the removal of Fort Chicago's obligation to fund additional equity, the operations were determined to be self-sustaining. The net exchange gain attributable to current rate translation of non-monetary items as of the date of the change is included as part of the exchange gains included in the cumulative translation component of unitholders' equity. This determination was not completed until the fourth quarter of 2001, however the effect on the first three quarters of 2001 was immaterial.

The current rate method requires that all asset and liability amounts be translated into Canadian dollars using the exchange rate in effect at the balance sheet date, and requires that all revenues and expenses be translated at average exchange rates for the period. The resulting net cumulative translation gain or loss is reported as a separate component of Partners' equity.

As the Partnership is not a taxable entity, all income for tax purposes is allocated to the partners each year and, therefore, no tax expense is reflected in these financial statements in respect of the Partnership. Certain subsidiary partnerships are taxable in the U.S. and tax expense has been recorded for U.S. tax liabilities. A subsidiary corporation is taxable in Canada and federal and provincial capital taxes have been reflected in the financial statements of the subsidiary corporation.

Cash and short-term investments comprise cash and highly liquid investments of less than 90 days to maturity valued at market.

These financial statements have been prepared by the management of Fort Chicago Energy Management Ltd. (the "General Partner") in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

**NOTE 3 –
CHANGE IN
ACCOUNTING
POLICIES**

Effective January 1, 2001, the Partnership adopted, retroactively without restatement of prior periods, the Canadian Institute of Chartered Accountants draft recommendations with respect to stock-based compensation. Under the new recommendations, the Partnership has recognized the "in-the-money" value of vested unit appreciation rights. As at December 31, 2001, the Partnership recognized a liability for \$48,000 with a corresponding increase in deferred expenses.

Effective January 1, 2001, the Partnership changed its method of computing diluted earnings per Class A Unit to the treasury stock method as recommended by the Canadian Institute of Chartered Accountants. The retroactive effect of applying this method of calculating diluted earnings per Class A Unit resulted in an increase from \$0.38 to \$0.40 per Class A Unit in the prior year.

At various times in 1997, the Partnership acquired interests in the Alliance Pipeline and Aux Sable Plant projects. The Partnership has invested the following amounts in the Alliance Pipeline and Aux Sable Plant projects since inception, recorded the following amounts of equity income and received the following distributions:

**NOTE 4 -
INVESTMENT
IN ALLIANCE
PROJECTS**

(\$ THOUSANDS)	INVESTMENT	EQUITY INCOME	DISTRIBUTIONS RECEIVED OR RECEIVABLE	TRANSLATION ADJUSTMENT	TOTAL
1997	\$ 35,208	\$ 244	\$ -	\$ -	\$ 35,452
1998	124,464	8,680	-	-	133,144
1999	182,079	26,672	-	-	208,751
2000	175,845	40,533	-	-	216,378
2001	5,505	34,100	(67,255)	20,355	(7,295)
	\$ 523,101	\$ 110,229	\$ (67,255)	\$ 20,355	\$ 586,430

The following summarizes the financial information of the Alliance Pipeline and Aux Sable Plant entities:

(\$ THOUSANDS)	2001	2000
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Statement of operations

Net income for the year	\$ 132,016	\$ 148,053
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Statement of financial position

Assets

Current assets	\$ 490,831	\$ 510,614
Long-term assets	6,189,336	5,988,643
Total assets	\$ 6,680,167	\$ 6,499,257

Liabilities and unitholders' equity

Current liabilities	\$ 346,409	\$ 352,316
Long-term liabilities	3,812,537	3,770,140
Future income taxes	223,424	114,965
Unitholders' equity	2,297,797	2,261,836
Total liabilities and unitholders' equity	\$ 6,680,167	\$ 6,499,257

(a) PARTNERS' CAPITAL ACCOUNT

(i) **Authorized** The Partnership is authorized to issue an unlimited number of Class A limited partnership units and one Class B limited partnership unit.

(ii) **Issued**

	CLASS A UNITS	
	NUMBER	VALUE
	(\$ THOUSANDS)	
December 31, 1999	66,100,829	\$ 379,155
Eligible Optionholder Warrants (Note 5f)	1,087,225	6,469
Equity offering (Note 5b)	4,655,000	41,430
Issue costs	-	(2,178)
December 31, 2000	71,843,054	424,876
Eligible Optionholder Warrants (Note 5f)	1,226,455	7,297
Warrants (Note 5g)	206,250	1,645
Issue costs	-	(32)
December 31, 2001	73,275,759	\$ 433,786

**NOTE 5 -
PARTNERS'
EQUITY**

(b) EQUITY OFFERING On November 7, 2000, the Partnership completed an equity offering of 4,655,000 Class A Units at a price of \$8.90 per Class A Unit with a syndicate of Canadian investment banks. Total proceeds received were \$41,429,500 prior to underwriting fees and expenses of the offering that totalled \$2,210,000.

(c) DISTRIBUTIONS The Partnership has declared and paid the following distribution to holders of Class A Units:

RECORD DATE	PAYMENT DATE	DISTRIBUTION PER CLASS A UNIT	TOTAL DISTRIBUTION PAID (\$ THOUSANDS)
2000			
December 29, 2000	January 15, 2001	\$ 0.075	\$ 5,388
2001			
March 30, 2001	April 30, 2001	\$ 0.175	12,772
June 29, 2001	July 31, 2001	\$ 0.160	11,725
September 28, 2001	October 31, 2001	\$ 0.160	11,725
December 31, 2001	January 31, 2002	\$ 0.175	12,823
		\$ 0.670	\$ 49,045

(d) OWNERSHIP RESTRICTIONS The Partnership was organized in accordance with the terms and conditions of a limited partnership agreement dated as of October 9, 1997 as amended and restated on November 21, 1997 and as further amended on March 7, 2001 (the “Partnership Agreement”). The Partnership Agreement provides that no Class A Units may be transferred to a person who is a “non-resident” of Canada, a person in which an interest would be a “tax shelter investment” or a partnership which is not a “Canadian partnership” for purposes of the *Income Tax Act* (Canada).

(e) UNITHOLDERS RIGHTS PLAN The Partnership has a unitholders rights plan (the “Plan”). Under the Plan, one right will be issued with each Class A Unit issued. The rights remain attached to the Class A Units and are not exercisable or separable unless one or more certain specified events occur. If a person or group acting in concert acquires 20 percent or more of the Class A Units of the Partnership, the rights will entitle the holders thereof (other than the acquiring person or group) to purchase Class A Units of the Partnership at a 50 percent discount from the then market price. The rights are not triggered by a “Permitted Bid,” as defined in the Plan.

(f) ELIGIBLE OPTIONHOLDER WARRANTS On December 15, 1997, the holders of options to acquire common shares of Chauvco received for no consideration Eligible Optionholder Warrants of the Partnership on a one-to-one basis. This resulted in the issuance of 2,429,250 Eligible Optionholder Warrants. Subject to certain limitations, each Eligible Optionholder Warrant entitled the holder thereof to acquire one Class A Unit at a price of \$5.95. The Eligible Optionholder Warrants expired on May 29, 2001. During 2001, 1,226,455 (2000 – 1,087,225) Eligible Optionholder Warrants were exercised for proceeds of \$7,297,407 (2000 – \$6,468,988).

(g) WARRANTS In conjunction with the arrangement of certain credit facilities in 1998, the Partnership issued 495,000 warrants. Each warrant entitles the holder thereof to acquire one Class A Unit at a price of \$6.65. Each warrant will expire on March 6, 2002. In 1998, the Partnership recognized \$653,400 as the value of these warrants. During 2001, 206,250 (2000 – NIL) warrants were exercised for proceeds of \$1,371,562.

(\$ THOUSANDS)	2001	2000	NOTE 6 -
Financing expenses ⁽¹⁾	\$ 1,343	\$ 1,138	DEFERRED
Foreign exchange loss ⁽¹⁾	2,216	1,133	EXPENSES
Construction period unit appreciation rights ⁽²⁾	2,751	-	
Other ⁽²⁾	330	367	
	\$ 6,640	\$ 2,638	

(1) Amortized over the life of the related debt, being generally 10 years.

(2) Amortized over 10 years commencing January 1, 2001.

On August 15, 2001, the Partnership, via two subsidiary entities, issued senior unsecured notes to institutional investors in the United States.

NOTE 7 -
SENIOR NOTES

The Senior Notes, Series A issued by Fort Chicago Pipeline II U.S. L.P. in the aggregate principal amount of U.S. \$37,500,000 bear interest at the rate of 7.71 percent per annum, pay interest and principal quarterly in arrears and mature on July 31, 2011. Principal is repaid U.S. \$375,000 per quarter and U.S. \$22,875,000 at maturity.

The Senior Notes, Series B issued by Fort Chicago Pipelines (Canada) Ltd. in the aggregate principal amount of U.S. \$37,500,000 bear interest at the rate of 7.71 percent per annum, pay interest and principal quarterly in arrears and mature on July 31, 2011. Principal is repaid U.S. \$375,000 per quarter and U.S. \$22,875,000 at maturity.

Each series of notes are direct unsecured obligations of the relevant issuer and rank *pari passu* with all other unsecured and unsubordinated indebtedness of that issuer.

Each issuer has provided covenants customary for note issuances that include, among other things, the following: (i) each issuer will not, at any time, permit consolidated indebtedness to be more than 50 percent of consolidated capitalization and (ii) each issuer will not permit the ratio of operating cash flow to interest expense to be less than 3.00 to 1.00 at the end of each fiscal quarter of such issuer. Such financial covenants are calculated for each issuer and not at the Partnership level.

Each issuer has given the note purchasers a negative pledge not to encumber any of its assets except for permitted encumbrances and has agreed that in the event it sells any portion of its interest in Alliance Pipeline L.P. or Alliance Pipeline Limited Partnership, as applicable, prior to maturity of its notes to redeem such notes at that time to the extent of the proceeds of such sale plus a make-whole amount and any unpaid and accrued interest thereon.

Each issuer may redeem all or any (subject to a minimum of 10 percent of the aggregate principal amount outstanding) of its notes at any time prior to maturity at par plus a make-whole payment and any accrued and unpaid interest on the redeemed amount.

Most of the proceeds from these note issuances were ultimately utilized to repay the bridge credit facility described in Note 8 below.

Future minimum principal repayments required in total on the Series A and Series B Senior Notes expressed in Canadian dollars (based on the exchange rate at December 31, 2001) over the next five years and thereafter are as follows:

2002	\$ 4,778
2003	4,778
2004	4,778
2005	4,778
2006	4,778
thereafter	94,360
	\$ 118,250

**NOTE 8 -
BANK CREDIT
FACILITIES**

On March 6, 2001, the Partnership entered into a credit agreement with two Canadian chartered banks to provide for a Canadian \$40 million extendible revolving credit facility and a Canadian \$100 million bridge facility. The initial proceeds from these credit facilities were utilized to repay then existing credit facilities, which were then terminated.

These credit facilities are unsecured except that subsidiary partnerships and corporations delivered guarantees in favour of the lenders as security for the Partnership's obligations under these credit facilities.

The interest rates on outstanding debt are variable, including in relation to the lender's prime interest rate. The Partnership has agreed to pay standby and letter of credit fees varying from 0.6 percent to 1.325 percent per annum of the undrawn facilities and any letters of credit issued under the facilities. The Partnership has provided covenants customary to bank credit facilities that include, among other things, (i) the maintenance of consolidated tangible net worth of at least \$375 million subject to downward adjustment for certain events and (ii) the maintenance of debt to total capitalization of no greater than 50 percent.

On August 17, 2001, the Partnership repaid the entire bridge credit facility and made a payment under the extendible revolving credit facility from the proceeds of the note offerings described in Note 7 above. Concurrently with the repayment of the bridge credit facility, the bridge credit facility was terminated. The extendible revolving credit facility matures on March 5, 2002, but may be extended from time to time for additional 364-day periods with the approval of the lenders. The lenders have agreed to renew the extendible revolving credit facility for a further 364-day period to March 4, 2003.

As at December 31, 2001, the Partnership had issued letters of credit of Canadian \$13,491,000 and U.S. \$8,610,000 under the extendible revolving credit facility (see Note 10 below).

YEAR OF GRANT	NUMBER OF UNITS	EXERCISE PRICE	EXPIRY	VESTED	VALUE
As at December 31, 2001					
2000	40,000	\$ 7.80	Dec. 31, 2003	40,000	\$ 48,000
2001	537,500	\$ 9.29	March 7, 2006	179,167	—
	577,500	\$ 9.19		219,167	\$ 48,000
As at December 31, 2000					
1997	846,666	\$ 5.75	Dec. 31, 2003	846,666	\$ 2,328,000
2000	40,000	\$ 7.80	Dec. 31, 2003	40,000	28,000
	886,666	\$ 5.84		886,666	\$ 2,356,000

**NOTE 9 –
UNIT
APPRECIATION
RIGHTS CASH
BONUS PLAN**

The vesting provisions for the unit appreciation rights issued in 1997 and 2000 were as follows: 33 $\frac{1}{3}$ percent on the date that all regulatory approvals required to commence construction of the Alliance Pipeline project were obtained; 33 $\frac{1}{3}$ percent on the in-service date of the Alliance Pipeline project; and 33 $\frac{1}{3}$ percent on December 31, 2000. As of December 31, 2001, 100 percent of the unit appreciation rights issued in 1997 and 2000 had vested.

The vesting provision for the unit appreciation rights issued in 2001 were as follows: 33 $\frac{1}{3}$ percent on the date of grant which was March 7, 2001; 33 $\frac{1}{3}$ percent on the first anniversary of the date of grant which is March 7, 2002; and 33 $\frac{1}{3}$ percent on the second anniversary of the date of grant which is March 7, 2003. As of December 31, 2001, 33 $\frac{1}{3}$ percent of the unit appreciation rights issued in 2001 had vested.

During the period ended December 31, 2001, 846,666 unit appreciation rights were exercised and the Partnership capitalized \$3,011,000 to deferred charges as the vesting provisions were structured in relation to Alliance Pipeline project approval, completion and operational milestones.

On December 31, 2001, the Partnership had obligations in the amount of Canadian \$7,917,000 and U.S. \$5,208,000 to fund its pro rata share of certain debt service reserve amounts required to be maintained in debt service reserve accounts under provisions relating to the senior debt financing for the Alliance Pipeline project and had delivered letters of credit to support such obligations.

**NOTE 10 –
COMMITMENT
TO ALLIANCE
PROJECTS**

On December 31, 2001, several of the Partnership's subsidiary partnerships had obligations to guarantee their pro rata share of a stipulated amount relating to the natural gas transportation obligations of an entity affiliated with the Alliance Pipeline project and the Partnership had delivered letters of credit of Canadian \$5,574,000 and U.S. \$3,402,000 to support such obligations.

The Partnership's financial assets and liabilities as at December 31, 2001 included cash, accounts receivable, accounts payable and bank debt. Due to the current nature of cash, accounts receivable and accounts payable, fair value of these items is considered to be equal to book value. The fair value of the senior notes described in Note 7 above as at December 31, 2001 was approximately Canadian \$118.6 million. The Partnership has entered into variable rate agreements for its debt financing except for the senior notes described in Note 7 above.

**NOTE 11 –
FINANCIAL
INSTRUMENTS**