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

(signed)

Stephen H. White
President and Chief Financial Officer

March 7, 2001

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, 2000 and 1999 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, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed)

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Canada • March 7, 2001

Consolidated Statement of Financial Position

($ thousands)	As at December 31 2000	1999
ASSETS		
Current assets		
Cash and short-term investments	$ 37,031	$ 81,002
Receivables	1,265	45
Prepaid expenses	49	140
	38,345	81,187
Investment in Alliance projects (Note 2)	593,725	377,347
Deferred expenses (Note 4)	2,638	4,028
Office equipment	15	38
	$ 634,723	$ 462,600
CURRENT LIABILITIES		
Payables	$ 2,761	$ 2,987
Distribution payable (Note 3c)	5,388	–
	8,149	2,987
NON-CURRENT LIABILITIES		
Bank debt (Notes 5 and 9)	129,792	30,160
PARTNERS' EQUITY		
Partners' capital account (Note 3a)	424,876	379,155
Warrants (Note 3g)	653	653
Undistributed income	71,253	49,645
	496,782	429,453
	$ 634,723	$ 462,600

Statement of Outstanding Units

	March 7 2001	Dec. 31 2000	Dec. 31 1999
	(unaudited)		
Class A Units (Note 3a)	72,060,544	71,843,054	66,100,829
Options			
Eligible Optionholder Warrants (Note 3f)	1,015,075	1,232,565	2,319,790
Warrants (Note 3g)	495,000	495,000	495,000

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

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Income and Undistributed Income

($ thousands)	For the year ended December 31 2000	1999
Income		
Interest	$ 1,633	$ 7,920
Expenses		
Administration	1,520	1,312
Interest and other finance	11,352	5,410
Foreign exchange loss (income)	1,670	(1,301)
Depreciation and amortization	1,335	1,226
Taxes	(707)	899
Net income (loss) before equity income	(13,537)	374
Equity income of Alliance projects (Note 1)	40,533	26,672
Net income for the year	26,996	27,046
Undistributed income at the beginning of the year	49,645	22,599
Distribution payable (Note 3c)	(5,388)	–
Undistributed income at the end of the year	$ 71,253	$ 49,645
Net income per Class A Unit		
Basic	$ 0.40	$ 0.41
Fully diluted	$ 0.38	$ 0.41

Consolidated Statement of Cash Flows

($ thousands)	For the year ended December 31 2000	1999
Operating		
Net income for the year	$ 26,996	$ 27,046
Less: Equity income of Alliance projects	(40,533)	(26,672)
Add: Depreciation and amortization	1,335	1,226
Amortization of foreign exchange loss	1,272	–
Cash flow	(10,930)	1,600
Financing		
Share capital	47,899	578
Bank debt	97,227	30,160
Issue costs	(2,178)	–
Changes in non-cash working capital	(1,355)	2,414
	141,593	33,152
Investing		
Investment in Alliance projects	(175,845)	(182,079)
Deferred expenses	1,216	(1,461)
Office equipment	(5)	(15)
	(174,634)	(183,555)
Increase (decrease) in cash and short-term investments	(43,971)	(148,803)
Cash and short-term investments at the beginning of the year	81,002	229,805
Cash and short-term investments at the end of the year	$ 37,031	$ 81,002
Cash flow per Class A Unit		
Basic and fully diluted	$ (0.16)	$ 0.02
Supplemental disclosure of cash flow information:		
Interest paid	$ 8,936	$ 1,219
Income taxes paid	$ 732	$ 188

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

As at December 31, 2000

1. BASIS OF PRESENTATION AND BUSINESS OF THE PARTNERSHIP

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 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.

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. For the period ended December 31, 2000, the Partnership recorded $40,533,000 (1999 – $26,672,000) as its share of the income of the Alliance projects.

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.

2. INVESTMENT IN ALLIANCE PROJECTS

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 and recorded the following amounts of equity income.

($ thousands)	Investment	Equity Income	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
	$ 517,596	$ 76,129	$ 593,725

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

($ millions)	2000	1999
STATEMENT OF OPERATIONS		
Net income for the year	$ 148.1	$ 87.5
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	$ 511.5	$ 282.5
Long-term assets	5,959.3	3,973.5
Total assets	$ 6,470.8	$ 4,256.0
Liabilities and unitholders' equity		
Current liabilities	$ 352.3	$ 263.4
Long-term liabilities	3,770.1	2,528.7
Deferred income taxes	105.0	41.0
Unitholders' equity	2,243.4	1,422.9
Total liabilities and unitholders' equity	$ 6,470.8	$ 4,256.0

3. PARTNERS' EQUITY

(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	
($ thousands)	Number	Value
December 31, 1998	66,003,609	$ 378,577
Eligible Optionholder Warrants (Note 3f)	97,220	578
December 31, 1999	66,100,829	379,155
Eligible Optionholder Warrants (Note 3f)	1,087,225	6,469
Equity offering (Note 3b)	4,655,000	41,430
Issue costs (Note 3b)	–	(2,178)
December 31, 2000	71,843,054	$ 424,876

(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 $2,178,000.

(c) Distributions

On December 18, 2000, the Partnership announced the commencement of distributions to holders of Class A Units. On January 15, 2001, the Partnership paid a distribution of $0.075 per Class A Unit for a total of $5,388,000 to Unitholders of record at the close of business on December 29, 2000.

(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 (i) 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) or (ii) a person who is a "Competitor" (as defined in the Partnership Agreement). The Partnership Agreement further provides that no person, other than an "Exempt Person" (as defined in the Partnership Agreement), may beneficially own 10 percent or more of the outstanding Class A Units prior to May 29, 2001.

(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 entitles the holder thereof to acquire one Class A Unit at a price of $5.95. The Eligible Optionholder Warrants will only be exercisable during the period from the date of issuance until May 29, 2001. During 2000, 1,087,225 (1999 – 97,220) Eligible Optionholder Warrants were exercised for proceeds of $6,468,988 (1999 – $578,459).

(g) Warrants

In conjunction with the arrangement of the credit facilities described in Note 5 below, 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.

4. DEFERRED EXPENSES

	2000	1999
Financing expenses	$ 1,138	$ 2,094
Foreign exchange loss	1,133	1,567
Other	367	367
	$ 2,638	$ 4,028

5. BANK CREDIT FACILITIES

During 1998, the Partnership entered into two credit agreements with a syndicate of banks to provide credit facilities to the Partnership in the amount of Canadian $40 million and U.S. $70 million as follows:

	Alliance Pipeline Project Cost Overruns Canadian $	Aux Sable Project U.S. $
Senior credit facilities	$ 25,000,000	$ 44,000,000
Subordinated credit facilities	15,000,000	26,000,000
	$ 40,000,000	$ 70,000,000

The Partnership delivered a general security agreement and its subsidiary partnerships delivered guarantees in favour of the lenders as security for the Partnership's obligations under the credit facilities. The credit facilities mature on October 1, 2001 but may be extended for an additional six-month period.

During 2000, the Partnership amended its senior credit facilities to create a senior bridge credit facility of $8,500,000 and amended its subordinated credit facilities to create a subordinated bridge credit facility of $5,000,000. These bridge credit facilities mature on October 1, 2001. The Partnership and its subsidiary corporations and partnerships also confirmed that the security, guarantees and negative pledges previously delivered to the lenders in connection with the senior and subordinated credit facilities also secure the bridge credit facilities.

As at December 31, 2000, the Partnership had drawn Canadian $7,598,000 and U.S. $81,452,000 under the various credit facilities and had issued letters of credit of Canadian $9,724,000 and U.S. $6,311,000.

The interest rates on outstanding debt are variable, including in relationship to the lenders' prime interest rates. The Partnership has agreed to pay standby and letter of credit fees varying from 1.2 percent to 4 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 and which include the maintenance of consolidated tangible net worth of at least $325,000,000.

On March 6, 2001, the Partnership repaid all of these credit facilities from the proceeds of the credit facilities described in Note 9 and terminated all such credit facilities.

6. UNIT APPRECIATION RIGHTS CASH BONUS PLAN

The Partnership has granted the following unit appreciation rights to Directors, Officers and employees of the Partnership and the General Partner.

Year of Grant	Number of Units	Exercise Price	Expiry	Vested as of Dec. 31, 2000	Value as of Dec. 31, 2000	Value as of Dec. 31, 1999
1997	846,666	$ 5.75	Dec. 31, 2003	846,666	$2,328,000	$ 423,000
2000	40,000	$ 7.80	Dec. 31, 2003	40,000	28,000	–
	886,666	$ 5.84		886,666	$2,356,000	$ 423,000

7. COMMITMENT TO ALLIANCE PROJECTS

On December 31, 2000, 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 of the debt service reserve accounts for the Alliance Pipeline Project and had delivered letters of credit to support such obligations.

On December 31, 2000, several of the Partnership's subsidiary partnerships had agreed to guarantee a portion of the natural gas transportation obligations of an entity affiliated with the Alliance Pipeline Project and the Partnership had delivered letters of credit of Canadian $1,807,000 and U.S. $1,103,000 to support such obligations.

The Partnership has made its pro rata share of an equity commitment to the Aux Sable Plant Project. The Partnership's commitment in this regard totals U.S. $3,592,000 of which U.S. $1,692,000 was funded in February 2001.

8. FINANCIAL INSTRUMENTS

The Partnership's financial assets and liabilities as at December 31, 2000 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 bank debt approximates its recorded value as it bears interest at current market rates. The Partnership has entered into variable rate agreements for all debt financing.

9. SUBSEQUENT EVENT

On March 6, 2001, the Partnership entered into a new credit agreement with two Canadian chartered banks to provide for a Canadian $40,000,000 extendible revolving credit facility and a Canadian $100,000,000 bridge facility. The initial proceeds from these new credit facilities were utilized to repay the credit facilities described in Note 5 above.

These new 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 new 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, (i) the maintenance of consolidated tangible net worth of at least $375,000,000 (subject to downward adjustment for certain events) and (ii) the maintenance of debt to total capitalization of no greater than 50 percent. The bridge credit facility matures on March 5, 2002. The extendible revolving credit facility also matures on March 5, 2002, but may be extended from time to time for additional 364-day periods with the approval of the lenders.