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NEWS RELEASE

Excelsior Energy and ConocoPhillips Announce Selection for Funding under Department of Energy's Clean Coal Power Initiative

MINNETONKA, Minn. and HOUSTON, Oct.26, 2004 --- Excelsior Energy Inc. and ConocoPhillips [NYSE:COP] announced today that the Department of Energy's Clean Coal Power Initiative (CCPI) has awarded funding to the Mesaba Energy Project. Excelsior's Mesaba Energy Project will be located on the Iron Range of northeastern Minnesota and will serve as a template for a new generation of commercial coal-to-power IGCC plants.

The plant will utilize ConocoPhillips' E-Gas technology to meet the significant demand for new baseload electric generation nationwide. The result will be dramatically lower emissions compared with those of competing conventional technologies. The first unit of the project will be capable of producing a net output of approximately 532 megawatts (MW) of electricity and is expected to be operational in 2010.

Julie Jorgensen, co-president and chief executive officer of Excelsior, stated, "We appreciate the support of the Secretary of Energy and the Department of Energy for the Mesaba Energy Project. The award defrays the significant up-front development and engineering costs associated with an innovative project, one of the key barriers to broad market adoption of the IGCC technology. It moves the project a step closer to meeting the goal of the Minnesota legislature to have an IGCC plant developed in northeastern Minnesota as a viable alternative to proposed plants using conventional technologies."

"This project is a perfect example of how ConocoPhillips is working to bring cleaner fuels at the best possible value to our consumers," said Brian Evans, manager, ConocoPhillips Technology Solutions.

Excelsior and ConocoPhillips received notification of their award selection from Senator Norm Coleman (R-MN) and U.S. Secretary of Energy Spencer Abraham. The Department of Energy (DOE) indicated that the Mesaba Energy Project would receive approximately \$36 million to fund the first phase of its development. Under the current pending energy legislation in Washington, the project will also receive the benefits of a federal loan guarantee when the legislation becomes law.

The Mesaba Energy Project will be the first coal power plant in the United States to achieve greater than 90 percent mercury control, and its significant, across-the-board reductions in sulfur dioxide, nitrogen oxide and particulate emissions will make it the cleanest coal-fueled power plant in the world. In addition, the project will pave the way for a new generation of coal-fueled power plants that will have the flexibility to capture carbon dioxide to meet future constraints.

Tom Micheletti, co-president and chief executive officer of Excelsior Energy said “This project is a great example of how national, state and local leaders can come together with private industry to address the challenges of meeting our need for clean, affordable energy with onshore jobs and resources.”

E-Gas Technology converts coal and other low-grade feedstocks, including petroleum coke, which may have a negative economic value, into a clean synthesis gas containing hydrogen. The process allows virtually all pollutant-forming impurities to be removed, including mercury from coal, and is readily adaptable for further removal of carbon in the future.

ConocoPhillips’ E-Gas technology has been utilized on a commercial basis since 1995. The Wabash River Coal Gasification Repowering Project, in West Terre Haute, Indiana is a leader in the U.S. Department of Energy’s “Clean Coal Technology Program”.

The Mesaba Energy Project will implement further refinements of the E-Gas technology for higher efficiency and lower cost, a hybrid particulate removal system, enhanced sulfur and mercury removal technologies as well as possibly utilizing an advanced combustion turbine integrated with other process units in the facility. These advancements will be the commercial implementation of previous development work by the ConocoPhillips team and others with the DOE.

Mesaba will be located on a brownfield site, a former taconite mining facility, with access to water and multiple fuel transportation options. Preliminary environmental evaluations for this site and several others have been completed.

Excelsior Energy Inc., an energy development company based in Minnetonka, Minn., has been engaged in the development of a gasification project on Minnesota’s Iron Range since 2001. The Mesaba Energy Project was granted a broad range of regulatory incentives by the Minnesota state legislature and has received broad-based support from state government, labor, business, and political leaders within Minnesota and in Washington, D.C. For more information, go to www.excelsiorenergy.com.

ConocoPhillips is an integrated oil company with interests around the world. For more information, go to www.conocophillips.com.

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