

EXCELSIOR ENERGY ANNOUNCES CARBON DIOXIDE STORAGE STUDY FOR MESABA ENERGY PROJECT

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FOR IMMEDIATE RELEASE

Study Part of Upper Midwest Group's Development and Demonstration of Carbon Sequestration Options for the Future

Excelsior Energy Inc., a Minnesota company developing a coal-fueled, 500 to 600 megawatt (MW) integrated gasification combined cycle ("IGCC") baseload power plant to be located on Minnesota's Iron Range (Unit I of the "Mesaba Energy Project"), today announced the U.S. Department of Energy (DOE) has funded a study for examining potential options for carbon dioxide storage for Mesaba. The study is part of a larger, \$21 million project to be performed by the Plains CO₂ Reduction Partnership (the "Partnership" or "PCOR"), which is led by the Energy & Environmental Research Center (EERC) at the University of North Dakota (UND). More than \$14 million of funding will come from DOE; the balance from PCOR Partnership members including Excelsior.

Carbon dioxide (CO₂) releases stemming from the combustion of fossil fuels in the transportation, commercial, residential, industrial and electric utility sectors are often presumed to be associated with the risk of global climate change. The Partnership conducts projects designed to evaluate the technical and economic feasibility of reducing carbon dioxide. Specifically, the Partnership is focusing on techniques to sequester CO₂ in soil, plants, or underground geologic formations.

The Partnership is one of seven regional carbon sequestration consortiums funded by the DOE's National Energy Technology Laboratory (NETL), as part of its Regional Carbon Sequestration Partnership Program. This latest DOE funding represents Phase II of an effort that began in 2002. PCOR includes a diverse group of more than 40 public and private sector partners in nine upper-Midwest states and three Canadian provinces, representing expertise in agriculture, forestry, geology, engineering, economics, energy exploration and production, and the environment. More information is available on the Partnership's Internet site at: www.undeerc.org/pcor.

Starting in September 2005 and over a period of four years in Phase II, the EERC will conduct four technology validation field trials and two investigations of carbon sequestration concepts, including the Mesaba options study. The field trials will involve geologic storage of CO₂ in depleted oil and gas reservoirs and unmineable coal seams, and storage in restored wetlands. Comprehensive monitoring and verification of that storage will be an essential element of the program. The Mesaba study will be performed during 2006.

"We are pleased Excelsior Energy is participating in this major effort," said Gerald Groenewald, EERC Director, "The EERC's culture of partnerships is one of the cornerstones of our

philosophy, and Excelsior Energy is one of 44 partners which make truly successful programs like PCOR possible.”

“This project demonstrates our ongoing efforts at Excelsior to pursue progressive, reasonable approaches to carbon management for the future,” said Bob Evans, Excelsior VP-Environmental Affairs, “Mesaba’s IGCC technology represents a major environmental advancement from conventional coal-fired technologies, and a viable option for achieving significant reductions in the intensity of the nation’s greenhouse gas emissions.”

More information about Excelsior Energy and the Mesaba Energy Project is available at Excelsiorenergy.com.

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