

Oil Sands Update

Energy From Athabasca

Summer 2008

Welcome to Oil Sands Update

Welcome to Volume 1, Issue 1 of The Oil Sands Developers Group's new electronic newsletter.

Through Oil Sands Update, we will provide news on the evolving issues in the Athabasca oil sands region, and the steps the Group is taking with its member companies and stakeholders to address challenges associated with growth and development.

Oil Sands Update will be produced four times each year. While each issue will focus on a single theme: Community, Environment, Technology or, the focus of this issue, our Annual Forecasts and Surveys, we'll make sure the most current and important information is shared with our readers.

Oil Sands Update is designed to be viewed and shared in both electronic and hard copy form. The electronic version is available for download on our website (www.oilsandsdevelopers.ca), where visitors can also register to receive it electronically via Email. We have also designed the newsletter so that it can be easily printed on a home or office printer.

We hope you find this newsletter practical and informative. Please feel free to pass it on. We welcome your suggestions for improvement and potential story ideas. All comments or questions can be addressed to info@oilsandsdevelopers.ca

RIWG Evolves into The Oil Sands Developers Group

Focus remains on identifying and addressing regional issues

By Jacob Irving – Executive Director

“What’s industry doing to address the high-growth challenges in Fort McMurray and the Wood Buffalo region?” It’s a question people are

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Quick Facts

Since commercial production of the oil sands began in 1967 only 3.3 per cent of the total estimated crude bitumen reserves in Alberta has been produced. Source: Alberta's Energy Reserves 2007 and Supply/Demand Outlook 2008-2017 – Energy Resources Conservation Board

asking more frequently now, but solutions and answers to that question have been provided since 1997 by the Athabasca Regional Issues Working Group (RIWG).

When RIWG began, oil sands development was less intense but offered great promise. Much like overall bitumen production, our membership has more than tripled over the past ten years, now including 27 oil sands development companies that have come together to identify and help find solutions to regional issues from an industry perspective.

Increasing national and global demand for energy has meant an increase in demand for Canadian oil sands production. This has brought local growth pressures to the regions where the oil sands are developed. The expansion in oil sands activity has also broadened the awareness and interest outside of the Regional Municipality of Wood Buffalo and the province of Alberta. Oil sands development has become a matter of national, North American and international interest, more than ever before.

Since its inception, RIWG has acted as a unified industry voice on regional issues such as housing, transportation, environment and health care. We have done this by collecting and sharing accurate and credible industry information, analysis and forecasts with stakeholders. With the growth in interest regarding Canada's oil sands industry, there is an even greater need for sharing information about issues and solutions from a regional perspective. In response, we are stepping up our outreach activities and taking messages from Athabasca oil sands operators to a now broader range of interested parties.

To help facilitate this expanded dialogue we have decided to provide more clarity regarding our group's membership and focus by changing our name to The Oil Sands Developers Group. We have also included a new tagline: "Energy from Athabasca" to provide context on where we are speaking from. This newsletter is one of many expanded outreach efforts we will pursue to provide a regional perspective in the national and international dialogue regarding oil sands development.



Don Thompson,
President



John LeGrow,
Vice-President

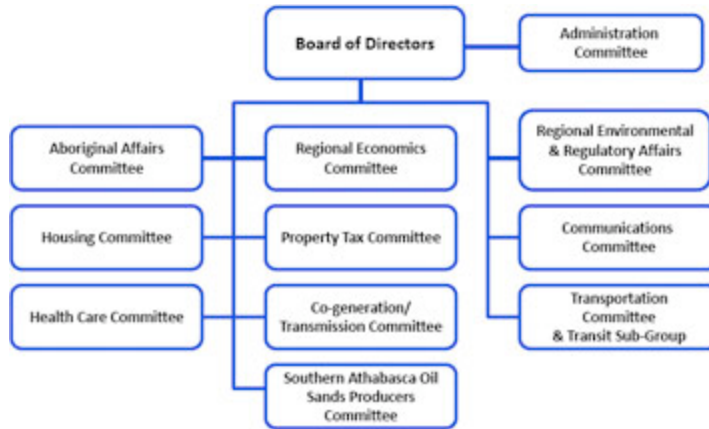


Jacob Irving,
Executive Director

Pass it on

If you know someone who may be interested in receiving this newsletter, you can easily [forward up to five copies](#) at once.

The group’s mission, vision, structure and leadership have not changed. Neither has our commitment to addressing regional issues. It is important our wider community know that industry remains aware of the challenges brought on by oil sands growth and continues to focus on working together to try to address those challenges. Whether as RIWG or, now, as The Oil Sands Developers Group, we remain dedicated to mutual success, a commitment reflected in our organization’s vision: Energizing Sustainable Communities.



Links:

The Oil Sands Developers Group: www.oilsandsdevelopers.ca

OSDG Member surveys forecast continued growth in multiple areas

The results of the most recent Oil Sands Developers Group member surveys shows, not surprisingly, that, by many measures, oil sands activity in Alberta is continuing to grow.

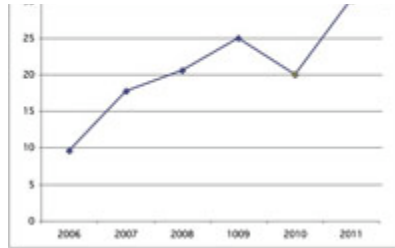
The annual surveys, now in their 10th year, are conducted each winter, and collect data from the Group’s 27 members. The Group gathers information in a number of areas. Annual forecasts of construction capital expenditures (CAPEX), bitumen production, and royalty and corporate taxation contributions for all oil sands projects in Alberta are captured and collated. Regional data is also collected in areas as diverse as co-generation capacity, permanent workforce requirements and community contributions. Members are also surveyed on Aboriginal participation and opportunities including permanent jobs and awarded contracts.

“The numbers collected in our surveys this year are consistent with the forecasts



generated in our previous surveys,” says Don Thompson, President of The Oil Sands Developers Group.

“While new projects are being announced and timelines for other projects are being adjusted, overall this year's surveys show recent trends continuing.”



At the time the data was collected, construction capital expenditures for oil sands projects in the province were forecast to increase to \$30.3 billion in 2010 from \$9.6 billion in 2006.

The survey data also shows total bitumen production from the Alberta oil sands is expected to increase to 3 million barrels per day by 2012 from 1.1 million barrels per day in 2006.

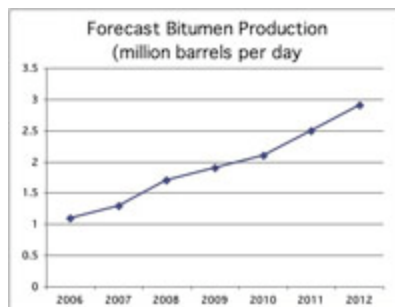
Similar growth figures show up in the areas of anticipated workforce requirements and population change within the Wood Buffalo region, which points to the need for continued work to address labour and socio-economic effects of the anticipated growth in oil sands activities.

The Oil Sands Developers Group shares its survey information with regional business, educational and public service and safety groups to help them better gauge potential effects on their operations and publics.

“Though the dynamic nature of oil sands project planning means the numbers shift, our member surveys provide an important snapshot of expected oil sands activity that our members and regional groups can use for their planning purposes,” said Jacob Irving, Executive Director of The Oil Sands Developers Group.

Increased oil sands production is projected to lead to an increase in oil sands employment in the Athabasca region, at least in the area surveyed by the Oil Sands Developers Group. Member companies are asked to provide forecasts on the number of people member companies intend to

hire for permanent operational jobs. By 2012, it's forecast there will be more than 20,000 permanent operation jobs with member companies, compared to just under 14,000 in 2007. That figure does not include the thousands of workers now working, and that will be needed, on the construction of new and expanded oil sands projects.



The OSDG also forecasts the population of Fort McMurray and the Sapræe Creek area will rise to more than 92,000 by 2011, up from 62,094 in 2006. To be added to that figure are the people living in operational work camps, hotels and motels. In 2007, there were more than 27,000 people in that latter category. The release earlier this year of additional land for the creation of housing for up to 40,000 people in the Parsons Creek and Saline Creek Plateau area was a significant move toward addressing housing pressures in the region.

In addition to indicating the direction oil sands production and employment is taking, the surveys also provide a collective picture of the community and aboriginal contributions made by oil sands companies operating in the Athabasca region. Among the findings of this year's survey was that, in 2007, companies invested \$12 million in community projects within the Regional Municipality of Wood Buffalo such as the MacDonald Island recreation facility and Timberlea Athletic Park. This raised total community investments from industry over the past 10 years to more than \$52 million.

In 2007, \$606 million in contracts were awarded to local Aboriginal businesses by OSDG members. Those same oil sands companies also directly employed more than 1,500 Aboriginal people on a permanent, long-term basis last year. Industry made \$3.6 million in direct support to Aboriginal communities in the region as well as providing an additional \$1.6 million in contributions to the Athabasca Tribal Corporation and \$8 million to the five First Nation's Industry Relations Corporations in the region to support consultation and capacity building.

Links:

Survey results online at oilsandsdevelopers.ca

Energy Resources Conservation Board Re-affirms Oil Sands Potential

While the OSDG's member surveys provide one measure of oil sands activities, another comes via the Energy Resources and Conservation Board's (ERCB) Alberta's Reserves 2007 and Supply/Demand Outlook 2008-2017.



The report, released in June, sets Alberta's bitumen reserves at 172.7 billion barrels – as compared to remaining established reserves of conventional crude oil of 1.5 billion barrels.

At the same time, the report says production of bitumen accounted for 72 per cent of Alberta's total crude oil and raw bitumen production in 2007. Bitumen production at in situ projects increased by nine per cent in 2007, while production at mining projects increased by three per cent, pointing to the fact that most new oil sands projects are in-situ, rather than mining operations. The ERCB estimates annual production of bitumen will exceed one billion barrels by 2017 and calculates there are more than \$100 billion in oil sands projects under construction or in the planning phase in Alberta.

Links: ERCB website <http://www.ercb.ca/>
To read the report, download the PDF at <http://www.ercb.ca/docs/products/STs/ST98-2008.pdf>

In-situ Success – using saline water to generate steam

With water protection a high priority issue for all Canadians, the oil sands industry is applying a number of new technologies and practices to manage its water use. This includes looking at the water required to generate steam for in-situ operations.

SAGD – Steam Assisted Gravity Drainage – is a key technology being used to produce bitumen in-situ. (see sidebar). Devon Canada Corporation's Jackfish in-situ facility, 140 km south of Fort McMurray provides an example of some of the work industry is undertaking in the area of water management.

At full production, Jackfish is designed to circulate more than 120,000 barrels per day of water in the production of 35,000 barrels per day of bitumen. Field activities in the Jackfish project began in 2005, with the company having made the decision at the outset to use no fresh water in its steaming operations. Instead, Devon is circulating saline water into its SAGD systems; water considered unusable for drinking, livestock, or irrigation in its natural state.

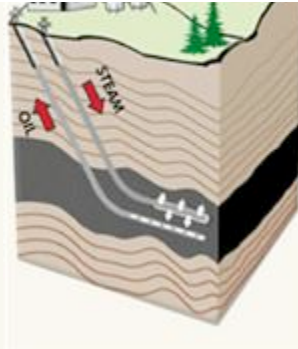
Devon's use of saline water for steam generation was recognized through its receipt of the President's Award at the Canadian Association of Petroleum Producers' (CAPP) seventh annual Steward of Excellence Awards in May, 2008.

Links: CAPP Steward of Excellence awards:
http://www.capp.ca/default.asp?V_DOC_ID=1274



What is SAGD?

Much of the bitumen in the Athabasca Oil Sands Deposit is located deep underground – too deep to be mined. As a result, other technologies are applied to access the bitumen while leaving it in-situ – in place. The leading technology in use is Steam Assisted Gravity Drainage, or SAGD.



In a typical SAGD operation a pair of wells is drilled into the ground about five metres apart. As can be seen in the illustration, steam is injected into the reservoir through one well, travelling underground into the deposit where it heats the bitumen to the point where it begins to flow, and can be captured by the second well and brought to the surface.

Illustration courtesy of Petro-Canada – operator of the MacKay River In-situ oil sands project

In Profile: The Transportation Committee and Transit Subcommittee

Anyone who has been stuck in shift change traffic between Fort McMurray and oil sands mine sites, or had to share Highway 63 with a truck hauling an enormous piece of machinery, understands why The Oil Sands Developers Group takes transportation and transit issues seriously.



Finding ways to address traffic and transit concerns for the people of the region, while ensuring the flow of equipment and supplies important to the oil sands industry continues effectively requires a commitment from a broad range of groups and individuals. The Oil Sands Developers Group provides a venue for exchange of information on these important issues through its Transportation Committee and Transit sub-committee.

“It’s very important we keep equipment and people separate, both for safety and to minimize inconvenience which is important to quality of life

here in the region,” says Gary Dahl, of Canadian Natural Resources Ltd., the Chair of the Oil Sands Developers Group’s Transportation committee.

Dahl says by having everyone in the room, a clear picture emerges about what types and volumes of traffic industry is expecting and when additional pressures may be put on the transportation grid.

“By bringing the various parties together we are able to identify a number of potential solutions to traffic and transit issues and make recommendations to government and to industry as to the best way to address the issues.”

The recent opening of the newly-twinning section of Highway 63 north of Fort McMurray shows traffic concerns are a priority for the provincial government as well, and the work done by industry, Alberta Transportation, the Regional Municipality of Wood Buffalo and other stakeholders such as transportation specialists Van Horne Institute has led to a number of other successes. For example, work is underway on twinning a section of Highway 63 south of Fort McMurray and two new parking/staging areas for high/heavy loads have been added to that highway to keep industrial loads out of the way of personal traffic during peak hours.

The transit subcommittee has also been working with industry and other stakeholders to reduce traffic volumes by encouraging bus ridership and car pooling and implementing curfews to discourage use of personal vehicles while buses are operating to and from oil sands operations. The committee is also working with the RCMP on accident management strategies to get traffic flowing faster after an incident has occurred.

The behind the scenes coordination of these complicated efforts is made possible due to the work of the committees and the willingness of stakeholders to listen and act on recommendations.

“Member companies have moved overhead wires underground to make it easier to transport high loads from Edmonton and Calgary, and companies have built or modified designs for overpasses to improve traffic flow.”

Dahl says one of the biggest successes to date was the result of the work done collaboratively by industry members to adjust and synchronize shift changes at oil sands facilities to reduce the number of people on the road to and from work at any one time.

“It was not a simple change for the companies, but it made a significant difference to traffic loads, and the committee is looking for other ways it can help reduce the amount of time people spend in their vehicles getting to work or getting around town.”

Transportation project updates

More than \$600 million in transportation projects are either completed or currently underway in the Regional Municipality of Wood Buffalo.

- \$300 million is being spent to construct the Thickwood Boulevard and Confederation Way interchanges
- \$127 million has been earmarked for a new five-lane bridge spanning the Athabasca River in Fort McMurray
- \$80 million was spent completing twinning of 17 kilometres of Highway 63 north of Fort McMurray. This stretch of highway opened August 21.
- \$53 million will go toward twinning of 16 kilometres of Highway 63 south of Fort McMurray
- \$30 million will see 70 kilometres of Highway 63 north of Highway 55 repaved, and the addition of two new southbound passing lanes, and
- \$17 million will get five kilometres of Highway 63 within Fort McMurray repaved

Visit our website: www.oilsandsdevelopers.ca

©2008 The Oil Sands Developers Group is important in addressing the need for accurate, credible information about Athabasca oil sands activity. On behalf of our members, we work closely with oil sands operators and developers, related industries, government, Aboriginal peoples, and other organizations active in the Athabasca region. Through communication and collaboration, we help define and address regional issues related to oil sands development.

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