
Executive Summary

The Project

Gulf Canada Resources Limited (Gulf) is applying to the Alberta Energy and Utilities Board (EUB) and Alberta Environment (AE) for approvals to construct and operate a bitumen recovery scheme called the Surmont In-Situ Oil Sands Project (the project). The project will use steam assisted gravity drainage (SAGD) technology for bitumen recovery to produce 15,900 m³/d or 100,000 barrels per day (bpd) of marketable bitumen when operating at full capacity, recovering an estimated 166 Mm³ over a 40-year project life. The lease area is located approximately 60 km south of Fort McMurray and covers 210 sections in Townships 81, 82 and 83 and Ranges 5, 6 and 7 W4M.

The project will be undertaken in four modules (referred to as phases), each producing an average of 3,975 m³/d (25,000 bpd). During typical production, each phase will be operating 12 to 14 wellpads, with an average of 4 well pairs per pad. The first phase is scheduled for startup in late 2004, with the startup of the each additional phase occurring at three-year intervals. All four phases will operate concurrently during a peak production period of 21 years.

Each phase will include a processing plant (referred to as a central facility). During their operating lives, each central facility will serve approximately 12 to 14 wellpads, providing steam generation, bitumen/water/gas separation, produced water treatment, diluent blending and tank farm operations. Infrastructure for the project will include access roads, power supply transmission lines, natural gas supply pipelines, water supply wells and pipelines, a disposal water well system and product pipelines.

Gulf's approach to developing the four phases of the project has been designed to maximize resource recovery by adapting the design and layout of each development stage to incorporate the results of ongoing resource delineation and pilot plant operations, as well as operating experience gained from prior phases of the project. This flexible approach is necessary to allow Gulf to manage the complex resource distribution and extraction variables that are unique to the Surmont lease area, including the occurrence through much of the area of top gas and top water.

Environmental Management

A detailed environmental impact assessment (EIA) has been completed for the project and is filed as part of the Application in support of the project. The EIA has been prepared in accordance with the Terms of Reference issued by Alberta Environment, and addresses concerns raised by stakeholders during Gulf's extensive public consultation process. Among other things, the EIA demonstrates that the environmental effects of the project will be acceptable.

The EIA addresses potential effects on air, groundwater, surface water, fisheries, soils, vegetation, wildlife, biodiversity, resource use, human health and socioeconomics. Mitigation measures to reduce or eliminate project effects are described in the EIA for

each environmental component. A Conservation and Reclamation Plan (C&R) was developed in accordance with *EPEA* filing requirements.

Project features designed to minimize potential effects include process water recycling, a groundwater monitoring and protection plan, and vapour-recovery systems to minimize the release of volatile organic compounds. The extraction of bitumen using SAGD does not alter landscape and drainage patterns. Land use will be affected in relatively small, localized areas and reclamation of the project footprint will be aimed at pre-disturbance values for terrestrial resources and leave the area relatively unaffected.

To ensure that the environment is protected, Gulf will subject each stage of project refinement to a rigorous planning process, referred to as Phased Environmental Management (PEM). This process will address all site-specific issues that may arise from layout changes. The process will incorporate appropriate regulatory reporting requirements, as well as further consultation with potentially affected land users, including neighboring aboriginal communities. As described in greater detail in the Application, the process has the following key components:

- integrated landscape management to minimize new disturbance and habitat fragmentation
- constraints mapping to ensure that the layout of project facilities is designed in a manner which minimizes impacts on environmental, geotechnical and heritage sensitivities
- field studies and assessments to ensure that the environmental effects of each project refinement are acceptable

Gulf understands the need for and is committed to regional initiatives dealing with the management of cumulative environmental effects. Gulf is an active participant and financial supporter of the Cumulative Effects Management Association (CEMA) and associated working groups including the Sustainable Ecosystem Working Group (SEWG) and the NO_x/SO_x Management Working Group (NSMWG).

Socioeconomic Benefits

The proposed Gulf Surmont In-situ Oil Sands Project will convey a number of significant socioeconomic benefits to the Wood Buffalo region, Alberta and Canada. Key projected benefits include:

- 1,280 person-years of direct onsite construction employment in the period between 2002 and 2013
- 130 full-time jobs at full development
- almost continuous delineation and production well drilling for the first 26 years of the project, averaging 90 person-years of employment per year
- increased fiscal capacity for the Regional Municipality of Wood Buffalo
- federal and provincial taxation and provincial royalty income of approximately \$3.3 billion over the project life
- approximately \$1 billion in capital investment in the province, resulting in an \$800 million increase in provincial GDP, with economic benefits and business opportunities that accrue locally, provincially and nationally

- an estimated 20 percent of the roughly \$1 billion in construction expenditure accruing to local area residents and businesses, with an emphasis on facilitating sustainable economic benefits to neighboring communities

Gulf is committed to giving first consideration for employment and contracting opportunities to neighboring communities that are able to supply competitive goods and services, and to working toward removing barriers to their participation in economic opportunities created by the project. The Surmont project represents a chance for aboriginal and other local residents of the southern part of the Wood Buffalo region to become actively involved in the oil sands industry, in particular, residents of Anzac, Janvier and Conklin.

Gulf recognizes the importance of cooperation between all stakeholders, including the municipality, other oil sands companies, and aboriginal groups, with respect to cumulative socioeconomic effects. Gulf is an active participant in related initiatives, including the Regional Infrastructure Working Group, the Athabasca Tribal Council (ATC) Industry Working Group and the Athabasca Oils Sands Development Facilitation Committee.

Consultation

Gulf knows that stakeholder and community consultation is integral to the success of any project. Gulf undertook an extensive and inclusive consultation process, based on its corporate principles, regulatory requirements and public consultation guidelines endorsed by the Canadian Association of Petroleum Producers, to ensure that community and stakeholder issues, needs and concerns were identified early in the project planning process. Ways of addressing issues, needs and concerns have been identified and incorporated into project planning decisions. Over three hundred (300) formal contacts with stakeholders (including potentially affected parties) were made between 1995 and the filing of Gulf's Application.

As described in detail in the Application, Gulf is committed to continue its process of meaningful consultation with stakeholders during the construction, operation and reclamation of the project.