

Canadian Oil Sands provides update of Syncrude expansion plans

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CALGARY, AB — Canadian Oil Sands Trust provided an update to the growth plans for its Syncrude project. Based on preliminary scoping and design work being done by Syncrude and ExxonMobil, Syncrude's view now is that their existing Mildred Lake upgrading facility has latent capacity that can be unlocked through a series of debottleneck projects. This should allow synthetic crude oil production to grow to approximately 425,000 barrels per day by the end of this decade. These debottleneck projects involve accessing the excess coking capacity that was constructed during Syncrude's last expansion, making modifications to other facilities, and potentially adding new ancillary units.

The expanded upgrader capacity would be supplied by bitumen from the undeveloped Aurora South mine, says the company. In December 2009, Syncrude submitted an update report to the regulators further to the conditions for approval received for Aurora South in 1998. Syncrude plans to begin constructing a mining train on Aurora South around 2012 with production expected by the end of 2016. Construction on a second mining train is planned to begin around 2014 with production commencing towards the end of the decade. Each mine train is designed for capacity of about 100,000 barrels of bitumen per day, resulting in total bitumen productive capacity of 600,000 barrels per day by 2020 at Syncrude. This volume exceeds the upgrader's processing capacity, resulting in roughly 115,000 barrels of excess bitumen supply. Syncrude is considering incorporating new technology in the construction of the Aurora South mine trains aimed at improving bitumen recovery levels, energy efficiency and product quality. The improvement in product quality would also allow for pipeline transportation and sales of surplus bitumen volumes.

These growth plans would result in Syncrude broadening its production from the current light, sweet synthetic blend to a slate including heavy and sour blends. Decisions regarding further upgrading capacity will be considered in the future in the context of evolving heavy/light crude oil price spreads.

"Under today's economic conditions, we believe these expansion plans have the advantage of bringing on production growth with less project execution risk and better economics than constructing greenfield upgrading facilities," said Marcel Coutu, Canadian Oil Sands' President and Chief Executive Officer. "I believe that, given the size of Syncrude's resource base, we still have the ability to grow beyond this expanded 600,000 barrel per day productive capacity level."

Cost estimates for these expansion plans are not yet available. The plans are subject to regulatory approval. As well, approvals from Syncrude's joint venture owners and Canadian Oil Sands' Board of Directors are required to move from scoping to detailed engineering work and then construction. ExxonMobil, majority owner of Imperial Oil, is providing the project management expertise under the Management Services Agreement between Syncrude Canada Ltd. and Imperial Oil.

Located near Fort McMurray, Alberta, Syncrude operates large oil-sands mines and an upgrading facility that produces a light, sweet crude oil on behalf of its joint venture owners, which include Canadian Oil Sands Limited, ConocoPhillips Oilsands Partnership II, Imperial Oil Resources, Mocal Energy Limited, Murphy Oil Company Ltd., Nexen Oil Sands Partnership, and Petro-Canada Oil and Gas (Suncor). Canadian Oil Sands provides a pure investment opportunity in the Syncrude project through its 36.74 per cent working interest. The Trust is managed by Canadian Oil Sands Limited and has approximately 484.4 million units outstanding, trading on the Toronto Stock Exchange under the symbol COS.UN.

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