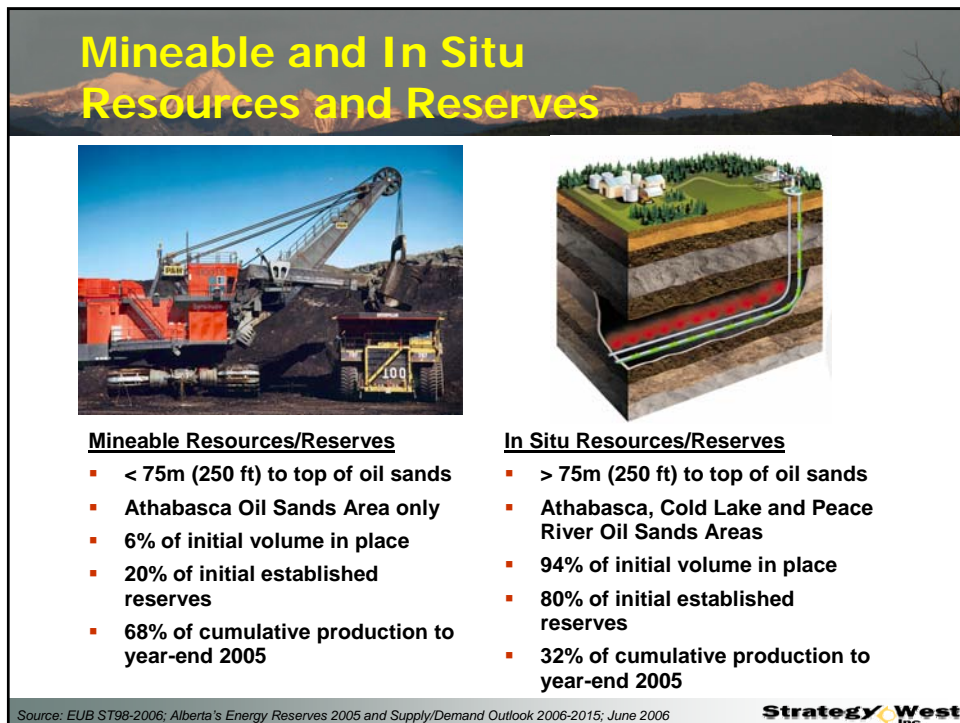
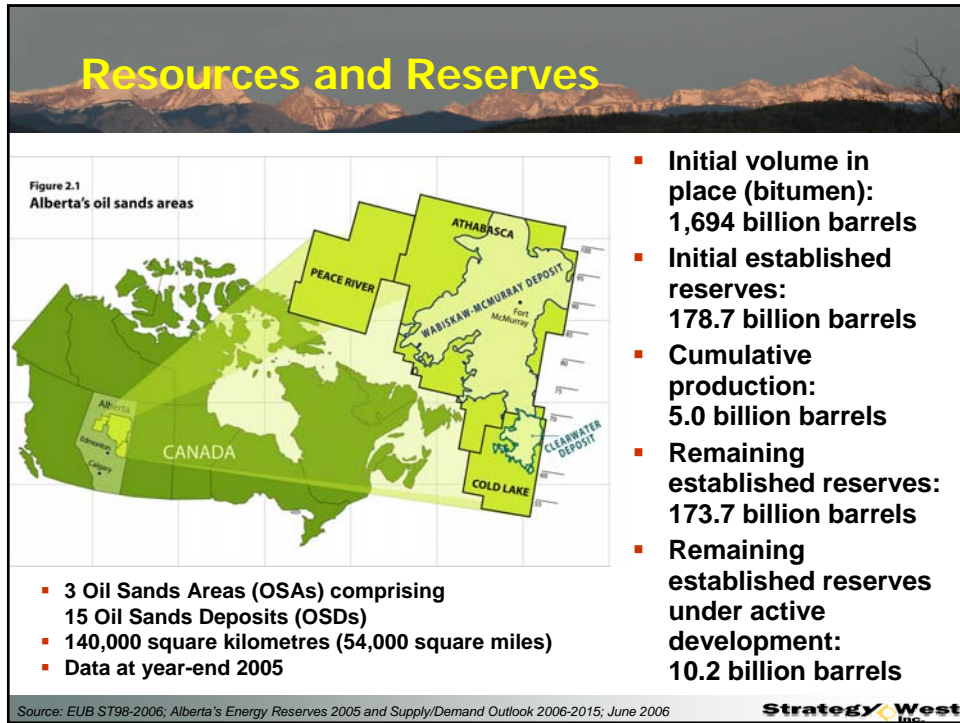
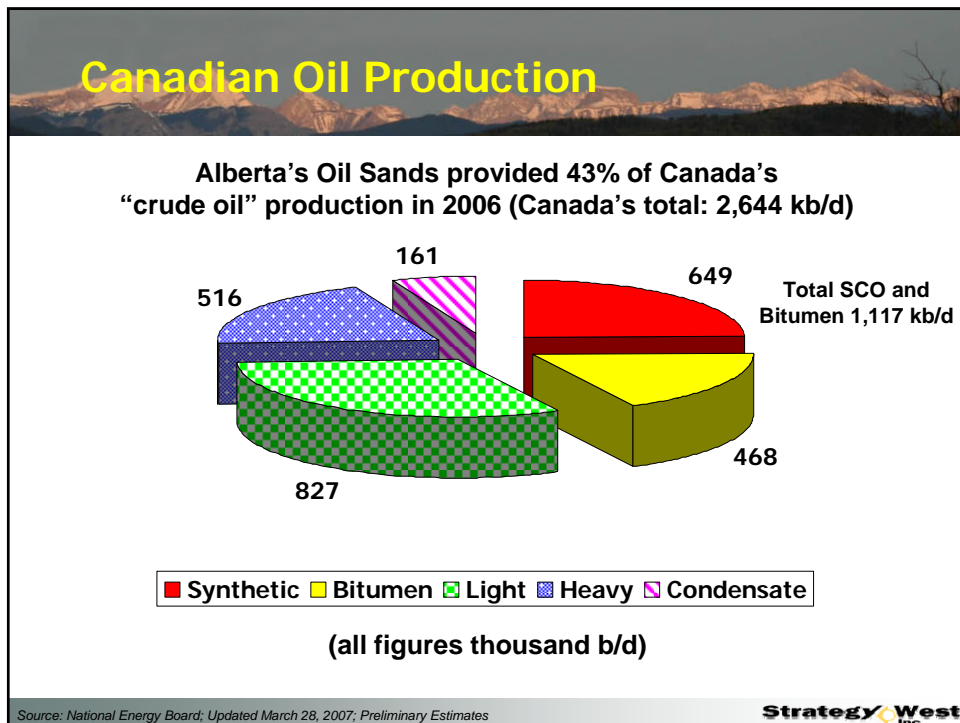
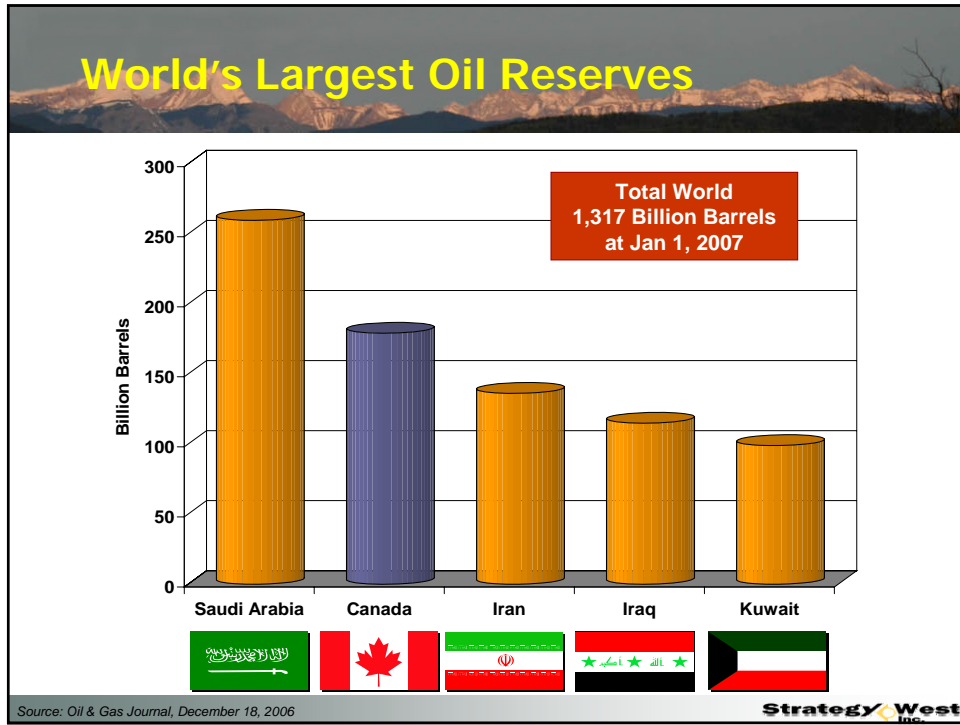


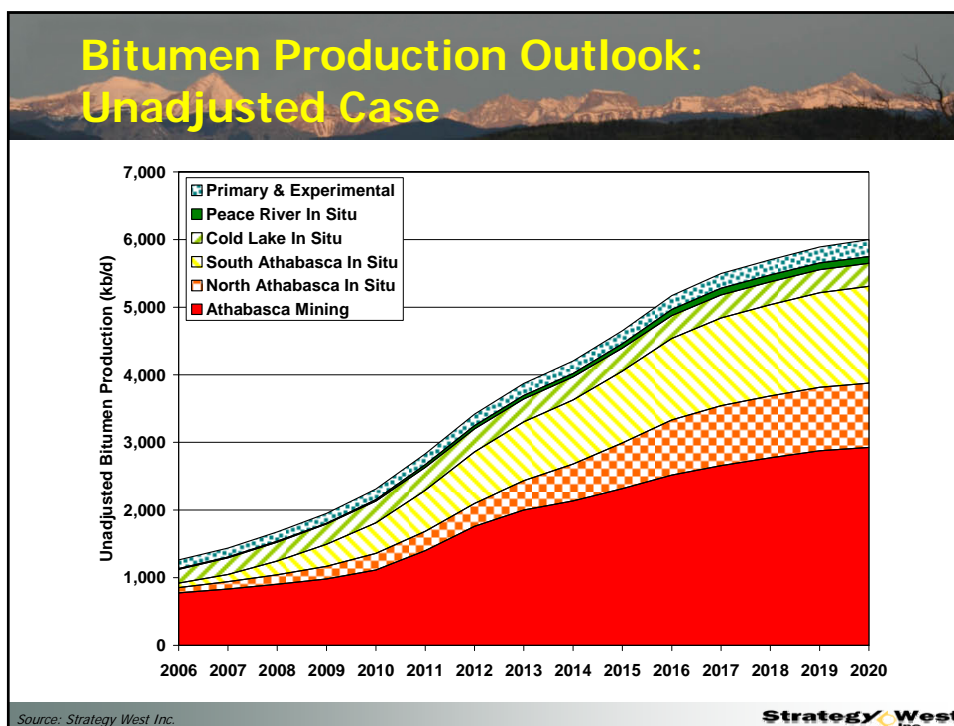
Outline

- Oil Sands Overview
- Industry Outlook – Unadjusted Case
- Industry Challenges
 - Overview
 - GHG Emissions
 - Project Costs and Economics
- Industry Outlook – Adjusted Case
- Conclusions

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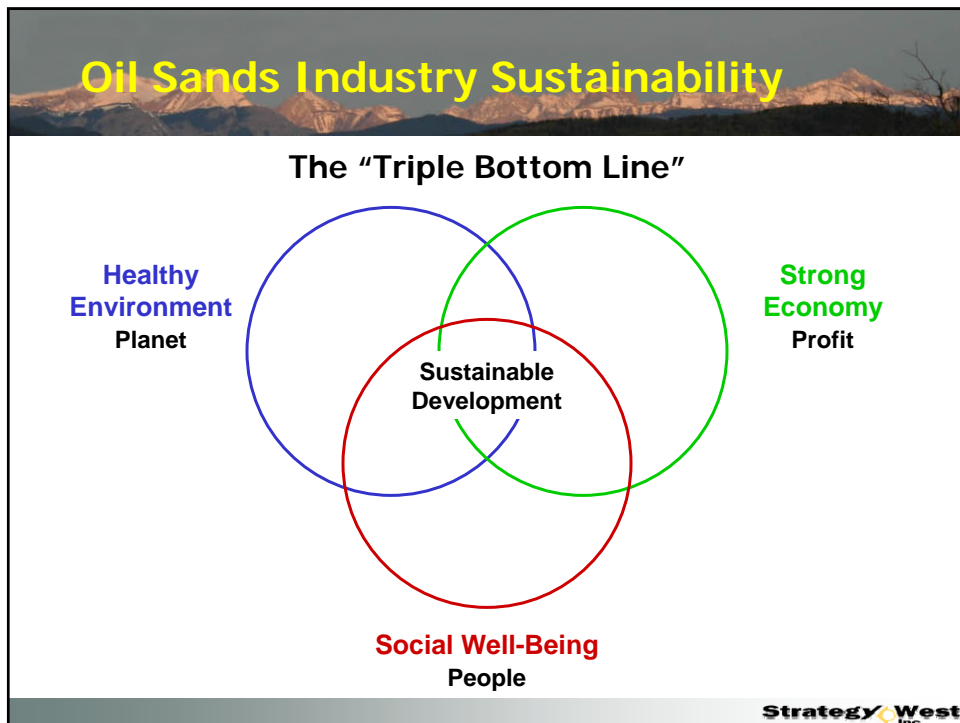
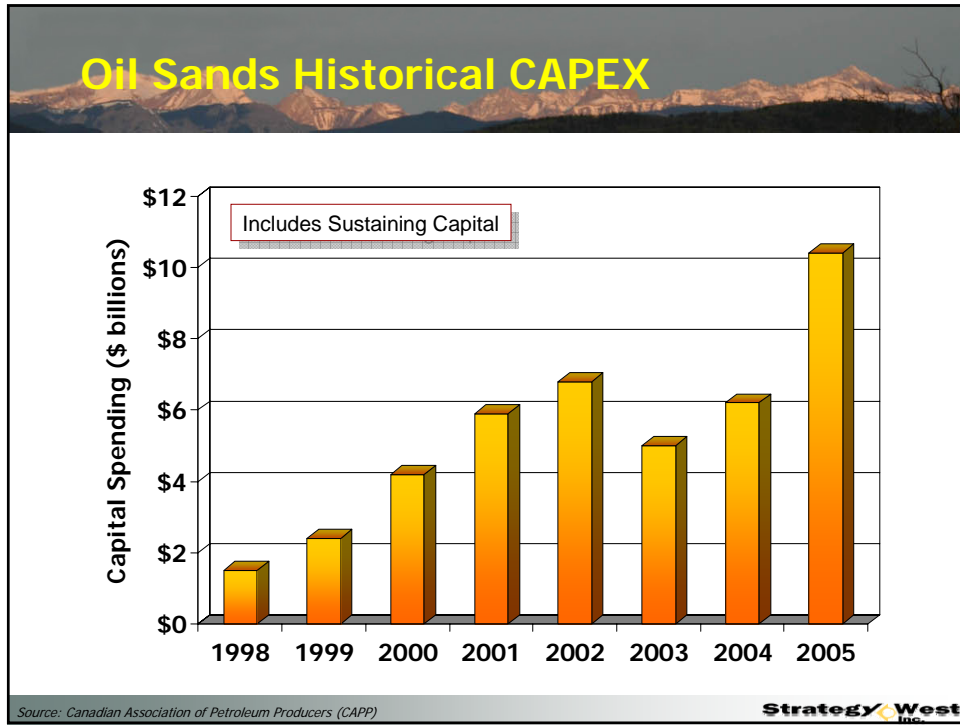


CAPEX – Unadjusted Case

	Production Increase 2007-2020 (million b/d)	Initial CAPEX (\$ per b/d)	Average Annual Initial CAPEX 2007-2020 (\$ billions)
Mining & Extraction	2.1	\$40,000 (Bitumen)	\$6.1
In Situ	2.6	\$10,000-\$35,000 (Bitumen)	\$4.7
Incremental Production	4.7		\$10.8
Upgrading	3.0	\$40,000-\$60,000 (SCO)	\$10.6
Total CAPEX			\$21.4

Note: does not include sustaining capital

Source: Strategy West Inc.

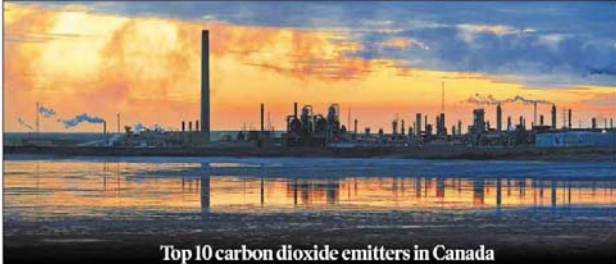


Oil Sands Industry Environmental Challenges

- Air Emissions
 - Greenhouse Gases
 - Criteria Air Contaminants (SO_x, NO_x, PM, VOCs, CO, NH₃)
- Water Use
 - Consumption
 - Recycle
- Liquid Waste Disposal
- Solid Waste Disposal
 - Tailings
 - Other Solid Wastes
- Reclamation and Abandonment
- Cumulative Effects

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Canada's Top GHG Emitters



Top 10 carbon dioxide emitters in Canada

Emitters producing more than 100,000 tonnes of greenhouse gas a year are required to report emissions to Environment Canada. The most recent figures, expressed as CO₂e, for carbon dioxide equivalents, are from 2004 (in millions of tonnes).

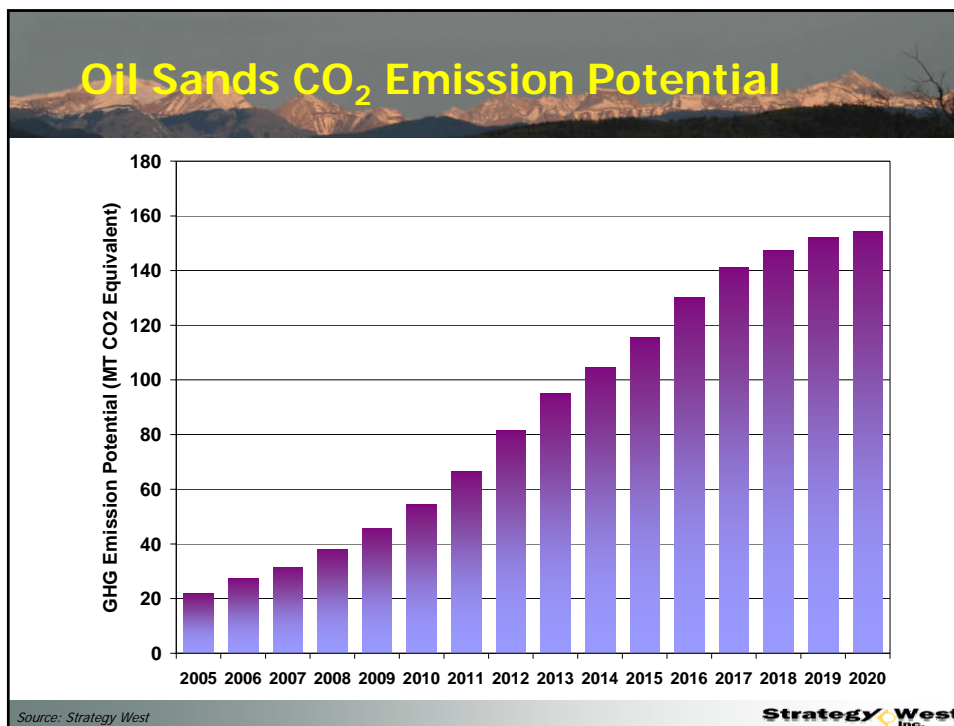
Rank	Facility	Province	CO ₂ e (Millions of tonnes)
1.	Sundance Generating Plant, Transalta Utilities Corporation	Alberta	16.4
2.	Nantlooka Generating Station, Ontario Power Generation	Other provinces	14.7
3.	Syncrude Canada Ltd., Fort McMurray, Alta.	Alberta	10.3
4.	Suncor Energy Inc. Oil Sands, Fort McMurray	Alberta	8.6
5.	Lambton Generating Station Ontario Power Generation	Other provinces	7.2
6.	EPCOR Genesee Thermal Generating Station, Alta.	Alberta	6.8
7.	Sheerness Generating Station, Alberta Power Ltd., Hanna, Alta.	Alberta	6.6
8.	Boundary Dam Power Station, Saskatchewan Power Corporation	Other provinces	6.5
9.	Keeyik Generating Plants, Transalta Utilities Corporation, Alta.	Alberta	6.0
10.	Battle River Generating Station, Alberta Power Ltd.	Alberta	5.1

Chris Schwarz, CanWest News Service

Syncrude's Mildred Lake plant north of Fort McMurray is the largest oil sands crude-oil production facility in the world.

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Source: CanWest News Services



Provincial and Federal Initiatives

<p>Alberta</p> <ul style="list-style-type: none"> ▪ Introduced March 2007 ▪ Applies to large GHG emitters (>100,000 t/a) ▪ 12% emission intensity reduction starting July 1, 2007 ▪ Alternative compliance options <ul style="list-style-type: none"> • \$15/t contribution to Alberta-based technology fund, or • Investment in Alberta emission offsets 	<p>Canada</p> <ul style="list-style-type: none"> ▪ Introduced April 2007 ▪ GHG emission intensity reductions <ul style="list-style-type: none"> • 18% by 2010 (6%/a) • 26% by 2015 (2%/a) ▪ Alternative compliance options <ul style="list-style-type: none"> • \$15/t contribution to technology fund (increasing after 3 years), or • Purchase GHG emission credits
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Source: Alberta Environment; Calgary Herald

Oil Sands Industry Societal Challenges

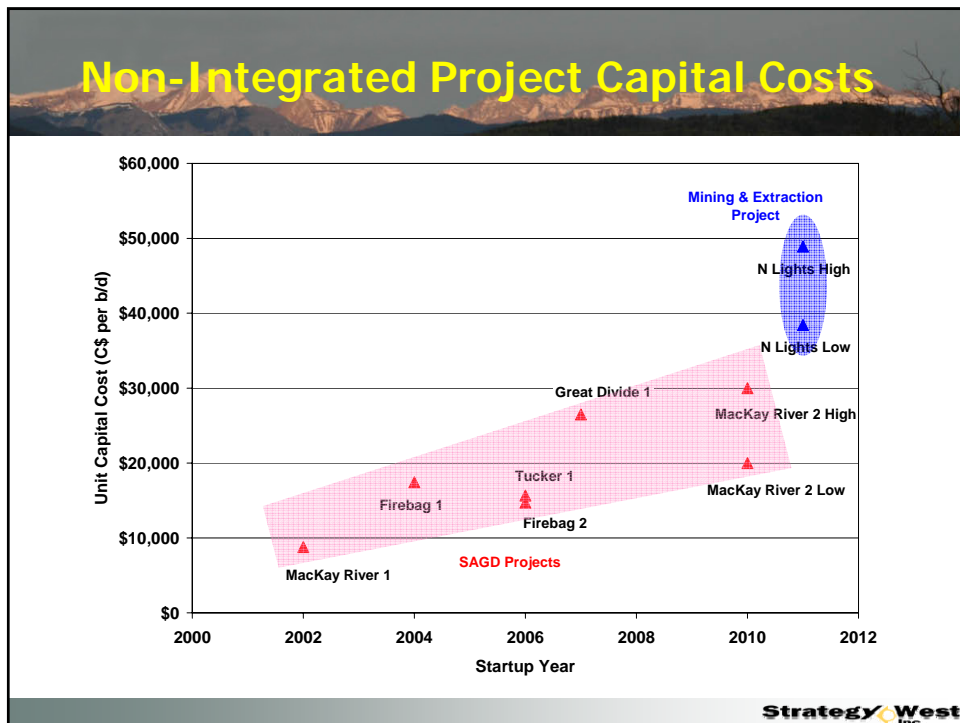
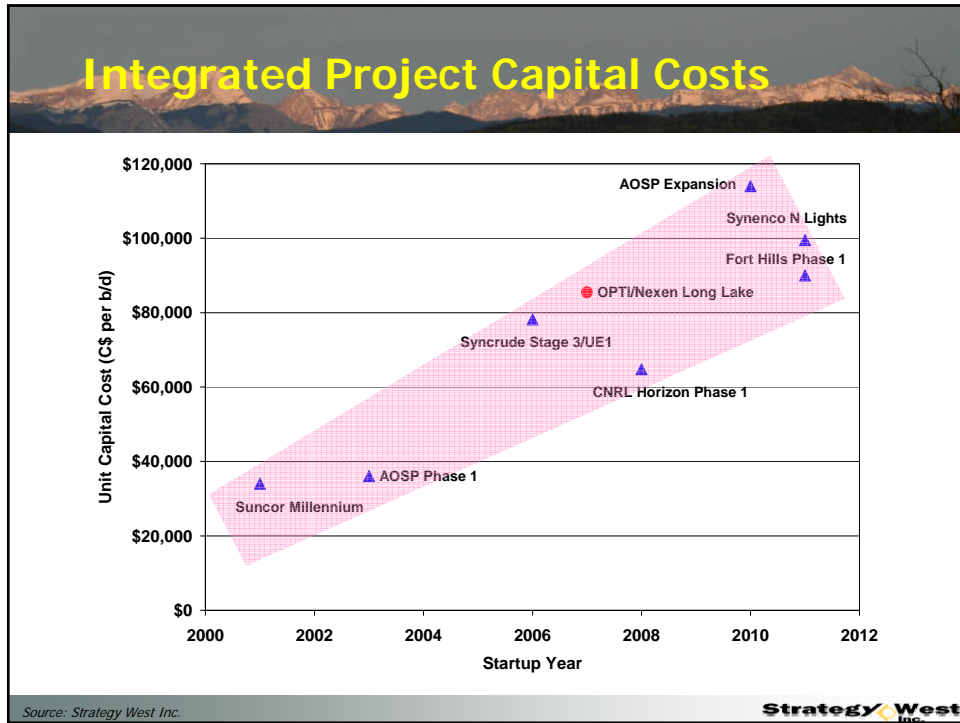
- Public Services
 - Health
 - Education
 - Other
- Public Infrastructure
 - Road
 - Water & Sewer
 - Rail
 - Other
- Regulatory Agencies
 - Staffing & Expertise
 - Workload
 - Funding
- Pace of Development
- First Nations

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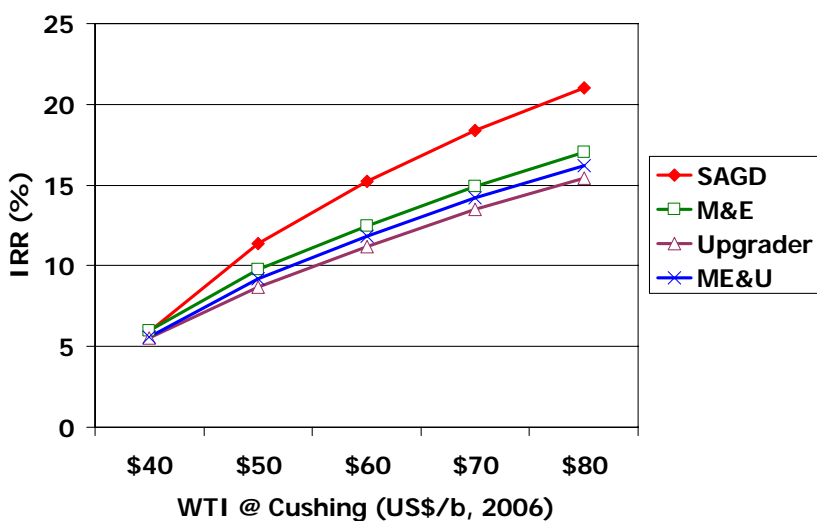
Oil Sands Industry Economic Challenges

- Capital Costs
 - Labour Availability and Productivity
 - Services and Materials
 - Project Execution
- Operating Costs
 - Purchased External Energy
 - Non-Energy Operating Costs
- Energy and Hydrogen Supply Options
- Fiscal and Regulatory Uncertainties
 - Provincial Royalties
 - Corporate Income Taxes
 - Greenhouse Gas Emissions
- Markets
 - Integration/Final Product (Bitumen, SCO, RPPs, or Petrochemicals)?
 - Market Access
- Product Prices
 - Light Sweet Crude (WTI/MSW)
 - Heavy-Light Differentials

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Hypothetical Oil Sands Projects - Illustrative Investment Returns



Source: Strategy West Inc.

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Economic Implications

- Escalating costs have raised the oil sands project investment threshold to US\$50-60/b (WTI at Cushing)
- Others have expressed similar views:
 - Murray Edwards (CNRL): "These projects, long term, need prices higher than US\$50/b" (October 2006)
 - Kathleen Sendall (Petro-Canada/CAPP): "Companies now require prices of about US\$50/b to earn a reasonable rate of return" (February 2007)
 - Synenco Energy released updated costs for its Northern Lights upgrader and reported "that the expected rates of return for any of the examined upgrader options are incompatible with Synenco's weighted average cost of capital, which is higher." The evaluation was based on a crude oil price assumption of US\$55/b (May 2007)

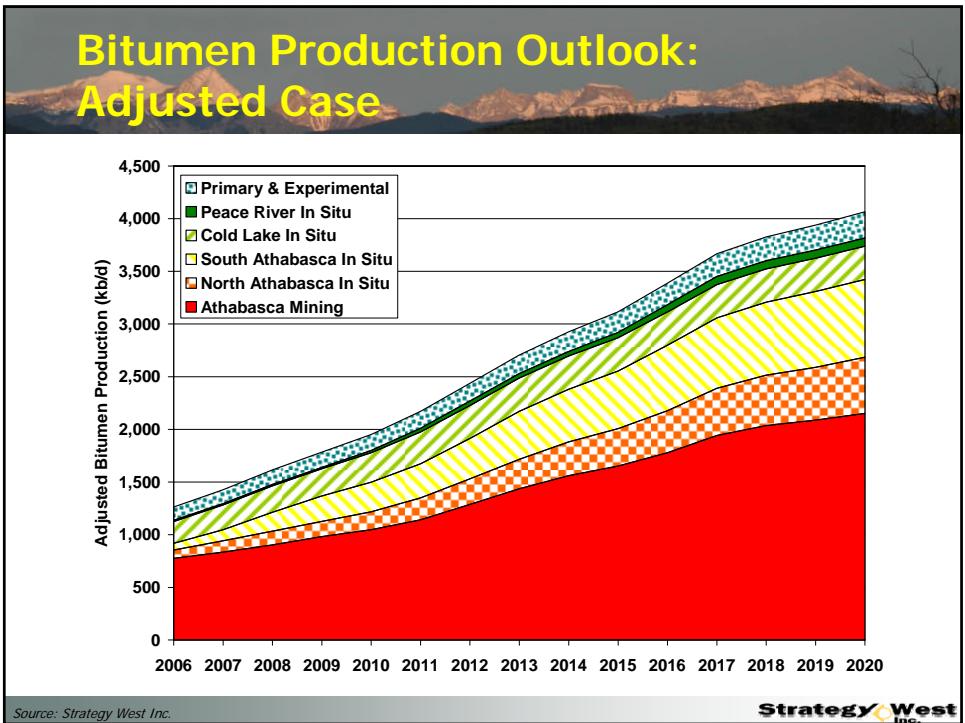
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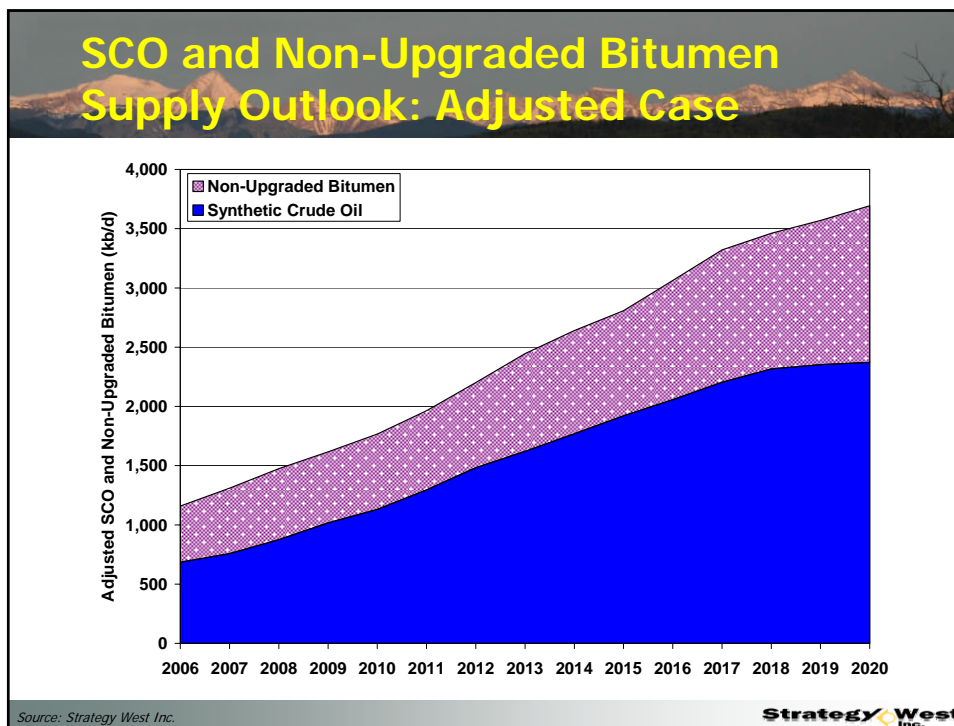
Adjusted Industry Outlook: Project-by-Project Assessment

- Project Timing
 - Lease evaluation
 - Disclosure
 - Application preparation and EIA
 - Application review and approval
 - Detailed engineering
 - Internal approval
 - Construction
 - Phasing

- Project Probabilities
 - Project status
 - Owners
 - Operating experience
 - Financial capacity
 - Technical capability
 - Other factors
 - Technology
 - Existing operations
 - Integration
 - Timing

Source: Strategy West Inc. **Strategy West Inc.**



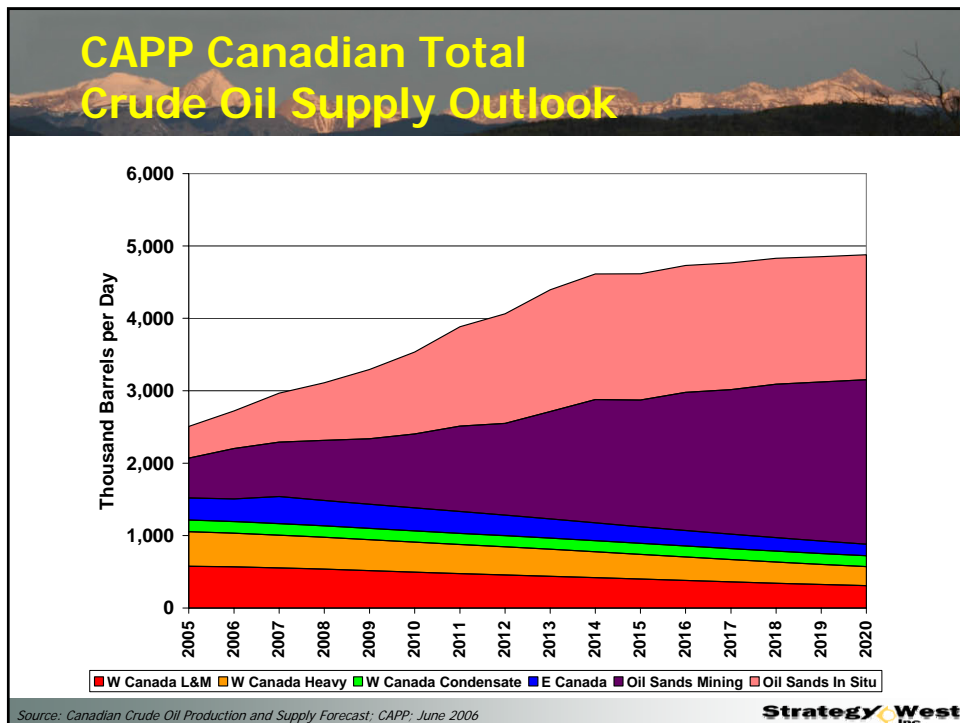
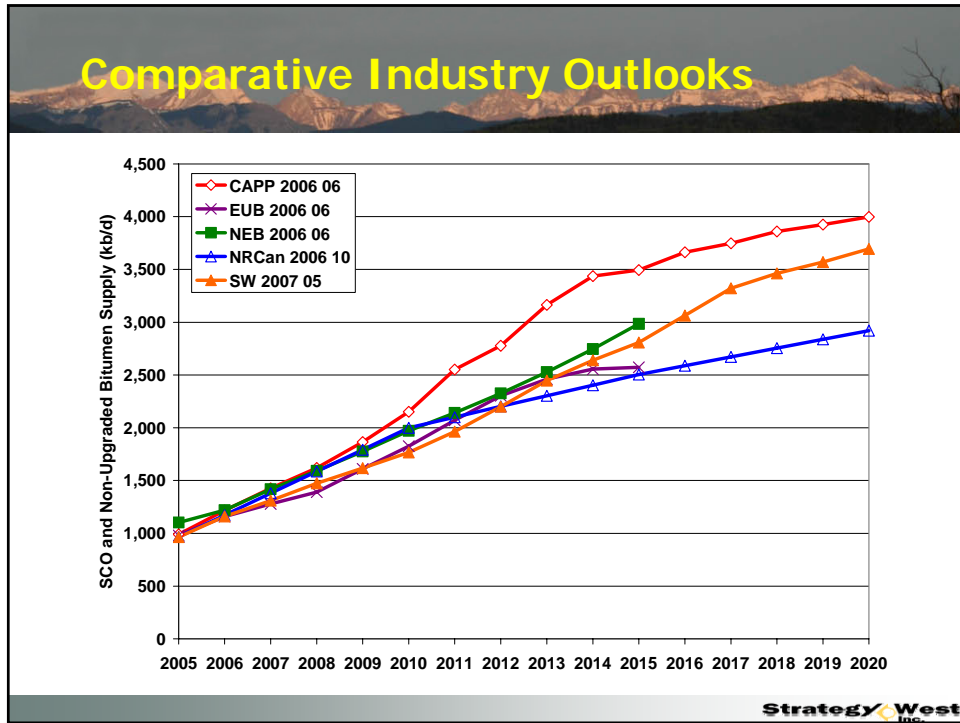


CAPEX – Adjusted Case

	Production Increase 2007-2020 (million b/d)	Initial CAPEX (\$ per b/d)	Average Annual Initial CAPEX 2007-2020 (\$ billions)
Mining & Extraction	1.4	\$40,000 (Bitumen)	\$3.9
In Situ	1.4	\$10,000-\$35,000 (Bitumen)	\$2.6
Incremental Production	2.8		\$6.5
Upgrading	1.7	\$40,000-\$60,000 (SCO)	\$6.0
Total CAPEX			\$12.5

Note: does not include sustaining capital

Source: Strategy West Inc. Strategy West Inc.



Source: Canadian Crude Oil Production and Supply Forecast: CAPP, June 2006

Conclusions

- Canada's oil sands are one of the world's largest hydrocarbon accumulations.
- The industry is well developed and making a substantial contribution to global oil supply.
- Oil sands projects are experiencing cost pressures but are economically attractive at oil prices of US\$50-60/b (WTI @ Cushing, OK).
- While the many challenges facing the industry will cause project delays and cancellations, these challenges are being addressed and the industry will continue to grow.

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Thank You

Questions?

Please visit
www.strategywest.com for oil
sands project lists and other
detailed oil sands industry
information

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