

November 13, 2007

Province supports new projects to study innovative energy development

Edmonton... Two new and innovative projects that will explore environmentally sustainable ways to recover previously untapped energy resources have been given the green light thanks to an investment by the Alberta government.

The projects focus on developing new energy supplies from existing oil and bitumen deposits. The projects will receive royalty adjustments totaling about \$16.5 million under Alberta Energy's *Innovative Energy Technologies Program (IETP)*.

The latest approved projects were submitted by Petrobank Energy and Resources Ltd. and Penn West Energy Trust. This is in addition to the 13 projects previously announced in 2005 and three projects announced in January 2007. These projects were granted preliminary approval under Round One and Round Two respectively; however, additional time was required to finalize the approvals.

“Alberta’s energy industry continues to raise the bar on the innovative development of oil and natural gas deposits that were once inaccessible,” says Energy Minister Mel Knight. “Investing in science and technology that will aid in the sustained and responsible development of the province’s energy resources will provide economic and social benefits for Albertans well into the future.”

The IETP offers royalty adjustments of up to \$10 million per pilot project that demonstrates the use of new or innovative technologies to increase environmentally sound recoveries of existing reserves and encourages responsible development of new oil, natural gas and in situ bitumen reserves. The total program value in terms of royalty adjustments is \$200 million over five years.

This funding is part of Premier Ed Stelmach’s plan to secure Alberta’s future by building communities, greening our growth and creating opportunity.

For additional information on the IETP see attached backgrounder or go to:
<http://www.energy.gov.ab.ca/2858.asp>

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Backgrounder: More details on the IETP and the successful projects are attached

Media enquiries may be directed to:

Tim Markle, Communications
Alberta Energy
780-427-0479

To call toll free within Alberta dial 310-0000.

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Innovative Energy Technologies Program

The Energy Innovation Strategy is designed to respond to Alberta's future energy needs by investing in research, technology and innovation that create commercial value and achieve high environmental standards. The Innovative Energy Technologies Program (IETP) is the major component of this strategy.

Established in 2004, the IETP represents a \$200-million commitment over five years by Alberta Energy to provide royalty adjustments to a number of specific pilot and demonstration projects that use innovative technologies to increase recoveries from existing reserves and encourage responsible, development of oil, natural gas and in situ oil sands reserves.

The program objectives are:

- increasing the recovery from oil and gas deposits resulting in incremental production and royalties;
- finding a flexible commercial technical solution to the gas over bitumen issue that will allow efficient and orderly production of both resources (<http://www.energy.gov.ab.ca/NaturalGas/729.asp>);
- improving the recovery of bitumen resources by in situ technologies;
- improving recovery of natural gas from coal seams; and
- disseminating technology and information developed through the projects supported by this program.

Successful applicants in the program will be provided with a royalty adjustment of up to a maximum of 30 per cent of approved project costs. Industry must provide the remaining 70 per cent or more of total project costs. This brings the total industry and government commitment to at least \$667 million assuming full subscription of the program. It is anticipated that successful technologies supported by this program will enhance resource recovery and increase royalties to fully recover the program costs.

In 2005, a total of almost \$55 million in royalty credits was approved for 13 projects submitted by:

- Canadian Natural Resources
- MGV Energy Inc. (2 projects)

- ConocoPhillips
- Paramount Resources (2 projects)

- Deer Creek Energy
- Paramount Resources and ConocoPhillips

- EnCana Corporation (3 projects)
- Suncor Energy

- Husky Energy

In January 2007, a total of almost \$8 million in royalty credits was approved for three projects submitted by:

- Canadian Natural Resources

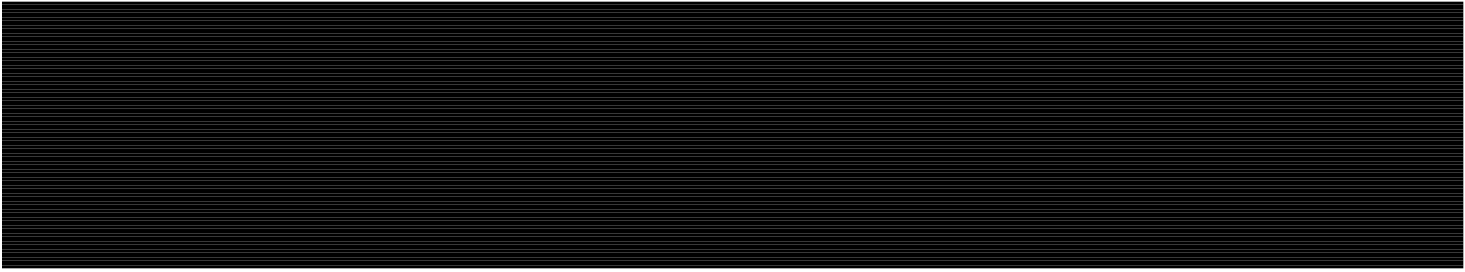
- EnCana Oil and Gas Partnership
- Petro-Canada

For additional information on the IETP go to: <http://www.energy.gov.ab.ca/2858.asp>

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Innovative Energy Technologies Program

Successful Round One Project and Applicant Contact

Petrobank Energy and Resources Ltd.

Project Title: Whitesands Experimental Project

Project Location: The project is located on Whitesands Insitu Ltd.'s oil sands lease, approximately 13 km west of Conklin, Alberta

Amount Approved under IETP: \$10 million

Project Summary:

Whitesands Insitu Ltd., a wholly owned subsidiary of Petrobank Energy and Resources Ltd., is developing a pilot project to demonstrate its patented THAI™ (Toe-Heel-Air-Injection) in-situ combustion bitumen and heavy oil recovery process. The process has been extensively tested in laboratory physical models with positive results and it has also been modeled through field scale numerical simulations.

The THAI™ process combines a vertical air injection well at the end, or “toe”, of the horizontal production well. Air is injected into the vertical well which causes a portion of the oil to rapidly oxidize or burn at a very high temperature, over 400 degrees Celsius. The heat generated by the combustion reduces the viscosity of the bitumen and enables it to flow into the horizontal production well. Based on laboratory physical tests and reservoir simulation modeling, the combustion front sweeps the bitumen from the toe to the heel of the horizontal production well, recovering an estimated 70-80 per cent of the bitumen and partially upgrading the bitumen in-situ.

The process does not require the use of natural gas or water in the process and has the potential to significantly lower bitumen production costs and operate in a broader range of bitumen and heavy oil reservoirs than Steam Assisted Gravity Drainage (SAGD) technology.

The project involves three pairs of vertical injector and horizontal production wells to produce an estimated 1,800 barrels per day of partially upgraded bitumen. The facilities and wells will be extensively instrumented to monitor reservoir conditions and production parameters. Surface facilities will consist of conventional oil field treatment and handling equipment. The project is planned to operate for up to five years.

Contact: Chris Bloomer, Whitesands Insitu Ltd.

Phone: 403-750-4400

Penn West Energy Trust (PWET)

Project Title: South Swan Hills Unit CO₂ Pilot Project

Location: 175 km NW of Edmonton

Amount Approved under IETP: \$6,471,000

Project Summary:

This pilot project is designed to evaluate the feasibility of recovering additional oil from an area of the South Swan Hills Unit (SSHU) which has been previously flooded with water and hydrocarbon solvent. CO₂ will be injected into the reservoir targeting marginal layers within the Beaverhill Lake reef that had not been adequately swept by the hydrocarbon solvent. The pilot is predicted to recover an additional 13% of the original oil in place above the current status quo forecast.

If successful, the pilot results would have substantial positive impact on building the required capture and transportation infrastructure to deliver CO₂ to the Swan Hills area. A multiphase commercial project would be expected to increase Alberta oil reserves and royalty revenue. The use of carbon dioxide would also result in permanent sequestration of significant volumes of the greenhouse gas.

Contact: Brendan McGowan, Penn West Energy Trust

Phone: 403-777-3320

For additional information on the IETP go to: <http://www.energy.gov.ab.ca/NaturalGas/729.asp>

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