A slide with a mountain background and a list of topics.

Presentation Outline

- Economic Environment and Industry Outlook before the Crash
- The Current Situation
 - Industry Challenges
 - Industry Economics
- Industry Outlook after the Crash: Two Scenarios
 - Prolonged Downturn
 - Early Recovery
- Conclusions

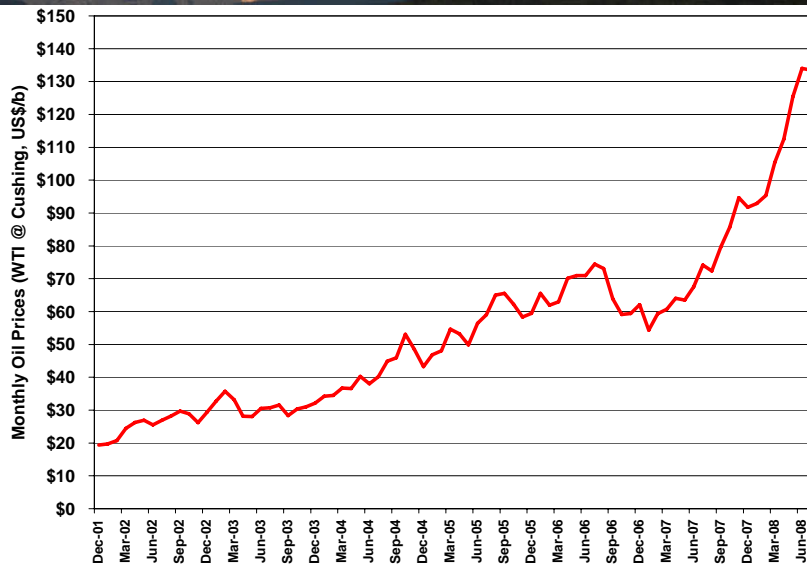
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Before the Crash

- Global Oil Markets
 - Strong oil demand growth
 - Oil supply constraints
 - Surging oil prices
- Canada's Oil Sands
 - Attractive investment opportunities led to frenzied industry activity
 - The rapid development pace led to challenges respecting:
 - Project costs
 - Societal impacts
 - Environmental impacts

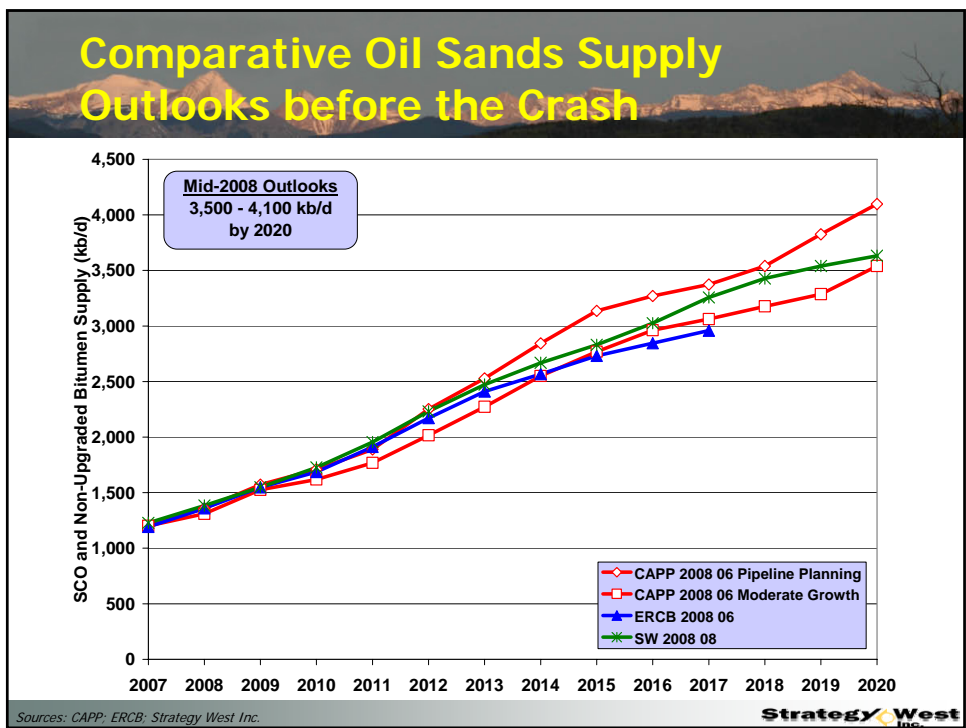
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Crude Oil Prices to July 2008



Sources: Canadian Association of Petroleum Producers, Imperial Oil Limited

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The Current Situation: Oil Sands Industry Challenges

Economic

- Weak Oil Demand and Prices
- Limited Capital Availability
 - Internal
 - External
- High Project Costs and Depressed Project Economics
- Policy and Regulatory Uncertainties

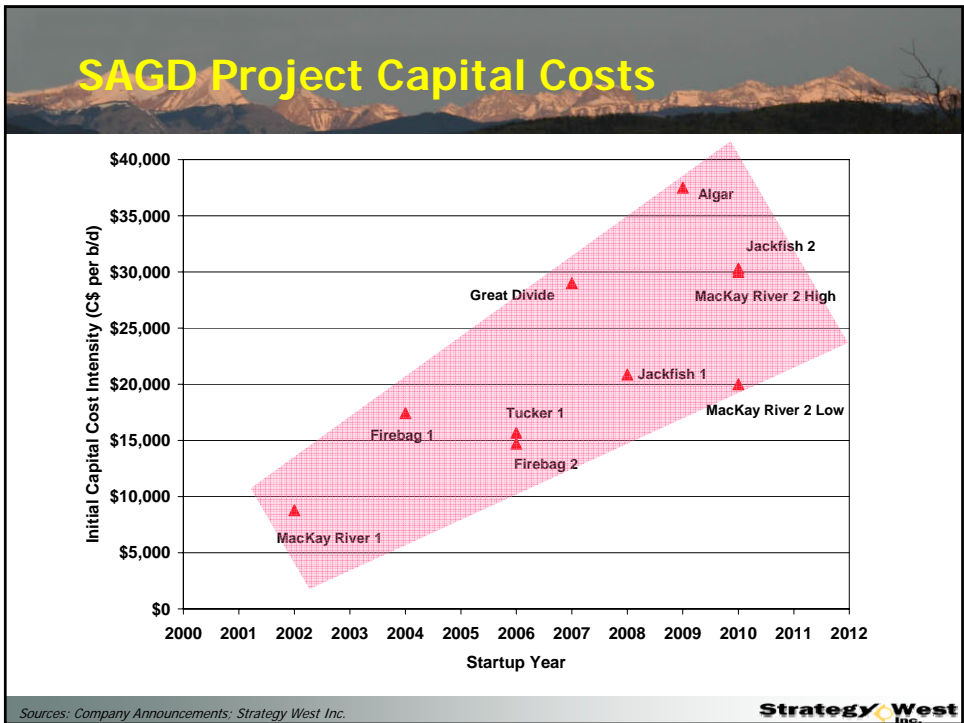
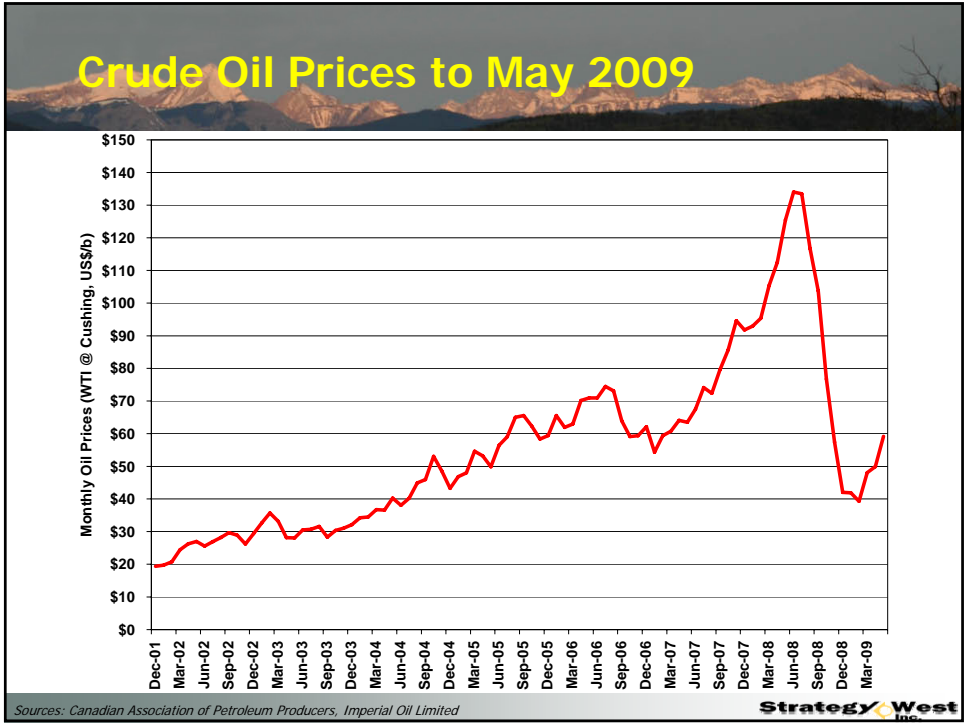
Environmental

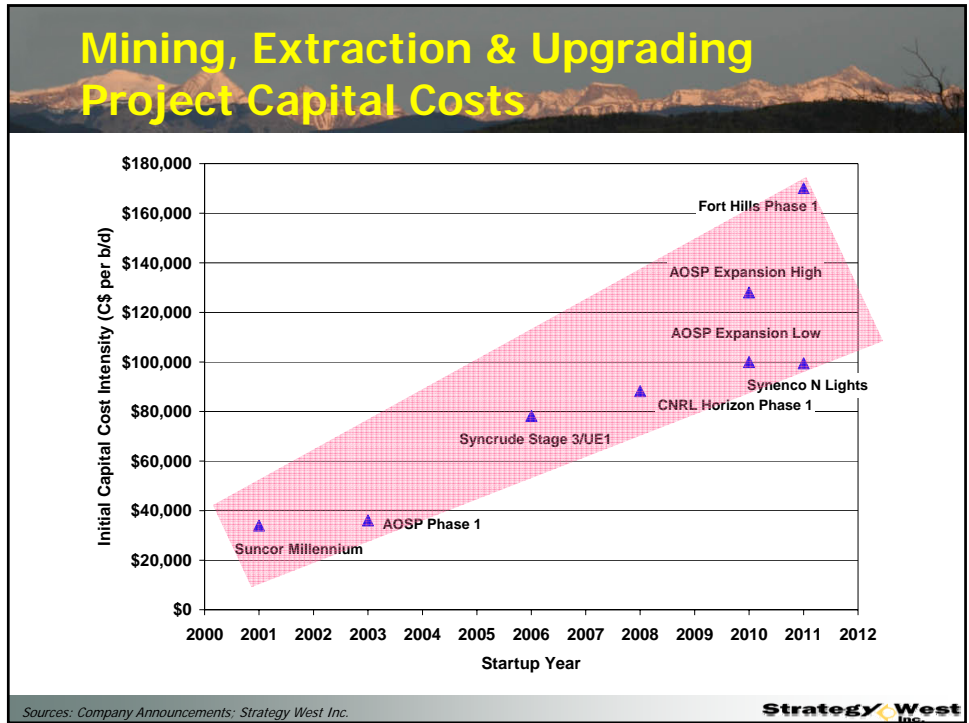
- Industry Public Image
 - "Dirty Oil"
- GHG Emission Regulations?
- Water Use
- Tailings Consolidation and Reclamation
- Cumulative Effects

Societal

- Pace of Development
- First Nations

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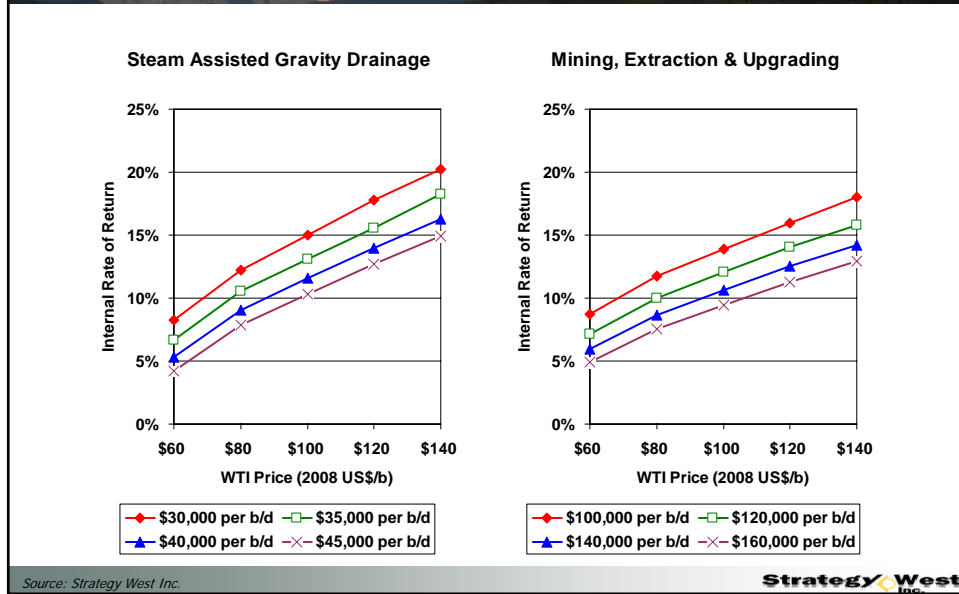


Oil Sands Project Economic Assumptions

	SAGD	Mining, Extraction & Upgrading
Product	Dilbit	Synthetic Crude Oil
Initial Capital Intensity (Real 2008 C\$ per b/d)	\$30,000-\$45,000 (Bitumen)	\$100,000-\$160,000 (SCO)
Non-energy OPEX (Real 2008 C\$/b)	\$10.00	\$20.00
Purchased Natural Gas	1.25 GJ/b (1.18 MMBtu/b)	0.85GJ/b (0.81 MMBtu/b)
SCO Yield	NA	83%
GHG Emission Penalty (\$/t)	\$50	\$50

Source: Strategy West Inc.

Oil Sands Project Investment Returns



Economic Implications

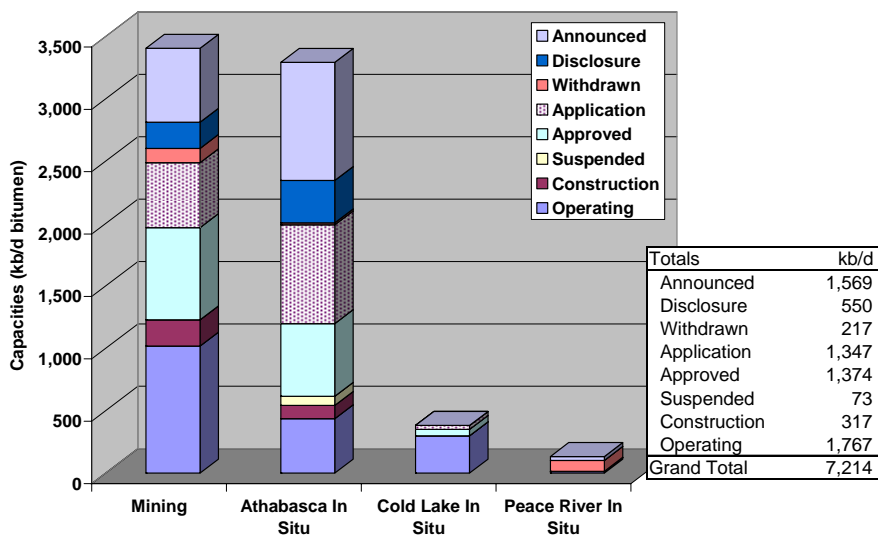
- Based on recent project costs:
 - New SAGD projects require WTI prices of US\$70-80/b for acceptable returns
 - New mining, extraction and upgrading projects require WTI prices of US\$70-100/b for acceptable returns
- However:
 - Project costs are dropping - but how much?
 - The oil price thresholds for attractive economic investments are also dropping

Strategy West's Oil Sands Industry Outlooks

- Comprehensive Project Database
- Industry Outlooks
 - Project-by-project timing adjustments
 - Project-by-project probabilities
 - Aggregation of results
- Project listing is available for download at www.strategywest.com

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Existing & Proposed Commercial Project Capacities



Sources: Operator Applications and Announcements: Strategy West Inc.

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Commercial Project Startups During 2008

Integrated Mining

- CNRL Horizon

Integrated In Situ

- Nexen/OPTI Long Lake Phase 1

Upgrading

- Suncor Millennium Coker Unit

In Situ

- CNRL Primrose East
- Devon Jackfish Phase 1
- EnCana Christina Lake Phase 1B
- Shell Orion Phase 1

Sources: Operator Applications and Announcements: Strategy West Inc.

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Commercial Projects Presently Under Construction

Integrated Mining

- AOSP Expansion (2010)
 - Jackpine Mine Phase 1A
 - Scotford 1 Upgrader Expansion

Mining

- Imperial/ExxonMobil Kearl Lake Phase 1 (2012)

In Situ

- EnCana Foster Creek Phases 1D & 1E (2009)
- MEG Christina Lake Phase 2A (2009)
- StatoilHydro Leismer Demonstration (2009)
- EnCana Christina Lake Phase 1C (2010)
- Devon Jackfish Phase 2 (2011)

Sources: Operator Applications and Announcements: Strategy West Inc.

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Commercial Project Suspensions, Deferrals & Cancellations

Integrated Mining

- CNRL Horizon Phases 2&3
- Fort Hills Phase 1
- Northern Lights*

Upgrading

- BA Energy Heartland
- North West Sturgeon
- StatoilHydro Strathcona*
- Suncor Voyageur**
- Total Strathcona

In Situ

- Connacher Algar**
- ConocoPhillips Surmont Phase 2
- Petro-Canada MacKay River Expansion
- Shell Carmon Creek*
- Suncor Firebag Phase 3**

Integrated in Situ

- Nexen/OPTI Long Lake Phase 2

* Application Withdrawn

** Construction Suspended

Sources: Operator Applications and Announcements: Strategy West Inc.

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After the Crash: Two Scenarios

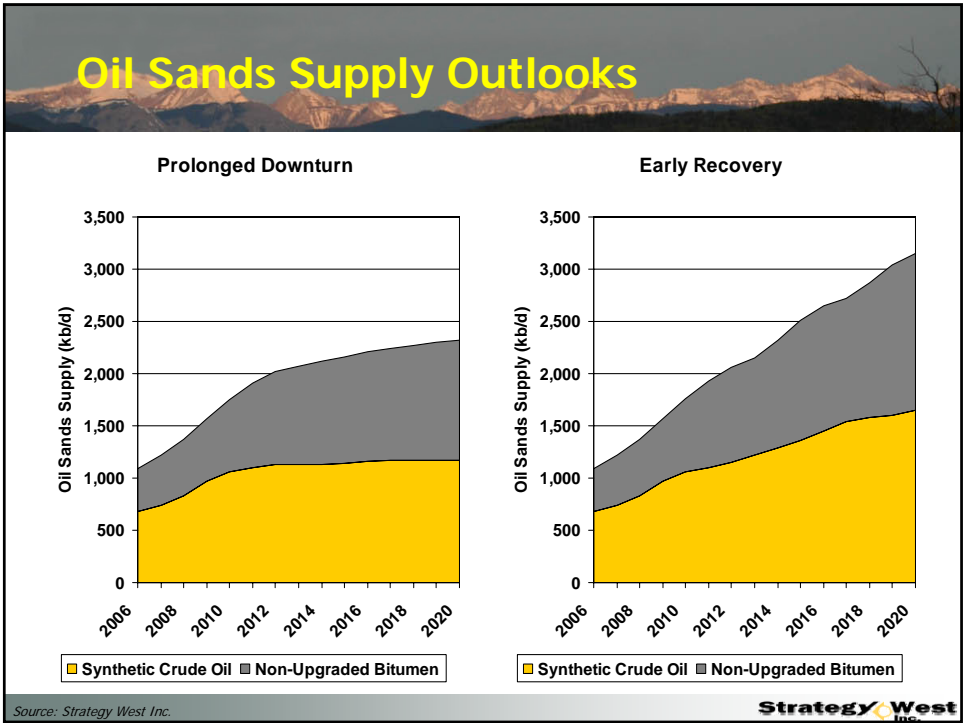
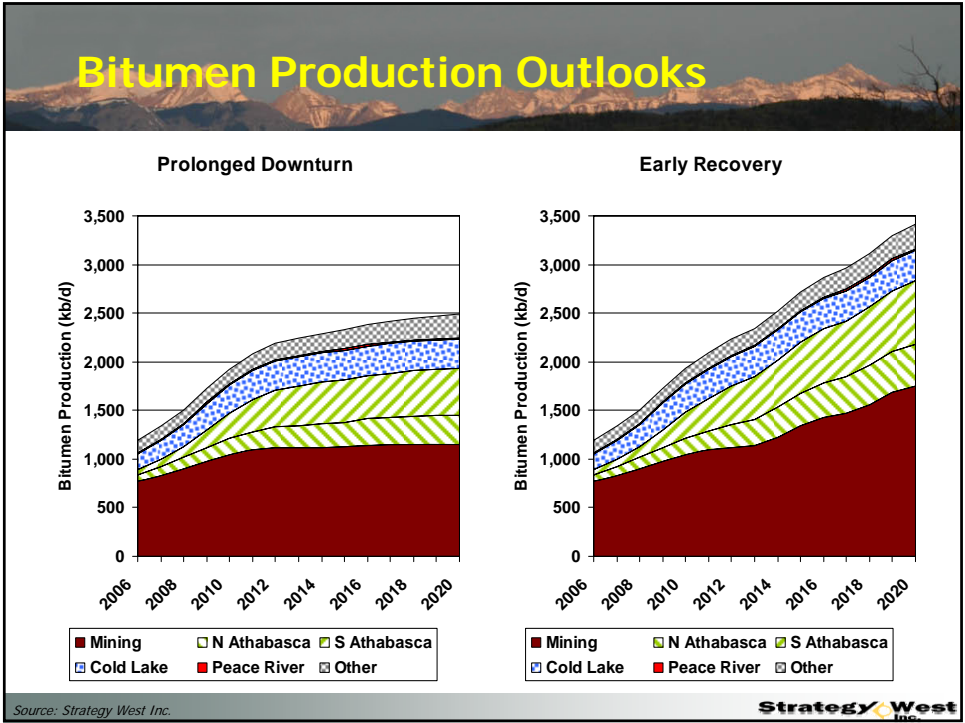
Prolonged Downturn

- Projects under construction are completed
- No near-term economic recovery
- Slow growth after recovery led exclusively by established industry players
- No investment in new upgrading capacity

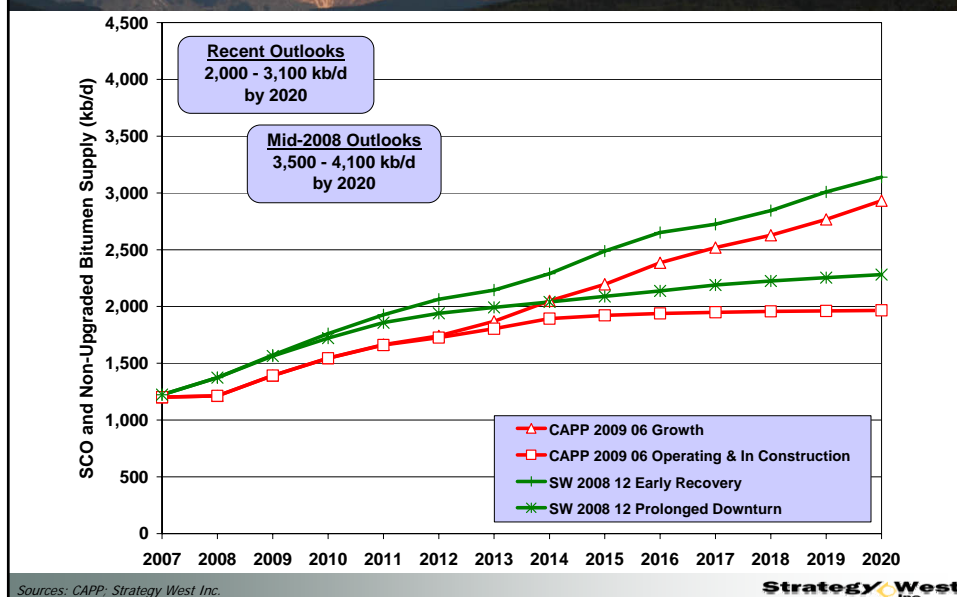
Early Recovery

- Projects under construction are completed
- Economic recovery by year-end 2009
- Moderate growth after recovery led mainly by established industry players
- Some investment in new upgrading capacity

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Comparative Oil Sands Supply Outlooks since the Crash



Conclusions

- The economic/financial crisis caused project deferrals and cancellations
- Projects under construction will increase oil sands industry supply to about 2 million b/d by early next decade
- Based on recent project costs, the oil sands industry needs WTI oil prices of US\$70-100/b (real 2008) to justify new investments; however, project costs and the oil price threshold are dropping
- Industry growth will resume with global economic recovery; however, the rate will depend upon oil prices and resolution of policy, environmental and regulatory issues



Thank You

Questions?

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

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