Pelican Lake SAGD Pilot AER Approval 11469B

Annual Update

January 1, 2014 – December 31, 2014





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Agenda

- Project Overview
- Geological Update
- Resource Recovery
- Facility Update
- Compliance



Subsection 3.1.1



Cenovus SAGD Pilot Lease



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Scheme Description & Overview

Base of Grand Rapids 'A'	357-363 m Subsea
Average Gross Thickness	23 m
Average SAGD Pay Thickness	18 m
Average Porosity	35 %
Average Water Saturation	46 % (Gross)
	38 % (SAGD Pay Zone)
Average Permeability	2.9 D
OBIP (Internal CVE estimate)	33 MMbbl
Drilled well pairs	2
Source water well	1
Disposal well	1
Oil Viscosity	1,000,000 cp+
Oil Gravity	7.5-8.5 API
Initial Reservoir Pressure	1200 kPa
Fracture Gradient	21.3 kPa/m
Fracture Closure Pressure	4.75 MPa





Geology & Geoscience





Grand Rapids 'A' Type Log





Bitumen Accumulation





Well Pair 1 Trajectories/Cross-Section

I01 UWI: 100/12-02-082-23 P01 UWI: 102/12-02-082-23





Well Pair 2 Trajectories/Cross-Section

IO2 UWI: 102/09-03-082-23W4 PO2 UWI: 103/09-03-082-23





Section 3.1.1 (2h)

Surface Heave Monitoring (InSAR)

Cenovus Pelican Lake Corner Reflector Locations



Figure 1: Corner Reflector Locations at Cenovus Pelican Lake, Alberta. Well layouts

provided by Cenovus in 2012 and 2013.

Corner Reflector Vertical Deformation March 26, 2013 to December 10, 2014



Figure 4: Cumulative corner reflector vertical deformation: March 26, 2013 to December 10, 2014.

- March 26, 2013 <20mm total vertical displacement observed
- 15 RADARSAT-2 scenes were acquired in 2014
- Measurements to June 25, 2014 do not indicate incremental displacement



4D Seismic Lines



- Baseline 3D January 2011
- 4D Shoots:
 - 1st January 2012
 - 2nd March 2013
 - 3rd January 2014
 - 4th January 2015 (processing)
- 4D seismic shows the areas of steam chamber development and connection to the lean zone



Pilot Monitoring Network



•	Те	mperature
0	Temperature & Pressure	
\bigcirc	Gr	ound Water observation
\bigcirc	ΤI	nermal compliancy observation
WP0)1	Equipped with fiber-optic string for temperature monitoring
WP0	2	Equipped with 6-point thermocouple string for temperatures
		Ground water observation wells not illustrated on map:
		100/04-27-82-22
-		1F1/13-07-82-22
		16-07-82-22 (camp 1 water source well)

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Section 3.1.1(3a)

103/16-03-082-23W4 Observation well log





Section 3.1.1(2e)

26I01 Injector Completion Schematic



26P01 Producer Completion Schematic





26P01 Producer Completion Schematic



26I02 Injector Completion Schematic



26P02 Producer Completion Schematic



26P02 Producer Completion Schematic



Artificial Lift

Electric Submersible Pumps (ESP)

- Pump Range 60 -600 m³/d
- Intake Pump Pressure 500-1150 kPaa
- Variable Frequency Drives (VFD)
- Operating Temperature limit 218°C
- Low pump efficiency under saturation conditions



Section 3.1.1(4a,b)

Well Instrumentation

Pressure

- Injectors
 - Utilize annular space as gas blanket for bottom hole pressure measurement
- Producers
 - Utilize bubble tubes to heel with gas to measure bottom hole pressure
 - Pressure sensor at the toe of fiber optic string

Temperature

Producers utilize 40-point temperature fiber c/w pressure sensor at the toe



Conformance Issues

- Uneven Start-up
- Uneven Skin
 - Scaling & plugging in slotted liners



Section 3.1.1(7b)

Well Pair 1

Scheme Performance





Well Pair 1 Steam Chamber Seismic





Section 3.1.1 (6b)

102/05-11-082-23 Observation Well Temperature



102/13-02-082-23 Observation Well Temperature

Correlation

Depth

Porosity

Resistivity





Well Pair 1 Producer Temperature Profiles



Well Pair 1 Production





Section 3.1.1(7a)



Well Pair 2 Steam Chamber Seismic





Section 3.1.1 (6b)





Well Pair 2 Production

Well Pair 2 Production Data



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Section 3.1.1 (7a)



Lean Zone Pressure History



Production Summary

WP01	Cumulative
Oil (m³)	31,570
Water (m ³)	117,814
WOR (m ³ /m ³)	3.6
Steam Injection (m ³)	171,092
SOR (m ³ /m ³)	5.4
WSR (m ³ /m ³)	0.68
WP02 **	Cumulative
WP02 ** Oil (m ³)	Cumulative 12,813
WP02 ** Oil (m ³) Water (m ³)	Cumulative 12,813 52,496
WP02 ** Oil (m ³) Water (m ³) WOR (m ³ /m ³)	Cumulative 12,813 52,496 4.09
WP02 ** Oil (m ³) Water (m ³) WOR (m ³ /m ³) Steam Injection (m ³)	Cumulative 12,813 52,496 4.09 92,359
WP02 ** Oil (m ³) Water (m ³) WOR (m ³ /m ³) Steam Injection (m ³) SOR (m ³ /m ³)	Cumulative 12,813 52,496 4.09 92,359 7.2

•Significant steam losses to lean zone to maintain pressure.

•WP01 steam injection volumes include steam injected into P01

•WP01 water does not include quench



Section 3.1.1(7)
2014 Key learnings

WP1 and WP2 learnings

- Conventional circulation is challenging for low pressure shallow reservoirs such as Grand Rapids
- Reheating of circulated fluids and deviated well trajectory both contribute to creation of hot spot
- Hot spots are difficult to remediate after development and recompletions are necessary to alleviate hotspot issues
- Sand influx is not an issue in wellbore perforation
- Thermocouple failures for observation wells can be mitigated by increasing battery capacity and decreasing frequency of data acquisition
 - Reduces loss of communication thus improving consistency of data



Future Plans

Learnings to be applied in future

- Completion for startup using vacuum insulated tubing (VIT) enables high quality steam downhole
- Managing lean zone is important to achieving conformance
- Even steam distribution along the injector can be achieved with steam subs

Future plans

- Well Pair 3 drill and complete Q1/Q2 2015
- Complete observation well 103/16-3-82-23W4
- Continuing operation of Well Pairs 1 and 2
- Directive 51 application for Well Pair 3



Section 3.1.1 (8a-c)

Subsection 3.1.2

Surface Operations,

Compliance,

Non-Related Resource Evaluation Issues





Plant performance

- Battery code for Pad 26 is solely for purpose of production accounting
- All emulsion fluids are transferred to Pelican Lake 11-7 battery

Water treatment

- Disposed fluids injected into one disposal well at 09-10-082-23W4M
- Fresh water for steam generation is treated at Pad 26 using ion-exchange water softening

Bitumen treatment

 No oil treating equipment at the pilot site as all production is transferred to Pelican Lake battery (AB BT0058285)

Steam generation

- Three steam generators use source water (01-15-082-23W4)
- Pad 9 (13-07-082-22W4) water used in <u>upset conditions only</u>

General facility performance

- Upgraded two boiler operating systems for improved control
- Steam quality estimated at 99% at injection wellheads



Plant Performance (continued)

- Emulsion pipeline to battery temperature limited to 55°C
 - Produced water temperature has increased from 40 to 80°C over the past 2 years
 - Production constraint reduced by installing Pad 9 quench to emulsion line out
 - Service change to the Heat Exchanger Shell and Tube Reverse emulsion and BFW to test improved efficiency and aid in cooling pipeline for emulsion out
 - No significant improvement in heat exchanger performance
- Modifications to boiler
 - Upgraded operating systems from manual linkage to an automated system for better control and tuned to improved efficiency
- No debottlenecking of facility or major MOC's



Section 3.1.2(1d)

MARP (Measurement, Accounting and Reporting Plan)



Section 3.1.2(2)

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Measurement and reporting

Estimated well production (oil and water)

- Pad 26 production is estimated by applying manual cuts to total measured volume at wellhead and measurement by difference
- Coriolis meters have proven to be an effective measurement at the pad as amounts of entrained gas and/or vapor are negligible and do not affect accuracy (difference of <2% for quarterly tests)
- All produced fluids are transferred to Pelican Lake 11-7 battery (AB BT0058285) for separation and all produced water is used for injection within scheme approval 9404K
- Proration Factor (PF) = $\frac{\text{Total P01 and P02 production}}{\text{Estimated production from well tests}}$



Section 3.1.2 (2a)

Proration factors

Month	Water Proration Factor	Oil Proration Factor
January	1.22415	1.02967
February	1.12636	0.99694
March	0.99166	0.98848
April	0.99946	0.9995
Мау	0.99934	0.99986
June	0.99595	0.99593
July	0.99666	1.0089
August	0.99827	1.00257
September	0.99733	1.00327
October	0.99901	0.99653
November	0.89756	0.98867
December	1.00247	0.98022

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Measurement and reporting (continued)

Estimated well production (gas)

- Total gas production is obtained from a meter measuring the amount of production gas going to the incinerator
- Gas proration for each production well is calculated using the gas ratio determined from saturation conditions of the casing gas at the well head

Estimation of water production at injection facility

- Total dispositions includes steam injection and water to disposal
- Total receipts includes source water (01-15-082-23W4) and Pad 9 quench water (13-07-082-22W4) to Pelican Lake battery pipeline



Section 3.1.2 (2a)

Gas usage

- Fuel gas purchased from TCPL for running steam generators and incinerator
- Gas Balance
 - All produced gas volumes are incinerated
 - Gas has high CO_2 content at $\geq 70\%$
 - No flare stack
 - No venting of produced gas
 - The only received gas volumes are purchased fuel gas
 - No gas transferred



Section 3.1.2 (2a)

Gas balance

Month	Produced gas (e3m3)	Incinerator gas (e3m3)	Purchased gas (e3m3)
January	17.6	17.6	549.8
February	9.8	9.8	564.9
March	1.6	1.6	578
April	5.1	5.1	671.5
Мау	3.2	3.2	660.9
June	19.1	19.1	615.7
July	20.3	20.3	679.4
August	26.3	26.3	933.3
September	14.1	14.1	940
October	10.6	10.6	737.1
November	11	11	470.1
December	3.9	3.9	418.7

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GHG emissions

- Calculation of GHG emissions (CO₂, CH₄, N₂O)
 - Based on fuel gas for running steam generators and incinerator
 - NO_X is not a GHG emission and is not included in the calculation
- Emission balance
 - Tonnes CO_2 equivalent (CH_4 25 N_2O 298)= CO_2 +(25* CH_4)+(298* N_2O)
- SO₂ calculated from H₂S level in casing gas analysis
 - H₂S samples on average in 2014 too small to measure (TSTM)
- Annual reporting
 - Facility is required to do annual reporting on NO_X and SO_2 , produced gas flow rates, and stack temperatures
 - Facility is *not* required to do annual reporting on GHGs



Section 3.1.2 (2a)

Water Source Wells

- Two source water wells
 - 1. 1F1/01-15-082-23W4 in the Grand Rapids 'B' formation
 - 2. 1F1/13-07-082-22W4 in the Grand Rapids 'B' formation

No brackish water wells

- Source water from Grand Rapids B water well (01-15-082-23W4) is used to generate steam for injection wells
- Raw water from Pad 9 (13-07-082-22W4) is used for management of emulsion temperature in pipelines





Source Water Well Rates

Water Treatment Technology

- Media Filtering
- Primary Strong Acid Cation (SAC)
- Secondary SAC polisher
- Source water for brine regeneration
- Disposal well 105/12-11-082-23W4 located at Pad 26 Abandoned July 2013
- New Disposal well 102/9-10-82-23W4 drilled and cased to Nisku Fm, July 2013
 - Fluids trucked from site during 2013 until new Disposal approval received February 26, 2014



Section 3.1.2 (4 & 5)

Disposal Well Rates (102/09-10-082-23W4)



Water balance

Month	Steam (m3)	Produced water (m3)	Receipts (m3)	Disposal (m3)	Dispositions (m3)
January	5217.6	7788.4	5314.8	991.6	13103.2
February	4120.2	15165.1	7266.3	4127.2	15165.1
March	4131.5	6336.6	4047.5	4114.2	10384.1
April	4411.4	7249.6	5682.3	5693.1	12931.9
May	4851.6	7226.1	5735.2	4645.7	12961.3
June	3417.2	6126	5654	5659.2	11780
July	4061.3	5129	5987.6	6203.8	11116.6
August	4748	8679.7	7758.3	9551.6	16438
September	5569.1	5043.2	5272.4	9119.2	10315.6
October	2992.3	3839.1	4142.7	7231.3	7981.8
November	2406.7	4769.8	6994.1	3638.5	11763.9
December	3801.7	4389.3	3329.3	3095.7	7718.6

Sulphur production

- Casing gas is sampled for H2S upstream of the incinerator on a monthly basis
- Based on the calculated sulphur content, the facility is not required to complete quarterly sulphur emissions reporting
- Estimated 2014 sulphur emissions are approximately 0.002 tonnes

Emissions have been low to date and we *do not* expect an increase in sour gas production over time.



Environment Update

• No environmental or regulatory compliance issues



Section 3.1.2 (7a-e)

Future Plans

2015

- Well pair 3: tie-in and turnover to operations for circulation and SAGD
- Directive 42: 2014 MARP submission (June 2015 extension)



Section 3.1.2 (10a-d)

Appendices селоуиз

ECA ECOG A8 BRINT 8-10-82-23

100/08-10-082-23W4 LSD 8-10-82-23W4M





ECA ECOG A9 BRINT 9-10-82-23

100/09-10-082-23W4 LSD 9-10-82-23W4M





CVE BRINT 4-11-82-23

100/04-11-082-23W4 LSD 4-11-82-23W4M





CVE 2C13 BRINT 13-2-82-23

103/13-02-082-23W4 LSD 13-2-82-23W4M



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ECA ECOG B3 BRINT 3-11-82-23

102/03-11-082-23W4 LSD 3-11-82-23W4M





CVE C12 BRINT 12-11-82-23

103/12-11-082-23W4 LSD 12-11-82-23W4M



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Section 3.1.1 (5c)

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CVE BRINT 4-27-82-22

100/04-27-082-22W4 LSD 4-27-82-22W4M





Section 3.1.1 (5c)

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CVE WS2 BRINT 13-7-82-22

1F2/13-07-082-22W4 LSD 13-7-82-22W4M





2003 Camp Water Supply Well No. 16-07

1F1/16-07-082-22W4 LSD 16-7-82-22W4M





CVE BRINT 8-10-82-23

102/08-10-082-23W4 LSD 8-10-82-23W4M



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Section 3.1.1 (5c)

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CVE 2B BRINT 5-11-82-23

103/05-11-082-23W4 LSD 5-11-82-23W4M



Intended Purpose:

Pressure and Temperature through Grand Rapids A steam chamber



Section 3.1.1 (5c)

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CVE B6 BRINT 6-11-82-23





ECA ECOG B5 BRINT 5-11-82-23

102/05-11-082-23W4 LSD 5-11-82-23W4M





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ECA ECOG C13 BRINT 13-2-82-23

102/13-02-082-23W4 LSD 13-2-82-23W4M


CVE BRINTNELL 12-2-82-23

103/12-02-082-23W4 LSD 12-2-82-23W4M





Section 3.1.1 (5c)

CVE BRINT 1-10-82-23





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Section 3.1.1 (5c)

CVE BRINT 16-3-82-23

102/16-03-082-23W4 LSD 16-3-82-23W4M





Section 3.1.1 (5c)

CVE BRINT 9-3-82-23

100/09-03-082-23W4 LSD 9-3-82-23W4M





Section 3.1.1 (5c)

CVE BRINT 16-3-82-23

100/16-03-082-23W4 LSD 16-3-82-23W4M





Section 3.1.1 (5c)

1AA/16-03-082-23W4 LSD 16-03-82-23W4



Intended Purpose:

Pressure and Temperature through Grand Rapids A steam chamber



Section 3.1.1 (5c)