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Annual Report 2004

*Office Hours: Tuesday, Wednesday, Thursday - from 9:00 a.m. - 1:00 p.m.
(or call for an appointment)*



Vision
*Sharing information and
resolving issues to benefit all.*

Mission
*To work together in an ongoing network of
communication and information-sharing based on
trust, honesty, and respect.*

Values
*LICA values a healthy and safe environment.
LICA values commitment to the success of LICA.*

Acknowledgements

Industry Profiles:
Paula McMillan, IOR

Photos:
Iris English, Workshops
Bill Lazenby

Brackish Water Report:
Dave Edwards



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Geographical Area



The LICA area extends west to Range 9, north to the top of the Cold Lake Air Weapons Range, east to the Saskatchewan border, and south to Highway 45.

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LAKELAND INDUSTRY AND COMMUNITY ASSOCIATION (LICA)

2004 THE YEAR IN REVIEW

2004 was a year of progress and changes for LICA. Good, solid science is providing a basis for future decisions. We are continuing and expanding the air and water monitoring, and finalizing the thorough examination of the Cold Lake-Beaver River Basin that began last year.

The New Development Committee continues to invite community and industry to the table for information sharing and discussions, creating a noticeable trend towards preventing problems through collaboration. The Resolution Committee, which remains ready to respond to concerns, has benefited from our Administrators' ability to deal effectively with issues. The Governance and Communication Committees have, as always, been working in the background, providing support and structure for the work of the Board and other committees.

We were deeply saddened in October, 2004, by the sudden death of long-time member, Board Director Andy Livingston, who contributed much time and vitality to LICA. Our sympathy goes to his wife Judy and his family. Ron Pernarowski, another long-time member (Board Chair April-December, 2004), left LICA at the end of the year. We look forward to his return. Administrator Audrey Campbell left us after three years and countless hours of passionate commitment to the ideals and goals of LICA, and E. (Bim) Bowers took on the role with energy and enthusiasm.

Four LICA members participated in the development of the Synergy Alberta initiative arising from clear direction given by participants at the first two provincial Synergy conferences. Audrey Campbell, Robert Deresh, Iris English, and Ron Pernarowski attended many meetings of the Facilitation, Resources, Communication, Mutual Understanding and Skills Transfer, and Conference Planning Teams throughout the year. Miles of driving, reams of e-mails, and great ideas resulted in an excellent Synergy In Motion conference in Edmonton in February, 2005. The launch of Synergy Alberta, to help the more than 100 Alberta groups like LICA, is planned for April, 2005. The Web site is www.synergyalberta.ca.

The success of LICA's philosophy of collaboration is evident in the changing climate of development in the region. Rather than adversaries, community and industry are more and more often becoming partners in ensuring that everyone's needs are met. LICA's focus continues to be responsible development, in an atmosphere of honest communication and respect, to benefit the environment and everyone/everything that lives, breathes, and works in the Lakeland region. We continue to seek participation by more organizations, local governments, and industry and community members. Anyone with an interest in what is going on in the LICA area is always welcome to attend our Board and committee meetings, open houses, and information events.

The LICA Board has been fortunate in the commitment and input of a number of observers. Don Hennessey (Alberta Energy and Utilities Board), Chris Holly (Alberta Energy), Bill Black (Alberta Sustainable Resource Development), and Trevor Matthews (Ducks Unlimited) are just the latest in a number of government regulator and non-government organization participants at the LICA table.

We look forward to LICA's continuing growth and progress. We are truly fortunate to be living in exciting times!

Robert Deresh, Board Chair

LAKELAND INDUSTRY & COMMUNITY ASSOCIATION STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2004

(Unaudited)

	2004	2003
Revenue		
Operating		
Annual Report	\$ 20,167	\$ 21,927
Memberships	61,000	61,000
Newsletter	-	6,604
Other receipts from members	56,418	11,950
Grants	2,079	-
	<hr/> 139,664	<hr/> 101,381
Programs		
Air study	134,142	109,888
Water study	114,189	126,127
	<hr/> 248,331	<hr/> 236,015
Total Revenue	<hr/> 387,995	<hr/> 337,396
Expenditures		
Operating		
Annual report costs	23,499	21,929
Board and committee	13,727	13,150
Capital expense	7,149	1,127
Contracted services	34,001	35,673
Insurance	2,213	300
Interest and bank charges	187	280
Meetings	7,255	5,260
Newsletter costs	-	5,032
Office	6,141	4,662
Professional fees	2,298	1,627
Public relations	5,342	5,348
Rent	5,400	5,400
Telephone	1,682	1,306
Training and development	2,862	2,868
Travel	8,019	4,849
Wages and employee benefits	7,092	3,586
Web site maintenance	2,202	690
	<hr/> 129,069	<hr/> 113,087
Programs		
Air study costs	134,142	109,888
Water study costs	114,189	126,127
	<hr/> 248,331	<hr/> 236,015
Total expenditures	<hr/> 377,400	<hr/> 349,102
Excess (deficiency) of revenue over expenditures	10,595	(11,706)
Unrestricted assets, beginning of year	41,015	52,721
Unrestricted assets, end of year	51,610	41,015
Balance, beginning of year	4,881	3,754
Purchase of capital property	7,149	1,127
Balance, end of year	<hr/> 12,030	<hr/> 4,881

Values are rounded to the nearest dollar

KAREN A. MERCIER Professional Corporation



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BOARD OF DIRECTORS 2005

Left to right
Kevin Golem, Frank Haggard,
Bim Bowers, Robert Deresh,
Debra Pelechosky,
Ajaz Quraishi, Kevin Ryan,
Don Hennessey



Left to right
Ajaz Quraishi,
Kevin Ryan,
Don Hennessey,
Shawn Brockhoff



STRUCTURE

Board of Directors

- Incorporated under Societies Act
- Owns Vision, Mission, Strategic Plan
- Governs through bylaws and policies
- Appoints committees and monitors their actions and success
- Sets budget and approves use of resources
- Responds to media queries

Administrator

- Runs LICA office
 - Supports Board/Committees
 - First contact for inquiries
- 812-2182 1-877-737-2182
lica2@lica.ca

Regional Environmental Air/Soil Monitoring Committee

- Helps develop/coordinate air/soil monitoring in LICA area
- Compiles and shares results

Governance Committee

- Develops policies as required
- Monitors/reviews bylaws and policies; recommends changes

Regional Environmental Water Monitoring Committee

- Develops water sampling guides
- Facilitates water monitoring
- Compiles and shares information

Communication Committee

- Support for Administrator
- Helps with newsletter, annual report, Web site, editing

Resolution Committee

- Open forum: discussion/resolution of development issues
- Establishes resolution process

New Development Committee

- Builds awareness of issues and expectations
- Reviews new industry proposals/projects



Robert Deresh
Chair



Bev Smith



Kevin Golem
Vice-Chair



Kevin Ryan



Frank Haggard
Treasurer



Shelley Cervier



E. (Bim) Bowers
Administrator



Iris English



Shawn Brockhoff
Alternate



Rick Gallant



Mark Kapler
Alternate



Leonard R. Wade



Ajaz Quraishi
Alternate



Debra Pelechosky



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Committees



Communication Committee
working on the Web site:
Robert Deresh
Paula McMillan
Bim Bowers
Sarah Severyn

COMMUNICATION COMMITTEE (CC)

The Communication Committee's role is one of supporting the work of the Administrator, Board, and other Committees, and ensuring that all LICA materials and policies follow the Vision and Mission. This year we worked on promotional and informational materials, in conjunction with our industry partners, for displays and open houses. Two articles were published in the Lakeland Oil and Gas supplement of the Bonnyville Nouvelle. Brochures, newsletters, and compiling the annual report are areas in which the CC works closely with the Administrator.

This committee also helps ensure that LICA's Web site is effective and easy to use for the increasing numbers of people visiting it—an ongoing process. The end of 2004 saw us beginning a major reworking of www.lica.ca with the willing skill and input of Sarah Severyn, LICA's 2004 summer student. An exciting new direction will be a link to www.synergyalberta.ca, the Web site of the provincial Synergy Alberta initiative connecting more than 100 Alberta groups like LICA.

Iris English, Committee Chair

GOVERNANCE COMMITTEE (GC)

An organization like LICA needs structure to accomplish its Vision, Mission, and Goals and Objectives successfully. The role of the Governance Committee is to develop, monitor, review, and revise, as needed, LICA's policies and bylaws. This ensures that LICA's business is conducted efficiently and ethically. The GC supports the work of the Board and other committees, letting them get

on with what they need to do, using LICA's Board-approved processes.

In 2004, the GC reviewed the bylaws, and updated and developed policy in the areas of Self-Governance, Personnel, and Finance.

Iris English, Committee Chair

NEW DEVELOPMENT COMMITTEE (NDC)

The New Development Committee reviewed its mandate during 2004, bringing into line with LICA's goals and objectives (see www.lica.ca) its purpose of providing an open forum for regionally relevant discussion of development. In addition, the NDC reviews new industry proposals/projects to provide input and suggestions for averting potential problems, calling on the collected wisdom acquired from previous projects in the area.

Informational sessions included:

- Canadian Natural Resources' presentation on their Primrose East development
- An open house conducted in Elk Point, including the purpose of LICA, water use, air quality, and noise management

Committee members anticipate another terrific year of information exchange and interaction in 2005 as we begin to plan additional open house forums in the LICA region.

Key responsibilities include:

- Ensuring that developers are aware of the issues and expectations around oil and gas development in the LICA area
- Providing opportunities for the community to grow in knowledge and awareness through presentations by industry operators, the AEUB, and regulatory government departments
- Providing an opportunity for discussion through facilitated informal round table dialogue

The informative and open discussion sessions facilitated by the NDC in 2004 provided opportunities to discuss and ultimately advise on expectations for better operating standards and practices in the LICA region.

Possible topics include:

- Presentations to Metis and First Nations—in their own communities
- Information sessions on new or existing regulations (AENV, Forestry, Energy)
- Information sessions about the history, purpose, achievements, current activities, and future plans of LICA
- Requests to companies new to the area or making additions/expansions to existing projects/ expansions to make presentations regarding their plans

Donna Gauthier and Rick Gallant,
Committee Co-Chairs





Interior of continuous air-monitoring trailer to be installed in Cold Lake South in early 2005

REGIONAL ENVIRONMENTAL AIR AND SOIL MONITORING COMMITTEE (REASMC)

In 2004 the Regional Environmental Air and Soil Monitoring Committee continued implementation of a comprehensive air-monitoring network for the LICA area.

The first phase of the network has been in place since July 2003 and consists of 20 passive air-monitoring stations distributed across the LICA area.

LICA Air-Monitoring Stations

- | | |
|----------------------|----------------------|
| 1. Sand River | 11. Foster Creek |
| 2. Therien | 12. Burnt Lake |
| 3. Flat Lake | 13. Maskwa |
| 4. Lake Eliza | 14. Ardmore |
| 5. Telegraph Creek | 15. Frog Lake |
| 6. Elk Point airport | 16. Clear Range |
| 7. Muriel-Kehewin | 17. Fishing Lake |
| 8. Bonnyville | 18. Beaverdam |
| 9. La Corey | 19. Cold Lake South, |
| 10. Wolf Lake | 20. Medley-Martineau |

These stations provide monthly readings of sulphur dioxide (SO₂), nitrogen dioxide (NO₂), hydrogen sulphide (H₂S), and ozone (O₃), to give an overview of air quality in the region and allow for the comparison of key air quality parameters in other provincial airsheds.

The Committee also worked towards the second phase of the air-monitoring network — the implementation of continuous air-monitoring stations to track air quality on an hourly, daily and monthly basis. This type of monitoring is currently only available at the larger-scale oil production facilities in the area.

Ultimately the LICA air-monitoring network will have a mix of passive and continuous air-monitoring stations that will cover the entire LICA area, with the necessary regulatory compliance monitoring near industrial sites. The Fort Saskatchewan and Parkland airshed management zones have successfully implemented this type of network.

Alberta Environment has been very supportive, donating an air-monitoring trailer and most of the necessary equipment for a continuous air-monitoring station to be located in the City of Cold Lake. The trailer and equipment value is estimated to be over \$150,000. REASMC has purchased a data logger and is installing and testing equipment in the trailer, which should be up and running in Cold Lake early in 2005.

Monitoring results

The figures that follow are all based on monitoring data collected between July 2003 and December 2004.

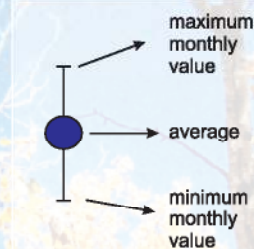
For each of four key air quality parameters (see the box on the right for a description of the parameters), two charts are shown.

Exterior of air-monitoring trailer



Results by station

The first chart shows maximum, average, and minimum values collected in the time period for each station in the LICA area. The readings are shown as bars with a dot. The dot represents the average reading during the period. The bars show how much the maximum and minimum values differ from the average.



Where the government has set an objective value for the annual average reading, it is also shown for reference. Note that the LICA readings are averages for an 18-month period.

Comparison to other areas in Alberta

The second chart shown for each key air quality parameter shows the three highest and the three lowest average readings for the LICA area together with average readings for other areas in Alberta. This is intended to put LICA regional air quality in perspective with that in other airsheds. The LICA data is from the LICA air-monitoring network. Data from other airsheds is from the Clean Air Strategic Alliance data warehouse (www.casadata.org). The highest observed monthly value was 1.8 ppb at site number 13 (Maskwa). This monthly value is significantly lower than the Alberta objective for annual average sulphur dioxide concentration (11 ppb).

Key Air Quality Parameters

Sulphur dioxide



- a toxic, colourless gas with a pungent odour
- primarily formed by combustion processes or by the flaring of gas containing sulphur compounds

Nitrogen dioxide



- a toxic, pungent, reddish-brown gas
- formed by the reaction of atmospheric ozone with the nitric oxide produced from combustion

Hydrogen sulphide



- a toxic, colourless gas with a "rotten eggs" odour
- found in oil and gas and can be formed by the anaerobic reduction of sulphur (for example, manure, sewage, hot springs)

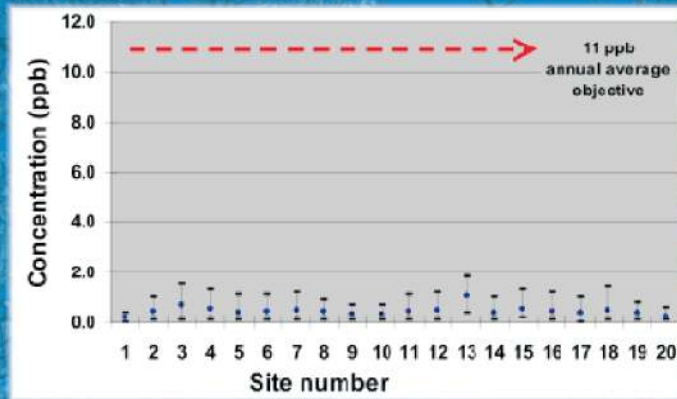
Ozone



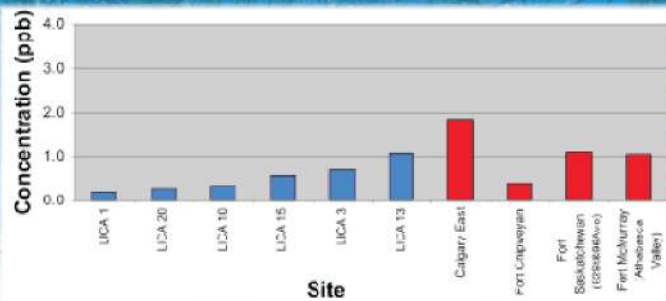
- a strong oxidizer with a sweet smell
- can be transported from the upper atmosphere or produced by the reaction of oxides of nitrogen with volatile organic compounds



Sulphur dioxide



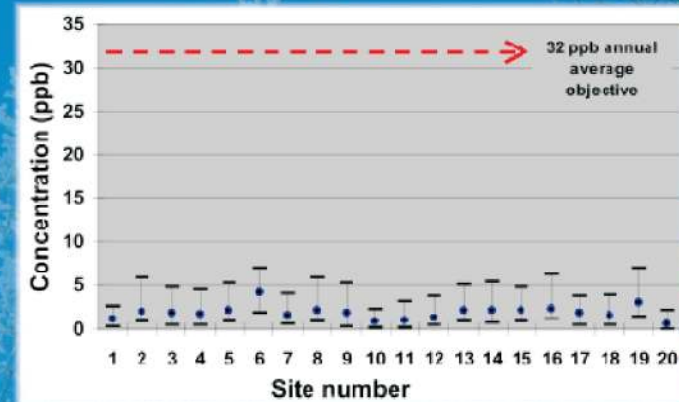
Results by station: Minimum, average, and maximum monthly sulphur dioxide values by station number based on data collected July 2003 through December 2004.



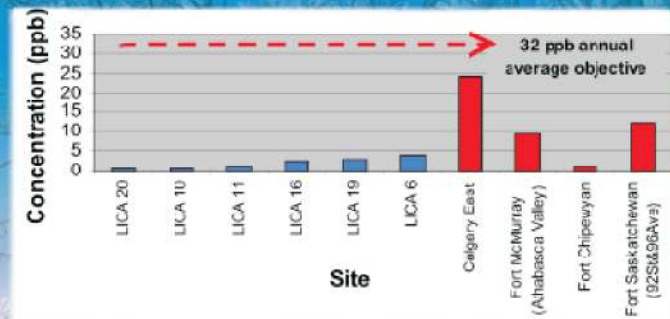
Comparison to other Alberta areas: Average monthly sulphur dioxide concentrations for six selected LICA sites and four other Alberta sites for the period July 2003 through December 2004.

The highest observed monthly value was 1.8 ppb at site number 13 (Maskwa). This monthly value is significantly lower than the Alberta objective for annual average sulphur dioxide concentration (11 ppb). Even if it had been sustained for the entire year, the annual average objective would not have been exceeded.

Nitrogen dioxide



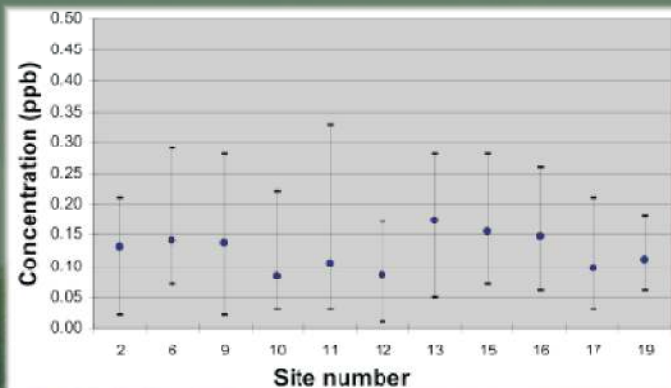
Results by station: Minimum, average, and maximum monthly nitrogen dioxide values by station number based on data collected July 2003 through December 2004.



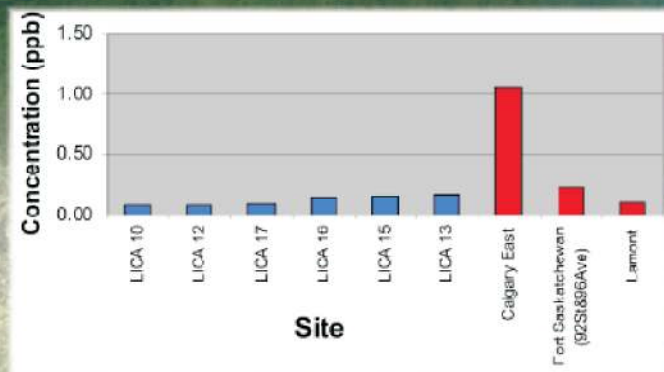
Comparison to other Alberta areas: Average monthly nitrogen dioxide concentrations for six selected LICA sites and four other Alberta sites for the period July 2003 through December 2004.

The highest observed monthly value was 7.1 ppb at sites number 6 and 19 (Elk Point and Cold Lake South). This monthly value is significantly lower than the Alberta objective for annual average nitrogen dioxide concentration (32 ppb). Even if this value had been sustained for an entire year, the annual average objective would not have been exceeded.

Hydrogen sulphide



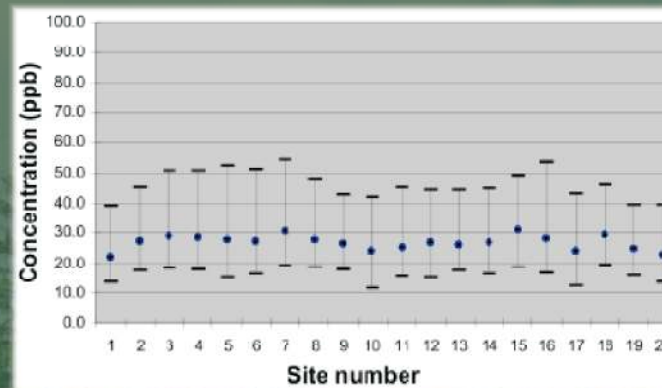
Results by station: Minimum, average, and maximum monthly hydrogen sulphide values by station number based on data collected July 2003 through December 2004.



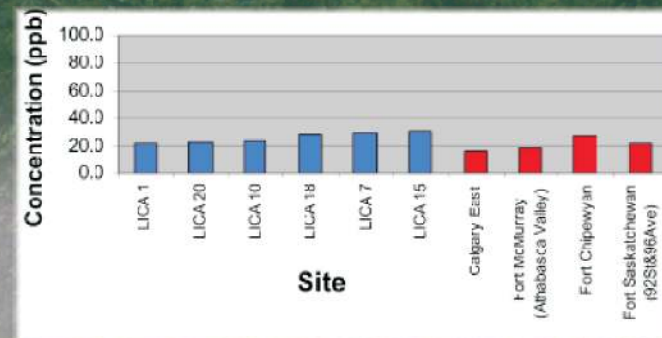
Comparison to other Alberta areas: Average monthly hydrogen sulphide concentrations for six selected LICA sites and 3 other sites for the period July 2003 through December 2004.

The highest observed monthly value was 0.33 ppb at site number 11 (Foster Creek). Note that there is no annual or monthly average Alberta objective for hydrogen sulphide against which the monthly values can be compared. (There are only daily and hourly standards for hydrogen sulphide.)

Ozone



Results by station: Minimum, average, and maximum monthly ozone values by station number based on data collected July 2003 through December 2004.



Comparison to other Alberta areas: Average monthly ozone concentrations for six selected LICA sites and 4 other sites for the period July 2003 through December 2004.

The highest observed monthly value was 54.2 ppb at site number 7 (Muriel-Kehewin). There is no annual or monthly average Alberta objective for ozone against which the monthly values can be compared. Note that ozone levels are believed to be controlled by emissions of nitrogen oxides and reactive hydrocarbons. Lower ozone values are found where there are more emissions (e.g. from vehicles) which depress the ozone values.

Debra Pelechosky, Committee Chair



REGIONAL ENVIRONMENTAL WATER MONITORING COMMITTEE (REWMC)

In 2004, the Regional Environmental Water Monitoring Committee focused on three key projects and helped fund one additional initiative.

Key Projects:

1. The Komex North Study (Phase II) was completed in the fall and presented to the committee on October 20, 2004. The draft report is currently being reviewed and will be finalized by April 2005. An executive summary follows below.
2. The Cold Lake Beaver River Water Management Plan update (CLBRWMP), under the leadership of AENV, is progressing well, with active participation on the Basin Advisory Committee (BAC) by a number of area stakeholders. Alberta Environment (AENV) has been a regular REWMC participant and has provided frequent CLBRWMP updates. Many REWMC members have responded to invitations to participate in the BAC's workshops and meetings, providing significant input into the update. A progress report is included below.
3. For the third consecutive year, LICA partnered with the Alberta Lake Management Society (ALMS) to provide financial support for the sampling of eight LICA area lakes. A long-term monitoring plan was developed by the REWMC, with a commitment to continue to sample nine to ten LICA area lakes per year.

The additional initiative funded by the REWMC was the ongoing work of Bill Donahue on behalf of the Muriel Lake Society. Bill's work is focused on obtaining and establishing baseline information on Muriel and Touchwood lakes, including the natural range of water quality before the onset of human activities, and the timing and

magnitude of changes leading to the present state. An update on Bill's work will be included in the 2005 LICA annual report.

KEY PROJECT #1 — LAKELAND REGION WATERSHED STUDY - PHASE II (KOMEX NORTH)

BEAVER RIVER BASIN LANDCOVER AND HYDROLOGY STUDY

In the Lakeland Region of Northeastern Alberta, changing water resource conditions have become of major concern to local stakeholders, in particular, issues related to:

- changing climatic conditions (warmer temperatures and drought cycles)
- diminishing water levels in lakes and streams
- decreasing groundwater surface elevations
- potential impacts to water resources resulting from industrial activities, and
- sustainability of water resources

To understand if, why, and to what extent these changes may be occurring, Komex International Ltd. was commissioned in 2002-2003 to undertake a comprehensive investigation into the contributing physical processes. The assessment included evaluation of climatology, hydrology, land use, hydrogeology, and water usage in the study area (generally south of Highway 55) — Phase I. The conclusion: a combination of climate and land use changes was having a substantial impact on regional water resources.

These results prompted a request by local stakeholders for expansion of the study north of the first study area, to the Beaver River Basin — Phase II. (There was some overlap in the Phase I and II study areas.) In response, LICA, in conjunction with Alberta Environment, commissioned Komex to:

- Evaluate the extent and magnitude of land use changes from the 1970s to the present, using available satellite information; and
- Provide insight as to how these changes (if any) have impacted surface water resources.

The land cover analyses in the Phase II study indicate that, in general, between 1976 and 2002 land use in the Beaver River Basin has not changed as much as it did in the lands to the south (in the Phase I study). Between 1976 and 2002, total forested land in the Beaver River Basin — including dense forest, open forest and wet forest/bog — was reduced by 257,000 hectares (ha), or approximately 15 per cent of the total land area (Figure 1). Cleared areas increased — substantially by 122% — from 202,294 ha in 1976 to 450,036 ha in 2002, an area of 247,742 ha. Over the same period, water surface area in the Beaver River Basin decreased by approximately 20%, or about 35,000 ha.

Results of the analysis indicate that the hydrology of the study area is changing. This is reflected in all aspects of the hydrologic cycle that were examined, including annual streamflow, peak flow

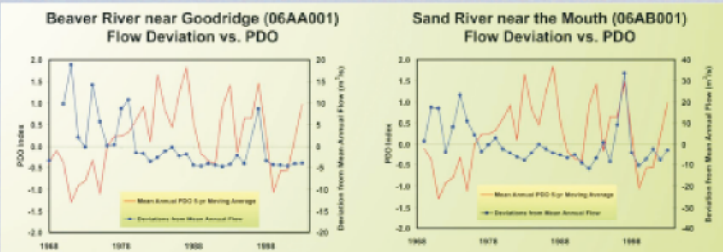
(Figure 3), baseflow (the component of flow within a stream that is derived from groundwater discharge into the stream, rather than runoff), transition to baseflow, and lake levels. Land use in the Beaver River Basin has changed, but not to the extent that was detected in the Phase I study, where forested areas were reduced by over 50 per cent between 1976 and 2002. Study results indicate that the bulk of changes in hydrology are being caused by climate. Based on the results of the Phase I report (Komex, 2003), anthropogenic use (for human purposes) of water in the region is not having a substantial impact.

Changes in hydrology are observed to be also occurring in areas that have not experienced substantial changes in land use, such as the Sand River and Wolf River Basins. Relatively remote, these basins have experienced comparatively minor changes in land cover. Since 1980, however, the Sand River and Wolf River have displayed substantial changes in hydrology during all times of the year. The Pacific Decadal Oscillation (PDO) is an approximately 20-year Pacific Ocean cycle of warming and cooling that has a direct effect on our local climate. PDO cycles correlate reasonably well with the annual runoff data from these rivers (Figure 2). Based on these observations, it appears that climate



Figure 1 - Land cover changes from 1976 to 2002.





The Pacific Decadal Oscillation (PDO) is an index that describes the relative sea surface temperature and sea level pressure over the north Pacific Ocean. It is similar to the El Niño phenomenon off the coast of South America, but acts on a much longer scale of between 20 and 30 years and affects the jet stream over North America. When the PDO is in a negative phase, the climate in the Lakeland Region is typically cooler and moister. When the PDO is in a positive phase, the climate in the Lakeland Region is warmer and drier, as the graphs above generally illustrate.

Figure 2 - Influence of the Pacific Decadal Oscillation on the hydrology of the Beaver River and Sand River.

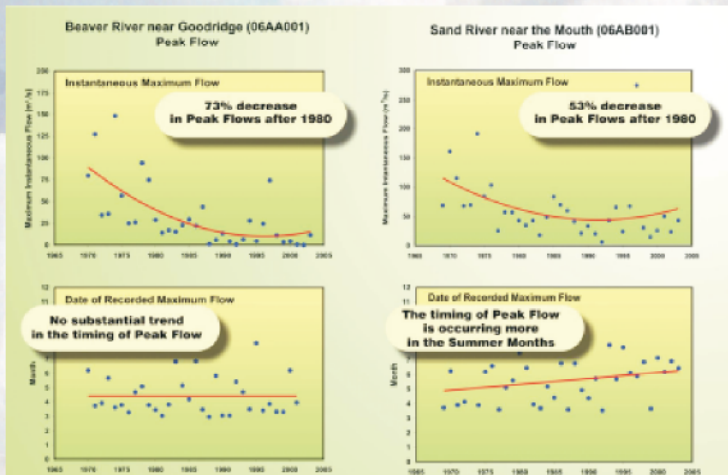


Figure 3 - Changes in the magnitude of timing of peak flow for the Sand River and Beaver River.

change or climate cycling is the predominant influence on the hydrology in these basins.

It is interesting to note that the declining trends in annual stream flow, peak flow, transition to base flow, and base flow after the mid- to late-1970s are much more pronounced in the Phase II study area compared to the Phase I study area (Komex 2003). However, the period of record investigated in Phase II is shorter.

Key Project #2 — Cold Lake Beaver River Basin Water Management Plan Progress Report

The Cold Lake Beaver River Water Management Plan is being updated to reflect the best available information about the basin and to address current and future water resource needs. A Basin Advisory Committee (BAC) has been established to review the technical and socioeconomic components of the plan and to provide advice on how water will be managed.

Technical teams have completed their review of the basin and have drafted four *State of the Basin* reports that reflect the major areas of interest within the basin. The Four State of the Basin Reports are:

- 1) *Groundwater Quality;*
- 2) *Groundwater Quantity;*
- 3) *Surface Water Quality;*
- 4) *Surface Water Quantity and the Protection of Aquatic Resources*

These reports are now being reviewed by the BAC and will soon be available for public distribution. The BAC will use these reports, based on the recent and extensive technical review, as the basis for discussing management options for the following themes:

- Water Supply and Demand
- Water Quality (Surface and Groundwater)
- Strategy for the Protection of Aquatic Resources

A series of workshops (dates to be announced) will give invited stakeholders, including the REWMC, opportunities to learn more about the basin and to provide input into the draft

water management plan. In addition, the completed plan will be presented at several public open house events in May or June, 2005.

Individuals wishing to comment on any part of the planning exercise can contact either of the following BAC Co-Chairs:

Alberta Environment:
Joe Prusak, 310-0000-415-8495
LICA:
Robert Deresh, (780) 812-2182

MARIE LAKE ECOSYSTEM DISCOVERY DAY

Setting up a large tent on the shore of Marie Lake some 30 km north of Cold Lake, Théo Charette and Joe Prusak of Alberta Environment, Northern Region, organized the Marie Lake Ecosystem Discovery Day in July to build awareness of area water resources. This is important both to the development and implementation of a water management plan. The event drew large crowds, rating front page coverage in the *Bonnyville Nouvelle* newspaper. Public interest was tremendous, and so was the support from the local community and industry.

This full-day event included interactive activities and information on aquatic invertebrates, algae, water quality, shoreline protection, and fish, as well as a bird walk. Volunteers on hand included Cal Sikstrom (Imperial Oil Resources), Neil Michelutti (Research Associate, Earth and Atmospheric Sciences, University of Alberta), Francine Forrest (Alberta Agriculture, Food, and Rural Development), Tyler Brekko, Crystal Downey, and Alan McIsaac (Marie Lake Campground Society), Kim Dacyk (Living by Water), Heather Jones (Alberta Lake Management Society), Alan Hingston (Alberta Environment), Ted Hindmarch (Beaver River Naturalist Society) and Wes English (Sustainable Resource Development).

Special thanks to the sponsors: Marie Lake Air and Watershed Society, Imperial Oil Resources, Marie Lake Campground Society, and CFB Cold Lake.



Key Project #3 — Alberta Lake Management Society

In 2004, LICA once again partnered with the Alberta Lake Management Society (ALMS) to provide financial support for the sampling of eight LICA area lakes. The Alberta LakeWatch Program offered by ALMS relies on the dedication and time of volunteers who help collect water quality data for lakes throughout Alberta. Volunteers for the 2004 sampling of the LICA area lakes included Jeremy Neufeld (Angling Lake); Leon Cardinal and Janette Calliou (Frog Lake); James Capiack (Garnier Lake North and South); Ron Pernarowski (Hilda Lake); Ed Dion and Ken Dion (Kehewin Lake); Beverly Smith (Laurier Lake); Don Savard, Roy Bibeau, Mickey Little, and Jim Ross (Marie Lake); Bob Hornseth and Laurier Sylvester (Moose Lake).

Depending on the weather and availability of volunteers, sampling was conducted once every three weeks from mid-June to early October. Field data collected included water temperature, dissolved oxygen, pH, conductivity, and Secchi depth (a water clarity measurement). Samples were analyzed every trip for nutrients (various forms of phosphorus

and nitrogen), and every second trip for routine water quality parameters (calcium, magnesium, potassium, sodium, sulphate, chloride, iron, and silica) including dissolved organic carbon and total suspended solids. Lakes were sampled for total metals in July and September and metal isotopes in late September-early October. Winter sampling was also conducted in February 2004 at Frog, Kehewin, and Muriel Lakes. The Alberta Research Council performed the water quality analyses for 2004.

The Regional Environmental Water Monitoring Committee intends to continue sampling several of these lakes in 2005. A long-term monitoring plan has been developed, and depending on the availability of volunteers, Crane, Fishing, and Wolf Lakes are planned to be included for the 2005 field season.

2002 and 2003 water sampling reports from ALMS can be obtained through the LICA office and are also available online at <http://alms.biology.ualberta.ca/Pages/Main/LakeWatch.htm#Data>.

2004 reports will be available online in the spring of 2005.

Brad Braun,
Committee Chair



RESOLUTION COMMITTEE (RC)

At LICA's inception, addressing the concerns of the community was a primary purpose, as it still is. The most critical and active Board Committee was the Resolution Committee, with a mandate to provide an open forum for discussion and resolution of issues related to development and to create a process for the Administrator to follow to resolve issues brought to LICA.

Now, most of the issues once directed to the RC are competently and efficiently handled at the office by the LICA Administrator (Audrey Campbell, followed by E. (Bim) Bowers). A clear, workable flow chart for handling queries has been developed. In areas where more information is needed, the Administrator can turn to LICA's comprehensive list of current contacts in Municipal and Provincial Government and Industry.

The LICA Board and Committees take a proactive approach to issues affecting stakeholders in the LICA region. The RC is, by its nature, reactive. But by providing direction to the Administrator in the resolution of simple issues, and creating a process for addressing more complex issues, including identifying appropriate contact agencies, the RC has made its role much more proactive.

The success of this approach is clearly illustrated by the need for only one RC meeting over the past year — for policy and process review. Keeping the Resolution Committee in place ensures that if the Administrator cannot resolve a community concern, the Committee can move immediately to provide a timely response and follow-up.

Beverly Smith, Committee Chair

LICA Committee Members 2004 / 2005

Committee	Community Member	Industry Member	Regulator Government Department
Regional Environmental Water Monitoring Committee	Delano Tolley Mildred Dunham Robert Deresh Russ Kowton Frank Haggard Cameron McLeod Clarence Makowicki Shelly Crevier Benoit Lafabvre	Brad Braun - CNRL Carrie Cochran - BlackRock Brent Moore - Devon Lori Neufeld - IOR Carol Engstrom - Husky Shawn Brockhoff - CNRL Sherry Hennessey - EnCana Glynis Carling - IOR	Abdi Omar - Siad - AENV Joe Prusak - AENV Richard Chabaylo - AENV Theo Charette - AENV George Walker - ASRD
Regional Environmental Air/Soil Monitoring Committee	Debra Pelechosky Ajaz Qurashi Frank Haggard Mildred Dunham Robert Deresh	Glynis Carling - IOR Brad Braun - CNRL Shawn Brockhoff - CNRL Brent Moore - Devon Sherry Hennessey - EnCana Mike Trefry - IOR Carrie Cochran - BlackRock Carol Engstrom - Husky	Michael Bisaga - AENV James Chen - AENV John Nhie - AENV Kristofer Sirinius - AEUB
New Development Committee	Robert Deresh Carli Pemarowski Beverly Smith Victor Keiley Shari Baumgardner Clarence Makowicki Shelley Crevier	Rick Gallant - IOR Don Harasimuk - BlackRock	Sarah Tredger - SRD Michael Bisaga - AENV Ray Stone - AEUB
Resolution Committee	Beverly Smith Shelley Crevier Robert Deresh Victor Keiley	Darrell McQuat - IOR Kevin Ryan - Devon Neil Guay - CNRL Shawn Brockhoff - CNRL	Bob Swain - AEUB Michael Bisaga - AENV James Chen - AENV Sarah Tredger - SRD
Communication Committee	Iris English Robert Deresh Carli Pemarowski	Paula McMillan - IOR Amy Russett - Red Fox Safely	
Governance Committee	Iris English Debra Pelechosky	Kevin Ryan - Devon	



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Brackish Water Use by Industry

Background

Thermal oil recovery operations in the Cold Lake Beaver River Basin (CLBRB) require a source of water to recover the bitumen. Improvements in bitumen recovery processes, along with advances in water treatment and recycling, have reduced the amount of fresh water required per unit of bitumen produced. To respond to stakeholder concerns specifically related to the use of fresh water, some operators in the CLBRB have already begun using brackish water, while others have plans to use it in their operations.

How is Water Used in Thermal Cyclic Steam Stimulation Operations?

Over the lifetime of a Cyclic Steam Stimulation (CSS) operation, for every four barrels of water that are injected:

(Approximate volumes)

- Three barrels of produced water are recovered for recycling
- One barrel of bitumen is recovered
- One barrel of water is left in the ground as voidage replacement
- One-tenth of a barrel is disposed of during recycling
- One-and-one-tenth barrel are needed as make-up water



Commonly Used Terms:

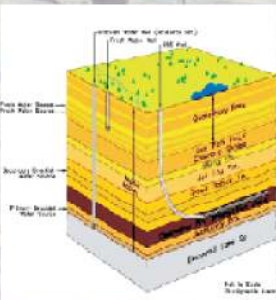
Produced Water - salty water brought to the surface during the recovery of bitumen

Recycled Water - produced water that is treated and re-injected as steam

Voidage Replacement - water that is left in the ground to replace the bitumen that has been produced

Make-up Water - fresh or brackish water that is added to recycled produced water to generate steam for bitumen recovery

Groundwater Sources



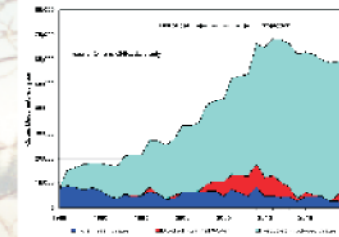
What is Brackish Water?

Brackish water is water that is more salty than surface water but less salty than ocean water. As a result of the high salinity, this water is not potable and is poorly suited for irrigation and other applications. Presently, operators in the CLBRB use fresh (non-saline) and brackish water sources.

Brackish Water Use

Operators currently obtain the bulk of fresh make-up water from Quaternary aquifers that occur between 90 meters and 150 meters below surface. A lot of fresh water use will be replaced with brackish water. The Grand Rapids and McMurray Formations are the two main sources of brackish water in the CLBRB. The McMurray Formation will be the primary source of brackish water for all but one of the thermal operators in the CLBRB

Historical and Projected Water Use — Imperial Resources Limited and Canadian Natural Resources Limited



The chart on the left presents historical and projected water sources for steam generation for Imperial and Canadian Natural.

Key Points shown in the chart:

- The majority of water injected as steam is recycled produced water
- Brackish water will form the majority of make-up water as projects are brought on-line between 2004 and 2015
- Decreasing amounts of make-up water are required in later stages of projects

A small amount of fresh water is always needed for operational and utility use such as showers and toilets, pump and compressor flushing, steam for heating tracing and hot water, and to supplement brackish water during limited periods of peak demand.

Commonly Asked Questions

Is industry committed to using brackish water?

Yes. Operators have completed a major amount of work in determining the extent and properties of brackish water aquifers, developing brackish water supplies, and estimating the sustainability of the supply. Industry has expended significant resources on this assessment and development that will enable the production, transportation, and treatment of brackish water at each facility.

Will the use of brackish water affect wetland, stream, and/or lake levels?

The fresh water aquifers, rivers, and lakes in the Cold Lake-Beaver River area are separated from the brackish water aquifers by thick (100+ m), low-permeability shale layers and are therefore not influenced or impacted by brackish water production.

Will withdrawals cause collapse or subsidence?

No. The bedrock is already very compressed. Compaction and subsidence will not occur.

Is the use of brackish water sustainable?

Numerical groundwater flow modeling studies conducted by Imperial and Canadian Natural indicate that there is sufficient brackish water to meet the current predicted demand.

Will industry work together to manage brackish water supply?

Yes. It has been proposed that industry members in the CLBRB using, or proposing to use, brackish water form a mutually cooperative group responsible for managing the long-term availability of brackish water during both normal operations and periods of peak demand. The group would be responsible for cumulative data collection, long-term monitoring, and problem identification and resolution.

Did You Know?

All five operators of major thermal projects in the Cold Lake-Beaver River Basin currently use, or have committed to use, brackish water for steam generation including: Blackrock Ventures Inc, Canadian Natural Resources Limited, EnCana Oil & Gas Partnership, Husky Energy Inc. and Imperial Oil Resources Limited.

The McMurray Formation Aquifer - the primary source of brackish water in the Cold Lake-Beaver River Basin - is located more than 500 metres below ground.

Courtesy: Dave Edwards, CNRL

BAYTEX

ENERGY TRUST

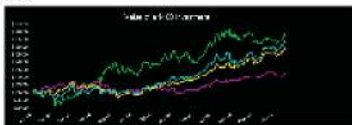
Company Profile

Baytex Energy Trust is a conventional oil and gas income trust delivering consistent returns to unitholders and maintaining its production and reserve base through internal property development.

The base of operations includes a high-quality portfolio of operated properties, development prospects, and land inventory concentrated in key operational areas of Alberta, British Columbia, and Saskatchewan. For 2005, production from oil and gas is targeted to average 36,000 boe/d comprised of approximately 70% oil and 30% natural gas.



Baytex has maintained its monthly distribution at 15 cents per unit since converting to an energy income trust in September of 2003. In 2004, these distributions totalled \$1.80 per unit. Baytex Trust units outperformed the TSX Composite, S&P/TSX Income Trust and Energy Trust indices during 2004 on a total return basis.



Heavy Oil District

The Heavy Oil District accounts for approximately 60% of Baytex's current production and approximately 67% of proved plus probable reserves. Heavy oil operations consist of cold conventional production from wells with multi-zone potential. Production is generated primarily from vertical, slant, and horizontal wells using progressive cavity pump technology to generate large volumes of heavy oil. Production from these wells usually averages between 40 and 100 barrels per day of low gravity crude ranging from 12 to 18 API. Once produced, the oil is trucked or pipelined to

markets in both Canada and the United States for upgrading into lighter grades of crude or refined into petroleum products such as fuel oil, lubricants, and asphalt.

SNAPSHOT

Trading Symbol	TSX — BTE.UN
Trust Units (Feb. 11/05)	66.6 million
Exchangeable Shares (Feb. 11/05)	1.9 million
Unit Trading Price (Feb. 11/05)	\$14.82
Market Capitalization	\$1.0 billion
Enterprise Value ⁽¹⁾	\$1.4 billion
Average Daily Volume	369,900
Monthly Distribution	\$0.15/unit
Foreign Ownership (Jan. 28/05)	30%

Includes net debt pre-forma Dec/04 acquisition and equity financing.

The Seal area in the Peace River region of Alberta is currently one of the most prospective areas for primary heavy oil development for Baytex. Baytex holds 100% working interests in approximately 100 sections of land in this area. In the winter of 2004, Baytex completed a seven-well test program in various parcels of its lands. Based on information collected from this program, Baytex completed the drilling of its first two horizontal wells at Seal in early January, 2005. Production from these two wells has gradually increased over the past month to a stable average rate of 200 bbl/d per well. A six-well test program is now being completed to further delineate this land block.

Baytex is very encouraged by the initial results at Seal. This is an area known to contain a vast amount of crude oil reserves. With its significant land holdings carefully assembled since 2001, Baytex has only begun to realize the productive potential of the Seal area.

Conventional Oil and Gas District

The Conventional Oil and Gas District includes properties located in Alberta, British Columbia, and Saskatchewan producing light and medium gravity crude oil, natural gas and related liquids. During 2004, Baytex successfully completed two strategic conventional acquisitions adding a new core area in northeastern British Columbia and complementary gas weighted assets in southern Alberta.

For further information contact:

Dan Belot, V.P., Finance and CFO
800-524-5523
Or visit our Website at www.baytex.ab.ca

The trust units of Baytex are traded on the Toronto Stock Exchange under the symbol BTE.UN.

BlackRock Ventures Inc. Company Profile

BlackRock Ventures Inc. is a Calgary based junior oil company with operations focused on the exploration and production of heavy oil in Western Canada. BlackRock's operations are concentrated into three major areas: Cold Lake, Lloydminster and Seal Lake near Peace River. BlackRock currently has production of more than 10,000 barrels of oil per day.

BlackRock began its activity in the Cold Lake region in 1997 with the construction and operation of a steam-assisted gravity drainage (SAGD) pilot. Since that time, the Hilda Lake pilot has been in continuous operation and has produced more than 1.2 million barrels of bitumen.

In August, 2001, BlackRock filed an application with Alberta Environment and the Energy and Utilities Board for commercial development of its oil sands lease near Hilda Lake based on the results from the pilot. The proposed development, called the Orion EOR Project, will be constructed in two phases of 10,000 barrels of oil per day. The project is estimated to have a 30-year life with an ultimate capacity of 20,000 barrels per day. In October, 2004, BlackRock received approval from the EUB for construction and operation of the Orion EOR Project.

In 2005, BlackRock plans to conduct a seismic program over a portion of its lease, drill three stratigraphic test holes and initiate its groundwater monitoring program. Site clearing would occur in 2006 and plant construction would follow and be completed in 2007. Phase two construction would begin 3-4 years after start up of Phase one.

BlackRock is committed to developing positive relationships in communities in which we operate. Throughout the life of the Orion EOR Project, BlackRock will continue to keep stakeholders informed of our activities through a combination of Open Houses and timely newsletters.

For more information on BlackRock or the Orion EOR Project, please contact:

Brad Gardiner
VP Production
(403) 233-2253 or
visit our Website at blackrock-ven.com



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Canadian Natural Resources Limited

About Us

Canadian Natural is one of Canada's largest senior independent oil and gas producers. Operating in Western Canada, the North Sea and offshore western Africa, we currently employ over 2,000 people. A philosophy to "do it right with integrity" contributes to our solid reputation as one of the most consistent performers in the Canadian and international energy industries.

Activities in the Region

Primrose & Wolf Lake

Major contributors to our thermal heavy oil activities are our Primrose and Wolf Lake projects. Composed of four main areas - Wolf Lake, Primrose South, Primrose East (under approval), and Primrose North (under construction) - the project uses both cyclic and steam-assisted gravity drainage (SAGD) technologies to produce approximately 40,000 barrels of oil per day. The construction of Primrose North will include the development of 14 horizontal well pads and the construction of a steam generation facility to supply an estimated field production of 30,000 barrels of oil per day. The processing plant at Wolf Lake is being debottlenecked to increase capacity to 80,000 barrels of oil per day. Facilities are being constructed to treat 110,000 barrels per day of brackish water. Operations are expected to commence in the fourth quarter of 2005.

Canadian Natural is currently in the process of seeking both stakeholder and regulatory approval for our proposed Primrose East project. Environmental Impact Assessment (EIA) studies surrounding the project are currently underway.

Elk Point / Bonnyville Conventional Heavy Oil Production

In the Elk Point / Bonnyville region current production is approximately 50,000 barrels of heavy oil per day and approximately 75 million cubic feet per day of natural gas. Following our 2004 acquisition of Petrovera, Canadian Natural obtained an additional 300 producing wells and estimates 75 potential new drills in 2005 within the Elk Point area.



A work crew prepares to test a new brackish well and pipeline connected to Canadian Natural's Wolf Lake Central Processing Facility.

Environment

Canadian Natural continues to work hard to address environmental issues and cumulative impacts of regional development. Our consumption of fresh water will continue to decline as brackish water sources are developed. Through our brackish water initiative, Canadian Natural will target an 80 per cent reduction in fresh groundwater usage by 2007. In addition, by maintaining our consultation with stakeholders, we continue to address site-specific issues such as wildlife protection, noise, traffic, and odour.

Working with the Community

A proud member of LICA, Canadian Natural is committed to a long-term presence in the communities where we operate, in particular to enable communities to benefit from the employment and business opportunities resulting from oil and gas development. As a fundamental tool to prosperity, we also realize the vital role that education and training plays in both sustaining and expanding the economy. Through our Building Futures Training and Education Program, created in 2002, we support technical trades training related to the oil and gas industry. This program offers annual scholarships of up to \$3,000 each and to date over 50 students from the LICA geographical area have received scholarships.



Canadian Natural

For more information or to provide us with your input, please contact:

Brad Braun, Manager, Environment (403) 514-7139
Roxane Bertziak, Environmental Coordinator (780) 826-8214
Wayne Nielsen, Surface Landman (780) 826-6575

devon

Devon Canada Corporation is the Canadian subsidiary of Devon Energy Corporation of Oklahoma City, an independent energy company engaged in oil and gas exploration, production and property acquisitions. Devon is among the largest oil and gas producers in Canada, and employs about 1,400 people in our Western Canadian operations.



Devon's operations in east central Alberta (LICA region) include sweet shallow gas wells, heavy oil wells, and processing facilities. We operate approximately 200 gas wells, with several compressor stations in the area. Our largest plant in the region is a heavy oil treating facility at Manatokan, with approximately 425 associated heavy oil wells. Here, Devon's heavy oil production operations are "cold," as opposed to steam injection. Rather than heating the oil to make it more liquid, multi- and single-well pads with progressive cavity (screw) pumps lift the heavy oil up the well bore to surface.

Devon's Lloydminster District is a key production area for the company, with a great deal of development opportunity. We are committed to conducting activities in a manner that safeguards the health and safety of our employees, contractors and the public, as well as preserves the quality of the environment for future generations. Devon's environmental programs include an active casing gas recovery program to reduce emissions, and ongoing soil, groundwater, and air monitoring. Devon appreciates the communities' participation in meetings and open houses, as it provides us with an opportunity to identify any concerns or questions, and ensure they are properly addressed. Early and ongoing consultation is one of our top priorities.



For more information, contact:

Kevin Ryan, Production Foreman (780) 812-1289
Brent Moore, Environmental Advisor (780) 675-1999
Doug Moore, Lloydminster District (780) 875-9837



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EnCana



EnCana's SAGD Focus

EnCana's involvement in western Canada's oilsands is focused on its 100-percent owned "in-situ" (in place) steam-assisted gravity drainage (SAGD) projects. SAGD is simple in concept, but complex in application: steam is injected through a horizontal well into the producing zone, creating a high-temperature steam chamber in the formation. The heat melts the thick crude which allows gravity to assist it to flow freely to the horizontal production well below.

Continuous Improvement in Oilsands Development

EnCana's approach to oilsands research is to continually improve on systems and techniques that have been employed by industry over the years, and minimize our environmental impact in the process.

These initiatives include:

- Improving SAGD recovery efficiency through the development of low pressure operations;
- Reducing the surface footprint through centralization of plant facilities and wellpad size reduction;
- Developing water make-up systems using brackish water;
- Reducing emissions through the installation of sulphur recovery systems;
- Incorporating an 80 megawatt cogeneration facility that provides electricity and steam to improve the overall thermal efficiency at Foster Creek, while providing electricity to the Alberta power grid; and
- Constructing a drilling waste processing plant (funded through the EnCana Environmental Innovation Fund).

For more information:

Sherry Hennessey
(780) 573-7357

Sherry.Hennessey@EnCana.com



www.EnCana.com

ExxonMobil

ExxonMobil is wholly owned by ExxonMobil Corporation of Irving, Texas, a national company with leadership position in key petroleum exploration and development areas in both western and eastern Canada. The Company has operations in British Columbia, Alberta, Saskatchewan, Nova Scotia, and Newfoundland, and has been at the forefront of developing Canada's energy industry for more than 60 years.

ExxonMobil Canada Heavy Oil Operations

Extracting oil from the rich but stubborn Cold Lake oil sands deposit - safely, responsibly, and economically - is a challenge being met by ExxonMobil Canada's Iron River operations team.

ExxonMobil Canada has been operating in the Bonnyville area since the mid-1980's, one of a number of companies employing a variety of technologies to extract the heavy oil from underground oil sand deposits. ExxonMobil Canada uses progressive-cavity pumps - that look somewhat like grain augers - to move the oil and sand mixture to the surface, where the oil is extracted and the sand is separated for disposal.



Other facilities in the Iron River area (about 60 kilometers north of Bonnyville) produce natural gas. Average daily production from these operations in 2004 was 3,500 barrels of oil and 6.0 million

cubic feet of natural gas.

Community Involvement

In addition to the direct and indirect employment its operation sustains in the Bonnyville area, the company contributes to the local community through operating expenses, construction, goods and services purchased as well as contributions to local charities and community organizations.

ExxonMobil's Core Value is "Safety"

We start with a commitment to industry-leading safety, health, and environmental performance. Like all of ExxonMobil Canada's operations, the area uses the Operations Integrity Management System (OIMS) to ensure that its operations are compatible with the safety, environmental, and socio-economic needs and expectations of the community.

Safety is a "core value" for the 20 ExxonMobil employees and contractors who support the Iron River operation, and live and work in the Bonnyville area. The safety of employees and contractors, together with the safety of the community at large, was the driving force behind the company's recent adoption of a new corporate initiative that prohibits cell phone use while driving on company business. We want to do everything we can to make sure our personnel go home at the end of the day and do their most important jobs - being parents, friends, neighbours, and a proud part of the communities where we operate. So the next time you call your local ExxonMobil Canada representative on their cell phone, you may have to leave a message, because at ExxonMobil, we no longer permit cell phone use while driving.

For more information contact
Mark Kapler - Lead Supervisor
(780) 826-2036 (ext. 2222)

John Trafiak - Safety, Health, and Environment Advisor
(780) 826-2036 (ext. 2223)



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FLINT ENERGY SERVICES

INTEGRATED. INTEGRAL

Headquartered in Calgary, Alberta, Canada, Flint Energy Services Ltd. provides a full scope of midstream production services to oil and gas producers across North America through 41 locations spanning western Canada and the southern and mid-western United States. Flint's services are offered through two divisions: Production Services and Infrastructure Services.

The Production Services division provides day-to-day and on-going services required to maintain oil and gas production. These services include smaller-inch pipeline construction and installation, field facility installation and maintenance services, as well as electrical, instrumentation, mechanical, safety, pressure and vacuum, fluid hauling, and plant shutdown and turnaround services.

The Infrastructure Services division provides large capital project planning, fabrication, assembly, modularization and field installation services, as well as mid-inch diameter pipeline project construction and installation services

Bonnyville / Cold Lake Area Services

Cold Lake Fabrication and Module Services

- 28,000 sq. ft. fabrication shop

Construction and Maintenance

- Oilfield construction and maintenance
- Above ground and under ground pipelines
- Plant and field turnarounds

Electrical and Instrumentation

- Construction
- Maintenance

Pressure and Vacuum Services (Bonnyville)

- Pressure, vacuum, and water trucks
- Semi-vacuum, and water trucks
- Flushby services
- Steamers
- Hydro-vacs
- Industrial Services



Inside Flint's Cold Lake Fabrication Shop

Contact Information

Bonnyville Mechanical Office
5214 - 55th St., Bonnyville, AB T9N 2K7
Phone: (780) 826-7055
Fax: (780) 826-1796

Bonnyville Pressure & Vacuum Office
6411 - 52nd Ave., Bonnyville, AB T9N 2L3
Phone: (780) 826-1988
Fax: (780) 826-2030

Cold Lake Mechanical Office
Highway 55 West, Bag 5000, Cold Lake, AB T9M 1P7
Phone: (780) 639-6034
Fax: (780) 639-6012



Husky Energy

In 2004, Husky Energy Inc. received regulatory approval to proceed with the development of its oil sands lease at Tucker, 30 kilometres northwest of Cold Lake. Construction commenced in the fall of 2004 and is scheduled for completion in 2006. Project commissioning is planned for the second quarter of 2006. Oil production will commence within three to six months of first steam injection, with expected peak production rates of 30,000 to 35,000 barrels per day.

THE PRODUCTION TECHNOLOGY

Husky will use steam-assisted gravity drainage technology (SAGD) to recover bitumen. SAGD is a thermal in-situ recovery process utilizing horizontal well pairs. A horizontal well, which is equipped as the bitumen producer, is located near the bottom of the reservoir. Steam is injected into a second horizontal well placed approximately five metres above and running parallel to the producer. A steam chamber forms heating the bitumen and enabling it to flow. The bitumen and condensed steam drain to the lower horizontal well. These fluids are produced through the wellbore to the surface.

ENERGY OPTIMIZATION

To optimize energy use and reduce emissions, the Tucker project will use high efficiency natural gas-fueled steam generators. Produced gas from the bitumen and recovered vapours from tanks and vessels will be also be used as fuel. In addition, heat from the produced bitumen and water will be utilized for the boiler feed water and facility utilities.

ENVIRONMENTAL PROTECTION

Produced water will be separated from the bitumen and will be reused to generate steam in the generators. For process makeup water requirements, Husky plans on using a brackish water, non-potable saline groundwater source from the McMurray formation located below the producing bitumen zone. Current plans anticipate a water recycle rate of 95%.

In fall 2004 Husky moved an Osprey nest that was located on a power pole near the proposed Tucker plant site. As construction on the plant was started in September 2004 and will continue until 2006, it was thought that activities on the site would interfere with the Osprey's nesting habits. The Osprey nest was moved about 800m away to a location that is quiet with a good view. Monitoring of the nest will continue in 2005 to see if the Osprey return.

For more information on Husky Energy visit our Web site at www.huskyenergy.ca



Osprey nest in transit to new location



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Imperial Oil has been a major contributor to the growth of the petroleum industry and to Canada's economic and social development for more than 120 years. Cold Lake Operations is Canada's largest in-situ oil-sands project and accounts for five per cent of all crude oil produced in the country. Cold Lake Operations remains dedicated to the safety and wellbeing of our neighbours, and is guided by three **priorities for operating.**

1. Take Care of Yourself and All Others

Since safety is paramount, we focus our efforts on creating a workplace where 'Nobody Gets Hurt'. Several initiatives, such as our Fresh Start Program, hazard recognition and safety orientations help us in maintaining our excellent safety record. We promise to keep safety a top priority to ensure that every employee and contractor returns home safely to their family and friends at the end of the day.

We also place great value on our relationships with local organizations in working toward a better tomorrow. Our involvement with the Lakeland United Way, minor sports associations and aboriginal communities are just a few examples. In 2004, Imperial donated over \$300,000 to groups in the Lakeland region.



Imperial purchased the Alta 32E rig, which incorporates state-of-the-art features to keep people out of harm's way.

Dennis Collins, from Imperial's Native Network, participates in local forums to discuss Cold Lake's aboriginal programs.



2. Take Care of Your Workplace and Your Neighbourhood

At Cold Lake, our goal is to minimize the impact of our operations by minimizing the amount of land we use, and by reclaiming the land we've used back to its original state. Since 1998, we have planted over 331,000 seedlings to reforest sites and over 60 percent of land impacted by our operations is currently under active reclamation.

Conservation is also key in reducing environmental impacts. Innovative techniques have enabled Imperial to recycle 95 percent of the water produced with the bitumen and Cold Lake Operations now requires 80 percent less fresh water than in the 1970s. Imperial uses international best practices to identify measures that can be taken to improve energy efficiency. We use cogeneration technology to reduce energy consumption and reduce costs. Cogeneration requires 30-50 percent less energy than traditional methods of electricity and steam generation.

3. Take Care of Business

Industrial development has resulted in significant economic benefits to the Lakeland community. To date, Imperial's total investment in the Cold Lake project exceeds \$2.3 billion. Taxes paid to the M.D. of Bonnyville amount to over \$9.8 million per year.

We are committed to candour, honesty and integrity in sharing information with our investors and public stakeholders. Disciplined control mechanisms have been established for all operations, and Imperial's corporate governance practices and financial controls meet the requirements of U.S. Sarbanes-Oxley Act and of the Ontario Securities Commission.



Cogeneration allows for otherwise wasted heat to power the entire Cold Lake operation while returning enough energy to Alberta's grid to power 50,000 homes.

For further information please contact:

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Cold Lake
Operations Manager
(780) 639-5117
www.imperialoil.ca

Paula McMillan
Community and
Aboriginal Affairs
(780) 639-5194

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Inter Pipeline Fund is a major Canadian petroleum transportation and natural gas liquids extraction business based in Calgary, Alberta. Inter Pipeline operates approximately 4,900 kilometres of petroleum pipelines and 1.3 million barrels of storage in western Canada. These systems transport approximately 470,000 barrels per day of oil sands bitumen, conventional crude oil, and gas plant condensate.

In addition, Inter Pipeline is one of North America's largest natural gas liquids extraction businesses with ownership in three major extraction facilities located in southern Alberta. These facilities are capable of processing in excess of 6 billion cubic feet of natural gas per day.

Inter Pipeline is committed to enhancing the well-being of the communities in which it does business. Recognizing that it is important to contribute to the ongoing success of these communities, Inter Pipeline has invested in their futures by providing bursaries to students who want to pursue a post-secondary education. These students are recognized for their high academic achievement and their involvement in and contributions to their communities.

Inter Pipeline's community investment program focuses in areas where our unique involvement can produce a tangible and measurable result. We support programs and initiatives whose goals include building a self-sustaining legacy in the community.

www.interpipelinefund.com



Lakeland Industry & Community Association
Box 8237, Bonnyville, AB T9N 2J5
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Lakeland Industry & Community Association
Located at 5006 - 50th Avenue, Bonnyville
Phone: (780) 812-2182 Fax: (780) 812-2186 Toll-free: 1-877-737-2182

KEY CONTACTS

UTILITY EMERGENCIES

Atco Electric 24 hr	1-800-668-5506
Atco Gas	826-3820
North East Gas Co-op	826-4002
TransAlta Utilities Corp.	1-800-667-2345
Buried Utilities Locations	1-800-242-3447

GOVERNMENT OF ALBERTA

Service Alberta (formerly RITE line)	310-0000
Agriculture, Bonnyville District Office	826-3388
Alberta Energy and Utilities Board (AEUB)	826-5352
Alberta Environment (AENV)	1-800-222-6514
Aspen Regional Health Authority	349-8705
Environmental Service NE Boreal Region	645-6394
Fish and Wildlife	
Bonnyville	826-3142
Cold Lake	639-3377
St Paul	645-6313
Occupational Health and Safety (OHS)	427-8848
Public Lands	
Bonnyville	826-4397
St Paul	645-6336
Surface Rights Board (SRB)	427-2444
The Farmer's Advocate	427-2432 or 427-2433
Land Reclamation Division	427-6212
Registrar of Land Agents	427-6584
Hydrogeology Branch	427-6230
Dangerous Goods	1-800-272-9600
MLA Denis Ducharme	826-5658
MLA Ray Danyluk	645-6999

GOVERNMENT OF CANADA

Environment Canada	951-8600
MP Dave Chatters	1-800-667-8450
National Energy Board	1-800-899-1265

OTHER

Pacific Geoscience Centre (earthquake inquiries)	1-250-363-6500
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MEMBER COMPANY CONTACTS

BAYTEX ENERGY LTD.

Box 358
Ardmore, AB T0A 0B0
Contact: Kevin Golem
(780) 826-3410

BLACKROCK VENTURES INC.

2600, 605 — 5 Ave
Calgary, AB T2P 3H5
Contact: Carrie Cochran
(403) 807-9285

CANADIAN NATURAL RESOURCES LTD

Head Office — Bankers Hall East, Calgary
Bonnyville Office — Bag 1003
Bonnyville, AB T9N 2J7
Contact: Brad Braun
(403) 517-7139

CCS ENERGY SERVICES

Head Office — Western Gas Tower, Calgary
Box 1300
Elk Point, AB T0A 1A0
Contact: Dave Engel
(403) 231-1112

DENMAR ENERGY SERVICES LTD.

P.O. Box 8029
Bonnyville, AB T9N 2J3
Contact: Roger Fortier or Gary Lapointe
(780) 826-5523

DEVON CANADA CORPORATION

P.O. Box 7905
Bonnyville, AB T9N 2J2
Contact: Kevin Ryan
(780) 812-1289
Doug Moore
(780) 675-1999

ENCANA

Bag 1015
Bonnyville, AB T9N 2J7
Contact: Sherry Hennessey
(780) 573-7357

EXXONMOBIL OIL CANADA

Box 7760
Bonnyville, AB T9N 2J1
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FLINT ENERGY SERVICES LTD.

6411 — 51 Ave.
Bonnyville, AB T9N 1L3
Contact: Brian Wittmack
(780) 812-3919

HUSKY ENERGY

Box 6525, Station D
Calgary, AB T2P 8G7
Contact: Carol Engstrom
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IMPERIAL OIL RESOURCES LTD.

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INTER PIPELINE FUND

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Contact: Mel Mawryluk
(780) 826-3620



COMMON INDUSTRY TERMS

Abandon: To place proper plug(s) in a well no longer being used, followed by removal of all surface equipment and reclamation of the surface soils.

Air Monitoring:

Passive Air Monitoring: Exposure to the air of a reactive surface (a solid chemical compound or a filter impregnated with a reactive solution) to test for specific pollutants. Samplers are typically exposed for periods of one month, then analyzed in a laboratory. Used to identify where pollutants are, air quality trends, and relation to air quality guidelines.

Continuous Air Monitoring: Use of monitoring equipment that provides near real-time measurements of concentrations for several pollutants. Air is drawn through a commercial analyzer, with data usually stored in five minute and one hour time blocks.

Barrel: Generally accepted measurement of oil. One barrel equals 159 litres, ~35 imperial gallons, or 42 U.S. gallons.

Bitumen: A crude oil product with a density of 920kg/m³ or greater at 15 degrees Celsius that exists in semisolid or solid phase in natural deposits; too thick to flow, thicker than peanut butter.

Blow-Out: Uncontrolled flow of gas, oil, or other well fluids from a well; occurs when pressure from below exceeds the pressure exerted by the column of drilling mud.

Brackish Water: Salty, non-potable water from deep underground ~ 500 m.

Coal Bed Methane (CBM): methane found in coal seams.

Cogeneration: Simultaneous production of electricity and steam from one energy source (e.g. natural gas, oil, biomass).

Density: The heaviness of crude oil, measured as mass per unit volume.

Development: Drilling, construction, and related activities following discovery of oil or natural gas; necessary to begin production.

Diluents: Light petroleum liquids used to dilute bitumen and heavy oil so they can flow through pipelines.

Downstream: The refining and marketing sector of the petroleum industry.

Emergency Evacuation Plan: Step-by-step instructions listing what a company will do to make sure its employees and near by communities are alerted and moved to safety in the event of an emergency.

Extraction: Process to separate bitumen from oil sand, using hot water, steam, and caustic soda.

Formation: Subsurface geological layer that is composed throughout of the same kind of rock or rock types.

Fresh Water: Water that comes from surface sources such as lakes and rivers or various underground aquifers.

Heavy Crude Oil: Dense, viscous oil, with a high proportion of bitumen.

Hydrocarbons: Organic chemical compounds of hydrogen and carbon atoms that form the basis of all petroleum products. Hydrocarbons may be liquid, solid, or gaseous.

Hydrogen Sulphide H₂S: Toxic, colourless gas with "rotten egg" odour found in oil, gas, manure, sewage, hot springs, etc.

Injection Well: A well through which air or steam is injected to create the necessary heat and/or pressure to force the oil to a well bore.

Light Crude Oil: Petroleum found in liquid form that flows freely at room temperature.

Natural Gas Liquids (NGL): Separated from natural gas, these include ethane, propane, butane, and pentanes plus.

Nitrogen Dioxide NO₂: Toxic, pungent reddish-brown gas, formed by reaction of atmospheric ozone with nitric oxide produced by high temperature combustion (automobiles, compressors, etc).

Oil Sands: Bitumen-soaked sand. Total Alberta reserves estimated at 1.7 trillion barrels.

Oil and Gas Resources

Possible Resource: An oil or gas resource that, at present, cannot be regarded as 'probable' but is estimated to have a significant (though less than 50%) chance of being technically and economically productive.

Probable Resource: Resource that, at present, cannot be regarded as 'proved' but is estimated to have a greater than 50% chance of being technically and economically productive.

Proved Reserves: That portion of oil and gas resources that is recoverable for use, based on current knowledge, technology, and economics.

Ozone O₃: Strong oxidizer with "sweet" smell. Produced by reaction of oxides of nitrogen with volatile organic compounds in the presence of sunlight, or transported from upper atmosphere through rain, wind, or snow.

Permeability: Ability of the pore spaces in rock to permit oil and gas to flow.

Petroleum: Naturally-occurring mixture composed predominantly of hydrocarbons, in gaseous, liquid, or solid form.

Porosity: Volume of spaces within rock that might contain oil and gas.

Production Casing: Pipe inside which a smaller diameter carrier pipe (tubing) is installed in a well. It prevents fluids from the oil or gas reservoir from getting into other geological zones on the way to the surface.

Production Tubing: Steel pipe inside the casing used to carry the petroleum from producing zone to the surface.

Reclamation: Returning disturbed land to a stable, biologically productive state.

Spacing Unit: A unit established by the AEUB which specifies the spacing of wells drilled into individual reservoirs for the purpose of producing oil, gas, or oil sands products.

Spud: The act of beginning to drill an oil or gas well, as in "The well was spudded in June."

Steam-Assisted Gravity Drainage (SAGD): Pairs of horizontal wells (an upper well and a lower well) drilled into an oil sands formation. Steam is injected continuously into the upper well for varying periods. As the steam heats the oil sands, the bitumen softens and drains into the lower well, to be brought to the surface.

Sulphur Dioxide SO₂: Toxic, colourless gas with pungent odour formed when sulphur burns in the air or by the flaring of gas containing sulphur compounds.

Synthetic Crude Oil: Mixture of hydrocarbons, similar to crude oil, derived by upgrading bitumen from oil sands.

Upstream: The exploration and production sector of the petroleum industry.

Water Recycling: Recovery and reuse of water that would otherwise be discarded.

