



May 17, 2010

Mr. Steve Thomas
Section Leader, In-situ Oil Sands
Energy Applications Branch
Energy Resources Conservation Board
640 – 5th Avenue SW
Calgary, AB T2P 3G4

Mr. Pat Marriott
Regional Approvals Manager
Northern Region
Alberta Environment
Rm. #111, 4999 – 98 Avenue
Edmonton, AB T6B 2X3

Dear Sir:

**Re: Connacher Oil and Gas Ltd. – Great Divide SAGD Expansion Project
Submission of Application and Environmental Impact Assessment**

Connacher Oil and Gas Limited (“Connacher”) plans to expand its in-situ oil sands operations located approximately 70 km south of Fort McMurray in Townships 81 and 82 and Ranges 11 to 13, West of the 4th Meridian. Connacher is the owner of two Steam Assisted Gravity Drainage (“SAGD”) developments. The first development is known as the Great Divide Pod One SAGD project (“Pod One”). The second development is the Algar SAGD project (“Algar”). The Pod One and Algar projects are located in a 58 section area of oil sands properties (“Great Divide”).

The Great Divide SAGD Expansion Project (“the Project”) will involve increasing bitumen production within Great Divide from 3,200 m³/day (20,000 bbl/d) of currently approved levels to 7,000 m³/day (44,000 bbl/d). The central processing facility (“CPF”) at Algar will be expanded from 1,600 m³/day (10,000 bbl/d) of bitumen processing capability to 5,400 m³/day (34,000 bbl/d) to process and treat the increased bitumen production. The Project will be developed in three phases that will take approximately 25 years to complete.

Connacher plans to amend its Energy Resources Conservation Board (ERCB) approvals and is seeking the following approvals:

- amend ERCB Scheme Approval - No. 11253 and 11253A to expand the Algar CPF by an additional 3,800 m³ (24,000 barrels) of bitumen per day, pursuant to Sections 10 and 11 of the Oil Sands Conservation Act and Sections 3 and 33 of the Oil Sands Conservation Regulations;
- amend ERCB Scheme Approval - No. 10587 (Great Divide) and 11253 (Algar) to amalgamate the bitumen recovery Project Areas to include the entire Great Divide Lease area as shown in the Application in Table A.4.3.1, that includes 40 well pads and infrastructure encompassing approximately 521 ha over three phases of development;
- construct and operate additional distribution and gathering pipeline systems within the Project Area, pursuant to Section 4 of the Pipeline Act; and
- amend ERCB Scheme Approval - No. 11253A to construct and operate an additional cogeneration unit which requires approval from the Alberta Utilities Commission (AUC), pursuant to Section 4 of the Hydro and Electric Energy Act.

Connacher plans to merge the Great Divide and Algar EPEA approvals into a single approval. It is preferable to merge the Great Divide Approval (No. 223216-00-00) into the Algar Approval (No. 240008-00-00).

Connacher plans to merge the two Water Act Licences (allocations) into one and amend the combined Licence for the additional water (480,000 cubic metres annually) required for the Project. The Licence for Algar (No. 00240527-00-00) could be merged with the Licence for Great Divide (No. 00240458-00-00).

Connacher is seeking the following from AENV:

- approval, pursuant to Part 2, Division 2 and Section 66 of the Alberta *Environmental Enhancement and Protection Act*, to construct and operate the project including facilities to recover and treat bitumen and processed water;
- conservation and reclamation approval, pursuant to Part 2, Division 2 and Part 6 of the Alberta *Environmental Enhancement and Protection Act*, to develop, operate and reclaim the various components of the Project;
- Project approval for water supply pursuant to the *Water Act*; and
- Connacher submits the Project Environmental Impact Assessment Report (the "Report") to the Director for his review, pursuant to Section 50 of the Environmental Protection and Enhancement Act ("EPEA") and for a decision, in due course, by the Director that the Report is complete pursuant to Section 53 of EPEA.

A public consultation program for the Project is on-going and is described in detail in Part F of the Application.

Any correspondence with respect to the Project should be directed to:

Connacher Oil and Gas Limited
Suite 900, 332 – 6 Ave SW
Calgary, Alberta T2P 0B2

Name: Mr. Steve De Maio, Vice President Project Development
Phone: (403) 538-6201
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If you have any questions regarding this information please contact the undersigned at (403) 537-5511.

Sincerely,

Connacher Oil and Gas Limited



Steve De Maio
Vice President Project Development

cc: Pete Sametz, EVP & COO, Connacher Oil & Gas Limited
Melissa Styba, AENV, EIA Coordinator