



**ATHABASCA**  

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**OIL CORPORATION**

## **Second Quarter 2012 Webcast**

July 26, 2012

# Forward Looking Statement



## Reader Advisory:

This Webcast presented on July 26, 2012 contains forward-looking information that involves various risks, uncertainties and other factors. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate," "plan," "continue," "estimate," "expect," "may," "will," "project," "should," "believe," "predict," "pursue" and "potential" and similar expressions are intended to identify forward-looking statements. The forward-looking information is not historical fact, but rather is based on Athabasca's current plans, objectives, goals, strategies, estimates, assumptions and projections about Athabasca's industry, business and future financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in the Webcast should not be unduly relied upon. These statements speak only as of the date of the Webcast. In particular, the Webcast may contain forward-looking statements pertaining to the following: Athabasca's 2012 production; future production objectives; Athabasca's capital expenditure programs; Athabasca's drilling plans; Athabasca's plans for, and results of, exploration and development activities; Athabasca's estimated future commitments and business plans; Athabasca's plans with respect to the company's light oil division assets and including anticipated production levels and timing of receipt of significant revenues and operating results therefore, the use of in-situ recovery methods such as Thermal Assisted Gravity Drainage (TAGD) for production of recoverable bitumen, including the potential benefits of such methods; and expected increase to number of staff members in 2012. With respect to forward-looking statements and forward-looking information contained in the Webcast, assumptions have been made regarding, among other things: existing and future well production rates, well drainage areas, success rates of future well drilling, and production growth; the timing of completion of facilities, including pipelines, the number of drilling rigs to be operated, Athabasca's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters; the applicability of technologies for the recovery and production of Athabasca's reserves and resources; the sufficiency of budgeted capital expenditures to carry out planned activities future capital expenditures to be made by Athabasca; future sources of funding for Athabasca's capital programs; geological and engineering estimates in respect of Athabasca's reserves and resources; the geography of the areas in which Athabasca is conducting exploration and development activities; and Athabasca's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and in the company's most recently filed Annual Information Form dated March 27, 2012, which is available on SEDAR, including: fluctuations in market prices for crude oil and natural gas; general economic, market and business conditions; variations in foreign exchange and interest rates; factors affecting potential profitability; uncertainties inherent in estimating quantities of reserves and resources; Athabasca's status and stage of development; failure to meet development schedules and potential cost overruns; uncertainties inherent in TAGD, increases in operating costs that can make projects uneconomic; environmental risks and hazards and the cost of compliance with environmental regulations, including greenhouse gas regulations and potential Canadian and U.S. climate change legislation; failure to obtain or retain key personnel; the substantial capital requirements of Athabasca's projects; the need to obtain regulatory approvals and maintain compliance with regulatory requirements; extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time; changes to royalty regimes; failure to accurately estimate abandonment and reclamation costs; risks inherent in Athabasca's operations, including those related to exploration, development and production of crude oil and natural gas reserves and resources, including the production of crude oil and natural gas using multistage fracture and other stimulation technologies; the potential for management estimates and assumptions to be inaccurate; reliance on third party infrastructure for project facilities; failure by counterparties to make payments or perform their operational or other obligations to Athabasca in compliance with the terms of contractual arrangements between Athabasca and such counterparties and the possible consequences thereof; the potential lack of available drilling equipment and limitations on access to Athabasca's assets; aboriginal claims; seasonality; hedging risks; risks associated with establishing and maintaining systems of internal controls; insurance risks; claims made in respect of Athabasca's operations, properties or assets; competition for, among other things, capital, the acquisition of reserves and resources, export pipeline capacity and skilled personnel; the failure of AOSC or the holder of certain licenses or leases to meet specific requirements of such licenses or leases; risks arising from future acquisition activities; volatility in the market price of the common shares. See also Athabasca's financial statements and Management's Discussion and Analysis for the quarter ended June 30, 2012, which are also available on SEDAR. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. The forward-looking statements included in the Webcast are expressly qualified by this cautionary statement. Athabasca does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.



# Thermal Oil

# TAGD Field Development Stages

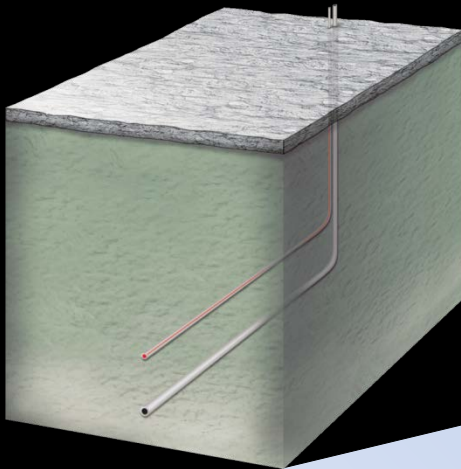


## Field Test

“Proof of Concept”

- Heater installation/ operation
- Prove formation conductivity
- Prove oil mobility

Well length = 250 m

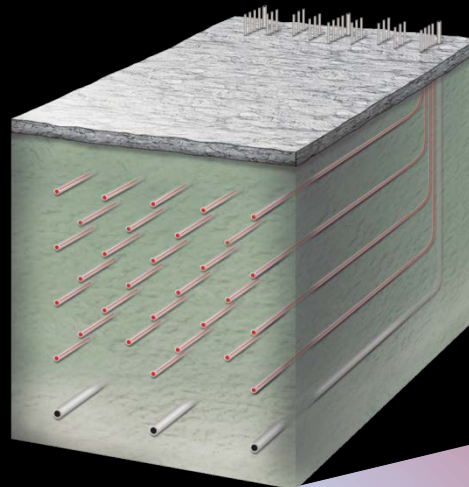


2012

## Pilot

- Confirm recovery
- Confirm energy balance

Well length = 400 m



2014 - 2016

## Commercialization Industrial Application

Well length = 1600 m

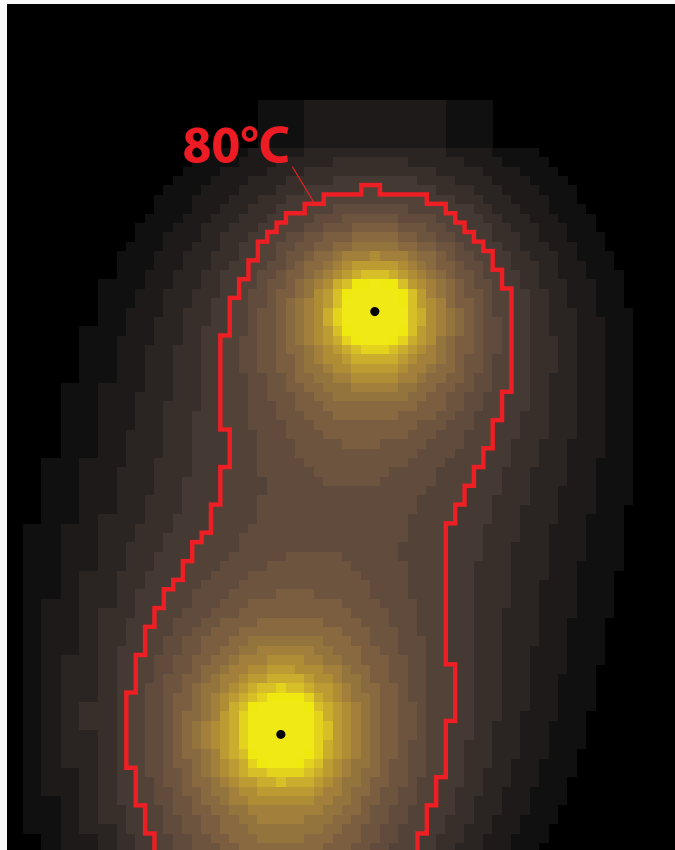


2016+

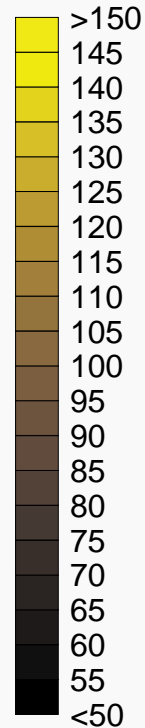
### 3 Key Elements

- More efficient
- No need for water
- Lower initial CapEx

# TAGD Field Test Heating



Temperature, °C



0 2 4 6 meters

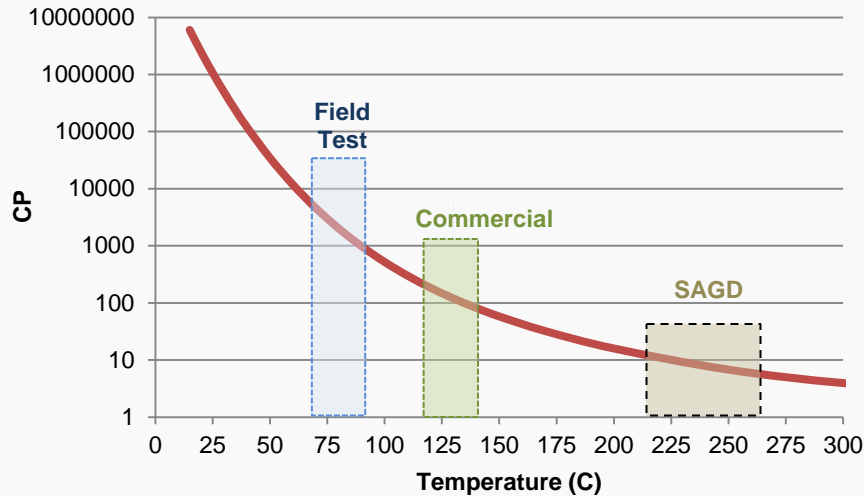
- ☐ 2 phases completed
- ☐ 60% to 70% of the bitumen volume heated to greater than 80°C has been produced
- ☐ Production is currently shut-in
- ☐ The reservoir is currently being heated with both wells with the aim of establishing communication between the two wells
- ☐ We plan to initiate 3<sup>rd</sup> production phase in October

**Planned 3<sup>rd</sup> Production Phase  
Temperature Profile Sept., 2012**

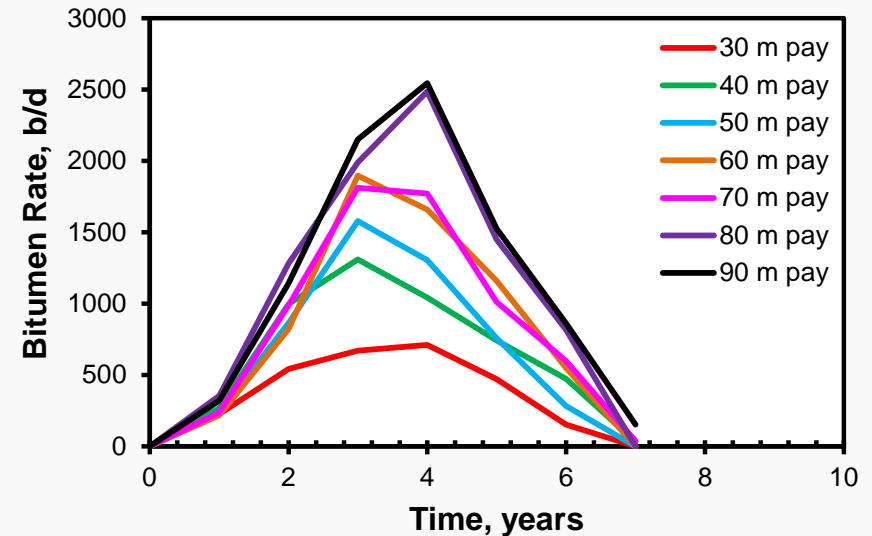
# TAGD Field Test Results



## Leduc Bitumen Viscosity (cP)



## Production Type Curves



## Observations:

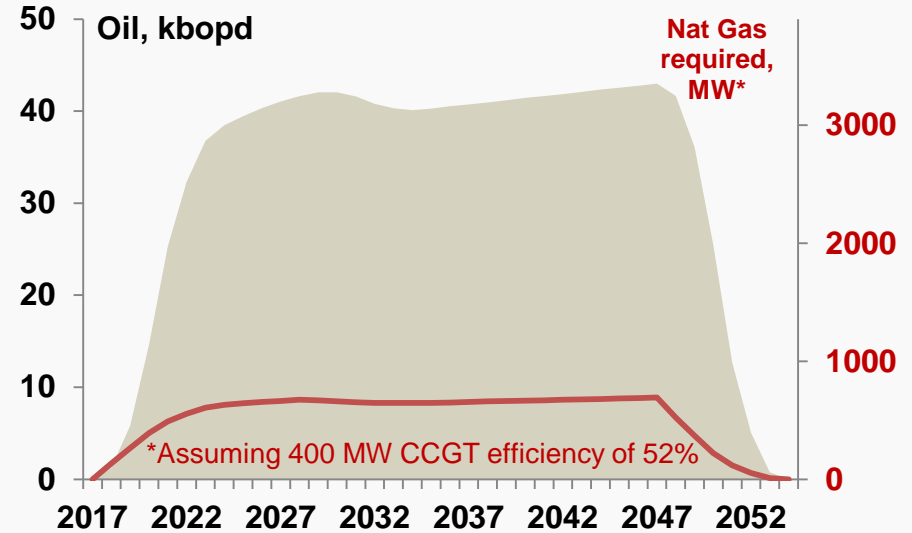
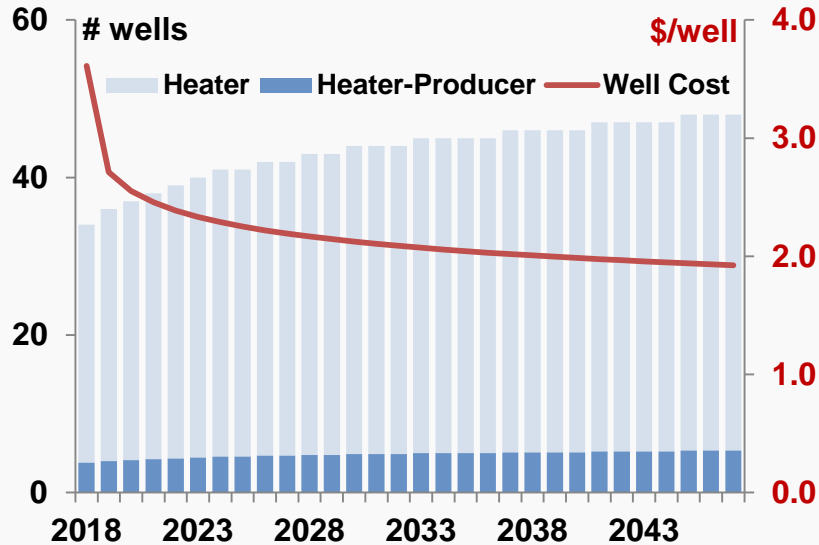
- Formation Thermal Conductivity: +15%
- Reservoir Heating: +20%
- Heater Reliability: 100%
- Vertical Permeability increased
- Bitumen mobilized at temperatures above 80 °C

## Consequences:

- Possibility of either reducing the well spacing or accelerating the production
- Impact on timing and cost of the pilot
- Improved economic results of the commercial phase

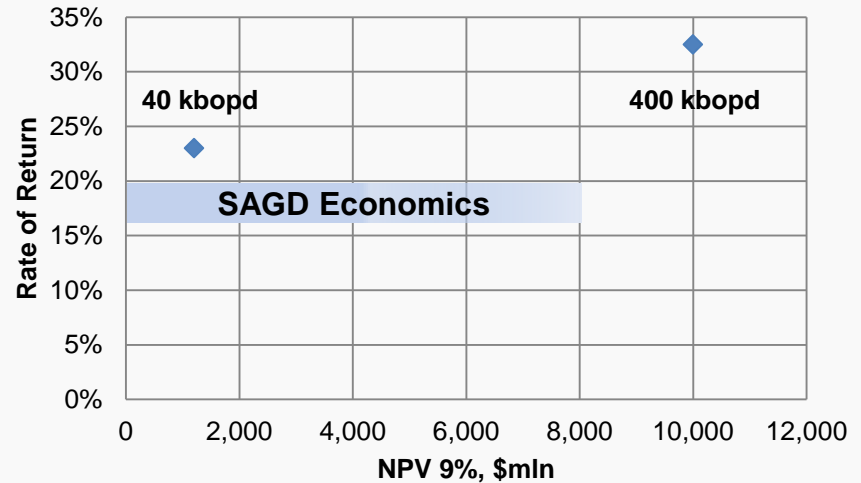
# TAGD Commercial

## Typical Metrics for a 40,000 bopd Phase



- ☐ Wells, initial costs (7% learning curve):
  - Heaters : \$4.0 Mln
  - Heater-producers \$4.5 Mln
- ☐ CPF: 45 kb/d \$225 Mln
- ☐ Infrastructure \$200 Mln
- ☐ Corridor (Cost per well): \$0.6 Mln
- ☐ Maximum financial exposure <\$800 Mln

### TAGD Economics





**Light Oil**





# Revised 2012 Light Oil Budget



## Acceleration of Infrastructure

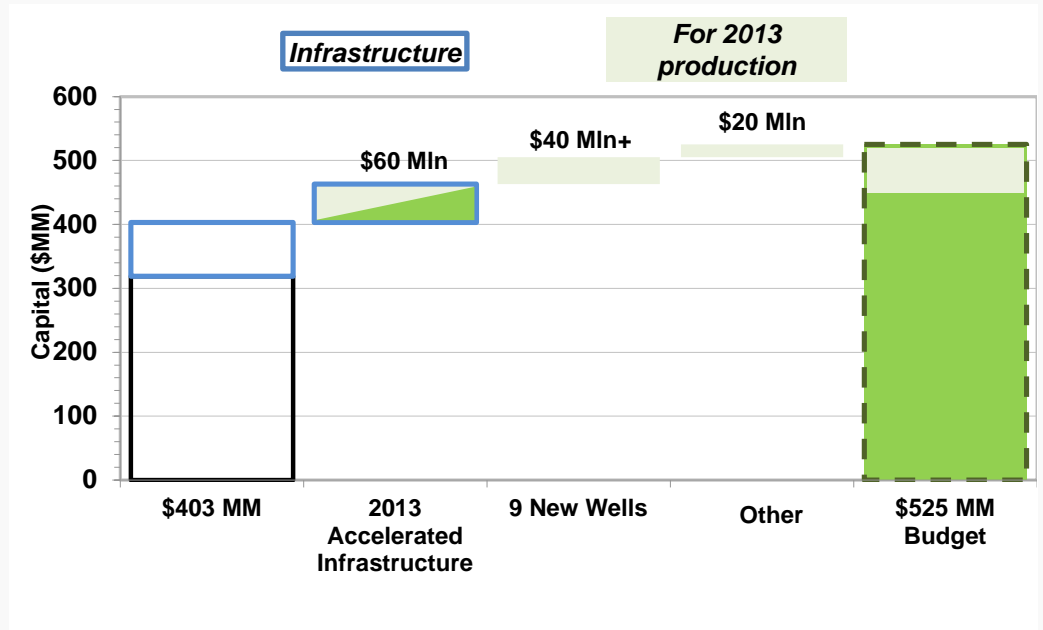
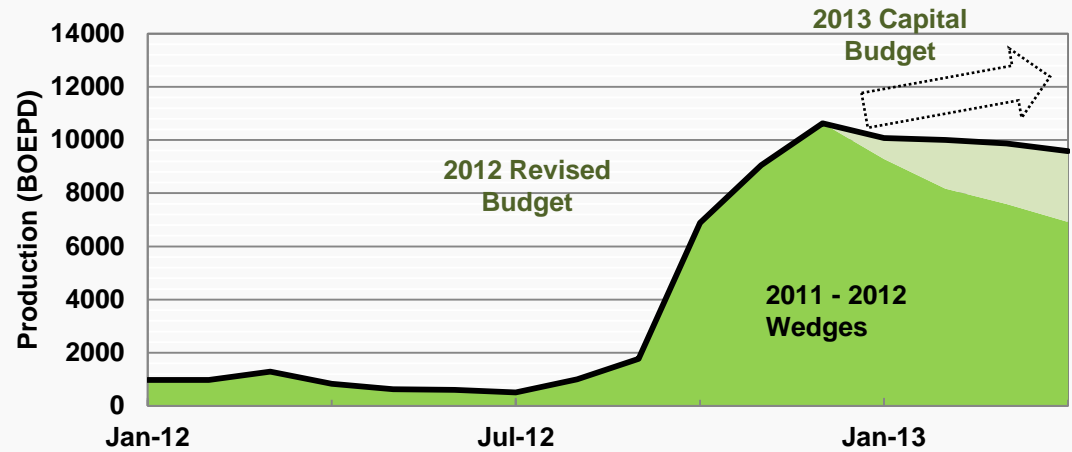
- Larger scale battery in Kaybob East
- New battery in Saxon
- Kaybob interconnect pipeline
- Saxon and Placid Pipelines
- Increased capacity of Saxon and Kaybob East Gathering system

## Advancing 2013 Drilling Program

- 9 additional Montney wells drilled in 2012 to come on production in 2013

## Guidance for exit production revised upward (10,000 to 11,000 boe/d)

## All additional capex to prepare for future growth





# **ATHABASCA**

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## **OIL CORPORATION**

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