

Gulf spill dwarfs oilsands risks: CEO

BY DAVE COOPER, EDMONTON JOURNAL APRIL 30, 2010



Handout photo provided by Greenpeace on April 30, 2010 shows birds surrounded by oil booms on Breton Sound Island, southern most tip of the Chandeleur Islands in the Gulf of Mexico, south of Louisiana, where oil leaking from the Deepwater Horizon wellhead continued to spread on April 29. Oil from a giant sl

Photograph by: Sean Gardner, AFP/Getty Images

With world attention focused on the unfolding environmental disaster from a ruptured deepwater oil well in the Gulf of Mexico, Alberta's underground oilsands projects look like a much safer bet, says a company president.

Glen Schmidt, CEO of Laricina Energy, which is part of the six-firm In situ Oil Sands Alliance (IOSA), told The Journal's editorial board Thursday that while there can be failures with conventional oil and oilsands projects, "the damage would be much smaller and more modest" than with offshore spills.

"That doesn't mean failures have not occurred in the oilsands over the years. Canadian Natural had a well failure at Primrose with an over-pressurized zone. And Texaco had a steam flood with a Fort McMurray pilot -- they had a blowout and the steam geyser looked like Yellowstone."

As well, Total had a well failure at Joslyn and Suncor had to restrict operations after high sulphur emissions at its Firebag in situ project.

But with the scale of an environmental disaster so much larger in areas like the Gulf of Mexico, Schmidt said "people are challenging some of the offshore developments, because you are pushing the limits of scale, pushing the limits on a whole range of environmental challenges, and if a failure occurs, it is big."

In-situ oilsands production largely relies on SAGD (steam assisted gravity drainage) for bitumen deposits too deep to be mined from the surface.

Although the process has only been commercial for a decade, Schmidt considers it a mature technology compared with the latest advances in deep offshore drilling.

"We may find in certain offshore projects we are not mature enough technically, and if failure is going to be so expensive maybe we should do more onshore.

"Even if it costs more to extract the same amount of resource, the insurance cost would be lower and a balance achieved," Schmidt said.

Laricina, a privately owned firm that has raised \$400 million, holds a large land position in the carbonate rock zones about 100 kilometres southwest of Fort McMurray.

The firm, which has yet to produce a drop of oil, plans to open its first plant, producing 1,800 barrels a day, at Saleski this fall. Laricina will add solvents to the base SAGD process, which will reduce steam requirements and improve the steam-to-oil ratio.

The trend across the in situ industry is to use less saline water for steam, which also means less energy is needed to produce the steam. With less water use and cogeneration -- producing electrical power from excess heat -- new plants that will open in five to seven years will produce oil with a smaller carbon footprint than conventional oil, Schmidt said.

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