

# Daily Oil Bulletin

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## OSUM Planning Small Expansions For Orion SAGD Asset

BY [ELSIE ROSS \(/AUTHOR/ELSIE-ROSS/\)](#) – JULY 7, 2017 – [VIEW ISSUE \(/HEADLINES/2017-07-07\)](#)

A private pure play oilsands operator in the Cold Lake oilsands has developed a staged expansion plan that will enable growth of its SAGD project in small, marked steps to full capacity of 20,000 bbls a day over the next four years, says its chief executive.

The Orion expansion would be funded out of existing cash flow and capital, **Steve Spence**, president and CEO of **Osum Oil Sands Corp.**, told the **TD Securities** Calgary Energy Conference.

“We managed our cash very well through the downturn and that has put us in a great position to look at organic growth going forward,” he said.

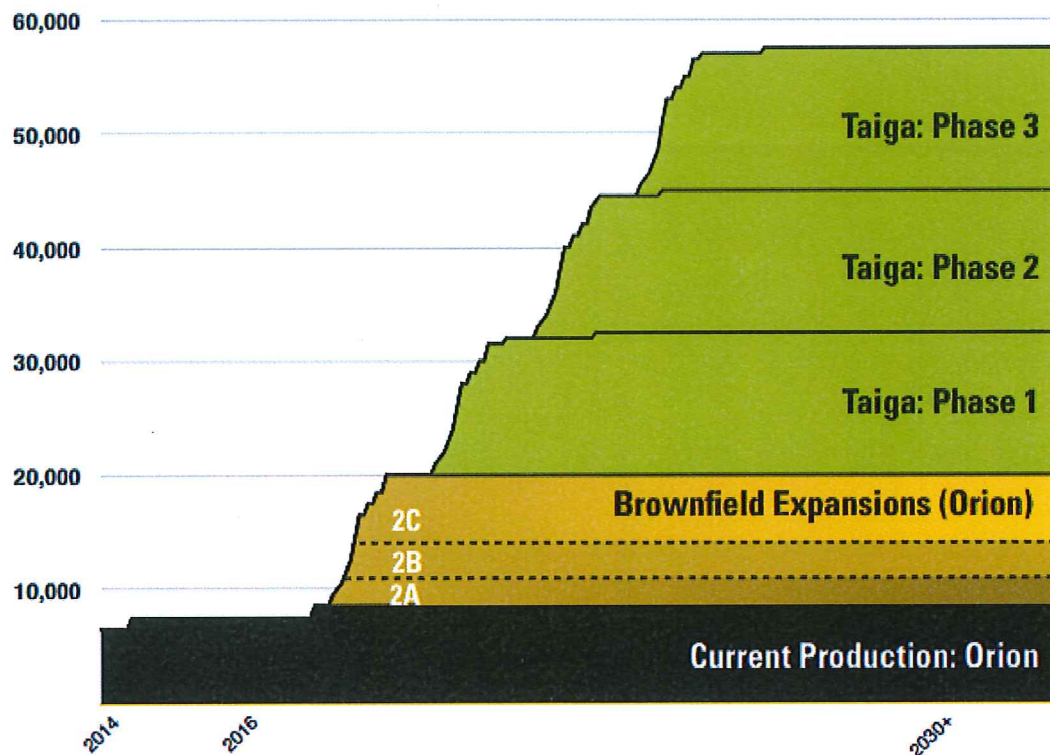
In 2016, Osum sanctioned its first expansion, Orion Phase 2A. It added a third boiler which started up in 2016 and added three new well pairs to the existing 22 wells and they started steaming the reservoir in the last couple of weeks.

The company is also constructing a device called a crystallizer which takes part of the waste stream from the evaporators and significantly reduces the disposal stream. The equipment, which will start up at the end of the third quarter of this year, enables it to use less process water which can be turned back into steam and recycled. It also means Osum trucks a much more concentrated stream offsite for disposal. “That project has significant reductions in operating costs associated with it.”

The expansion will add about 2,000 bbls per day of production and lower operating costs by about \$2 per bbl as it ramps up, said Spence.

In April, Osum submitted an application to the AER for a further expansion ([DOB, April 11, 2017](#) (<http://www.dailyoilbulletin.com/article/2017/4/11/osum-seeks-aer-approval-boost-orion-output-13500-b/>)).

# Growth strategy



**Staged,  
manageable  
approach.  
100% control.**

## Cold Lake: Regulatory Approval in Hand for All Projects (55,000 bbls/day)

Osum acquired the Orion assets in mid-2014 from **Royal Dutch Shell plc** for C\$325 million and since then has increased production to nearly 7,500 bbls a day from 5,000 bbls a day. The company also fixed operational issues dealing with steam reliability and since then has achieved high steam reliability and boosting steam which drives increased oil, he said.

From a regulatory perspective, Osum has projects that will continue growing Orion to 20,000 bbls a day, said Spence. The company owns the majority of the long lead items associated with all the expansions and they are sitting on site. "This gives us a lot of optionality and flexibility in how we control our business," he said.

Beyond its Orion expansions, Spence says it sees further opportunities at Taiga, also in the Cold Lake oilsands 20 kilometres from Orion. Taiga could grow to 35,000 bbls per day in expansions of 10,000 bbls per day to 15,000 bbls a day, the conference heard.

While Orion base operating and expansions are profitable at well below US\$50 per bbl WTI, Osum wants to see oil prices in the \$50 per bbl to \$55 per bbl range for Taiga.

In the Cold Lake oilsands, Osum also benefits from the higher quality of oil which has lower sulphur and TAN numbers and lower density than most Athabasca bitumen, according to Spence. There is a structural difference of \$6 per bbl to \$8 per bbl and sometimes more between Cold Lake and Athabasca operators, depending on what infrastructure they have to move through and how they have to get their product to market, he said.

“That fundamental structural advantage in oilsands when you are working off a small market is huge to your business and part of what makes our business profitable,” said Spence, noting that the company’s operating break-even point is below US\$40 per bbl WTI.

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