

Narrows Lake Project

Cenovus Energy is an innovative, technical and environmental leader in enhanced oil and natural gas development. We share a deep-rooted respect for the environment and the communities where we operate. Our commitment to new ideas, new technologies and better approaches to developing energy resources is applied to all areas of our business.



PLAIN LANGUAGE DOCUMENT

cenovus
ENERGY

As part of the regulatory process for major project applications, the province of Alberta asks resource companies to produce a plain language document (PLD) to provide an overview of their proposed project. The following PLD provides an introduction to Narrows Lake, a new project being proposed by Cenovus. While the information in this document is brief, more in-depth information will be provided to potentially impacted communities through the consultation process.

Project overview

Cenovus FCCL Ltd. (Cenovus), as operator for FCCL Partnership, is seeking regulatory approval for the proposed Narrows Lake Project (Narrows Lake). This project is expected to have a production capacity of approximately 130,000 barrels per day (bbls/d), up to three phases and an estimated project life of up to 40 years.

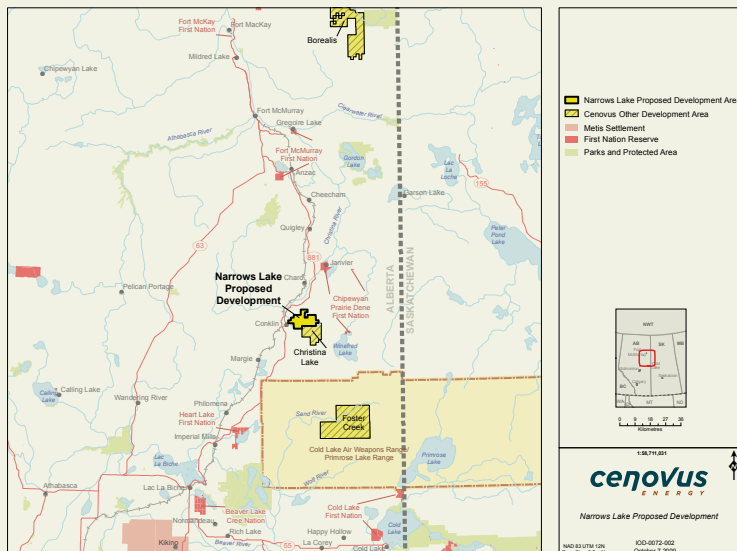
To recover oil from the McMurray Formation we will use one of two enhanced oil recovery techniques: either steam-assisted gravity drainage (SAGD) or solvent aided process (SAP). SAP is a new enhancement to SAGD expected to reduce the environmental impact of Narrows Lake. SAP involves injecting a solvent together with the steam and is expected to reduce greenhouse gas emissions and water usage per barrel of oil and increase oil production and oil

recovery rates. The solvent for Narrows Lake is expected to be butane, which is already present in the reservoir in small amounts. The Narrows Lake reservoir is ideally suited for SAP because of its characteristics.

Project location

The proposed Narrows Lake Project is located in north east Alberta, approximately 10 kilometres east of Conklin primarily in Township 77, Ranges 6 and 7 and a portion of Township 76, Ranges 6 and 7, west of the 4th Meridian (on the north side of Christina Lake).

The proposed Narrows Lake central facility will cover up to 1.5 square kilometres and will be about one kilometre from the lake. The initial well pads will be up to 0.7 square kilometres in total size.



Understanding SAGD and SAP

Steam-assisted gravity drainage, or SAGD, is an enhanced oil recovery process that uses heated steam to help pump thick oil from deposits deep underground. Solvent aided process, or SAP, is a modification of SAGD technology.

SAGD and SAP work together as follows:

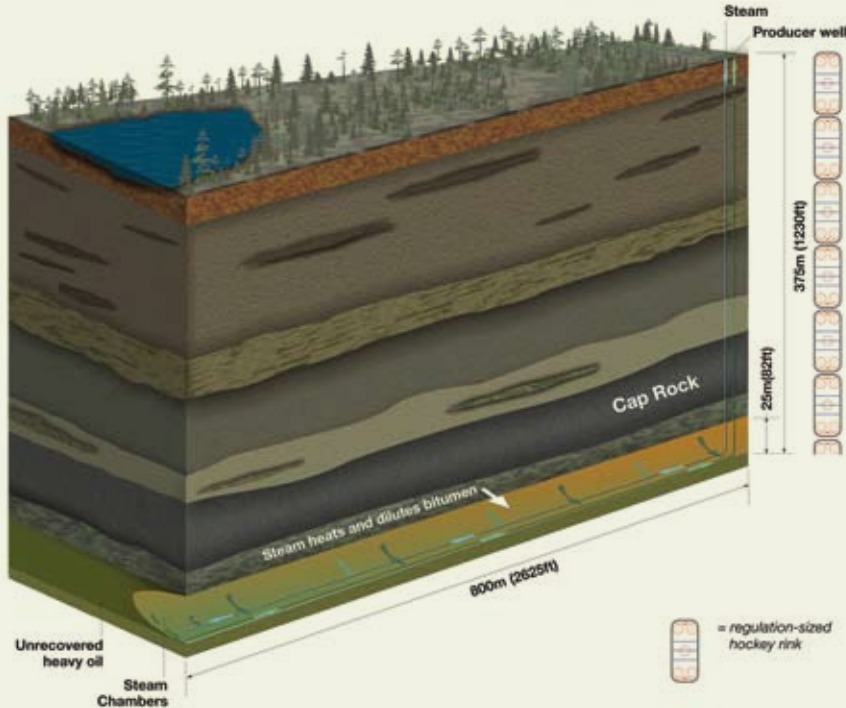
- two horizontal wells are drilled one above the other approximately five metres apart
- high temperature steam is injected into the upper well along with a light petroleum solvent, such as butane
- the steam heats the oil allowing it to soften
- the solvent thins the oil
- the softened and thinned oil then flows more freely and gravity drains it to the lower (producing) well

- it is then pumped to the surface and piped to the facility where it is treated for delivery to market
- the majority of the solvent is recovered for reuse

BENEFITS OF USING SAP:

- less steam is required per barrel of oil produced, which results in less water used
- less natural gas is burned per barrel of oil produced, which results in fewer greenhouse gas emissions
- total oil recovered from the reservoir increases

Our steam chambers at Narrows Lake will be located deep underground, approximately 375 metres (1,200 feet) below the surface. That distance underground is more than 6 regulation-sized hockey rinks placed end-to-end.



Preliminary development plan

Cenovus is proposing a phased approach to Narrows Lake by building the project in up to three phases. We will use our experience from the first phase to operate more efficiently as the project moves forward. We will also continue to look for ways to reduce our overall water use by improving reuse and recycle practices. All of our make-up water for steam injection will come from saline water source wells.

THE PROPOSED PROJECT IS EXPECTED TO INCLUDE CONSTRUCTION OF THE FOLLOWING:

- oil treating facilities to create a maximum oil treating capacity of 130,000 bbls/d (20,668 m³/d)
- steam production facilities with up to 15 boilers
- water treatment facilities
- solvent recovery facilities
- sulphur removal facilities
- an estimated total of up to 21 well pads supporting up to 151 initial well pairs
 - there are future plans to drill under the lake, however they are not part of the initial well pairs described above
- up to four fresh water source wells, none of which will be used for steam
- up to eight saline water source wells
- up to six remote water disposal wells

The proposed project may require other infrastructure projects including electrical power lines, fuel gas pipelines, diluent supply pipelines, produced oil pipelines and salt caverns for potential storage of solvent, diluent or produced oil. Pipelines and/or rail are being studied for solvent transportation. These projects will be applied for separately, as appropriate.

Impacts of the project

Cenovus feels it is important to involve the community through meetings and planning sessions to understand potential short and long-term impacts of the proposed project. Potential impacts will be addressed in the Environmental Impact Assessment (EIA). Monitoring and mitigation measures that must also be identified include:

- air quality, climate and noise
- surface water quality
- groundwater quality and quantity
- fish, wildlife and vegetation
- terrain and soils
- historic resources
- traditional ecological knowledge and land use
- public health and safety
- socio-economic conditions

PROJECT DURATION

The timeline for starting Narrows Lake depends on regulatory approvals, market conditions and company approval. As part of the regulatory process for Narrows Lake, Cenovus will:

- prepare an Environmental Impact Assessment (EIA) based on the final Terms of Reference (TOR)
- submit the EIA to Alberta Environment (AENV) and the Energy Resources Conservation Board (ERCB) as part of the project approval application
- consult with the public, record any concerns or suggestions and communicate how these concerns will be addressed

Cenovus plans to file the EIA and project application with AENV and the ERCB in the summer of 2010 and anticipates an approximate two-and-a-half year regulatory process with AENV and ERCB regulatory approval expected in late 2012. Assuming company approval to proceed, construction is expected to last for up to 90 months followed by a projected operational life of up to 40 years. The timing of construction start up for each of the phases is dependant on market conditions and company approval.

Stakeholder consultation

OUR PROPOSED STAKEHOLDER CONSULTATION TIMELINE IS AS FOLLOWS:

Project Disclosure/ Notice – PTOR	Cenovus informs stakeholders and regulators about preliminary development plans for Narrows Lake. Stakeholders to provide written input to AENV and Cenovus on the PTOR developed for the EIA.	November 2009/ January 2010
Community consultation and open houses	Attend and provide feedback at Cenovus's formal presentation to stakeholders on the development plans.	Ongoing
File Joint Application and EIA with AENV and the ERCB		Summer 2010F
Project updates	Provide feedback at any future community open house(s) held as the project progresses or at area stakeholder presentations. Cenovus will continue to follow-up on stakeholder input.	Ongoing

Cenovus recognizes the importance of building and maintaining productive relationships with communities. We believe in working closely with local residents and other stakeholders to ensure they understand our project and we understand their needs and expectations.

Glossary of terms

boiler a large vessel with pipes running through it. Water is introduced into the pipes at the inlet of the boiler and steam exits from the pipes at the outlet.

diluent a light hydrocarbon liquid that can be mixed with a heavier hydrocarbon, such as oil, to produce a liquid that will flow more easily than oil alone (also called condensate).

environmental impact assessment (EIA) a large study and report that is often required by Alberta Environment before approval will be granted for field development of a project. The EIA contains a large amount of field data, and includes a field inventory of environmental information which establishes a “pre-project” baseline for later comparison with conditions after the project has been initiated so that the project’s impact on the environment can be measured. The EIA examines the environmental and socio-economic effects of the construction, operation and reclamation of a proposed project. The EIA must be prepared in accordance with the final terms of reference (TOR) established for that project. It must also be prepared in accordance with requirements prescribed under the Environmental Protection and Enhancement Act and it must also include a discussion of issues raised during the public consultation process.

horizontal well a well that typically starts off at the surface in a vertical direction, but as the well is drilled, the direction gradually and continuously alters so eventually drilling occurs in a horizontal direction. Using horizontal drilling, it is possible to drill multiple wells from a small area of land.

initial well pairs the well pairs drilled simultaneously with the main facility construction. Additional well pairs called sustaining well pairs are needed to maintain production throughout the project’s expected life.

make-up water additional groundwater needed to replace water that cannot be reused or recycled.

oil treating facilities equipment (vessels, pumps and heat exchangers) used to separate the oil and water that are mixed together in the fluid produced from the wells. The produced water is then treated and recycled to make more steam and the oil product is shipped.

saline water non-potable salty water not fit for human consumption or agriculture (also called brackish water).

saline water source wells wells used to produce (non-potable) salty water not fit for human consumption.

salt caverns large thick underground formations consisting almost entirely of salt. A well can be drilled into the salt formation and, using water to dissolve the salt, an artificial cavern is created and used to store fluids.

steam-assisted gravity drainage (SAGD) an enhanced oil recovery technique that involves drilling pairs of horizontal wells into underground formations, and injecting steam. The steam is pumped into the upper well, heats the oil, and causes it to flow into the bottom well so it can be pumped to the surface.

solvent a light hydrocarbon liquid that can be mixed with a heavier hydrocarbon, such as oil, to produce a liquid that will flow more easily.

solvent aided process (SAP) for the solvent aided process (SAP), the solvent is a light hydrocarbon liquid that can be mixed with a heavier hydrocarbon such as oil to produce a liquid that will flow more easily. In a broader sense, solvent can also refer to liquids or gases that are not hydrocarbons.

solvent recovery facilities equipment (vessels, compressors and heat exchangers) used to separate the SAP solvent that is mixed together with the liquid produced from the wells. The majority of the SAP solvent is then recycled for re-injection into the wells.

steam production facilities equipment (vessels, boilers and heat exchangers) used to make the steam that is injected into the wells.

sulphur removal facilities when the oil is produced, sulphur compounds also come to the surface in the form of a gas. Regulations govern the amount of sulphur that can be emitted to the atmosphere in the form of a gas. Sulphur removal facilities can remove sulphur produced in excess of the set limit.**terms of reference** when a company wishes to develop a project with potential environmental and socio-economic impacts, Alberta Environment requires a study and report called an Environmental Impact Assessment (EIA). The Terms of Reference identify for the applicant and the stakeholders the information required by government agencies to be included in the EIA.

thermal recovery In Cenovus's operations, this term refers primarily to heat-based techniques to recover oil from underground formations. These techniques use wells to recover the oil. Through these wells, a means of heating the oil (most commonly steam) is introduced or generated, and the heat helps the oil flow more easily.

water disposal wells there is some waste water in the process that is not readily suitable for recycle and reuse. Water disposal wells are used to inject this water into the saline McMurray zone which is not in contact with shallower fresh water.

water treatment facilities equipment (vessels, softeners and filters) used to remove contaminants from both the make-up water and produced water so that it can be boiled to make steam inside the boilers.

Contact Information

For more information or to provide comments about Cenovus's Narrows Lake Project please contact:

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Cenovus Energy Inc. is the result of a reorganization of EnCana Corporation that was completed on November 30, 2009. Cenovus FCCL Ltd. is the operator of FCCL Partnership and is a subsidiary of Cenovus Energy Inc. Cenovus FCCL Ltd. was formerly named EnCana FCCL Ltd., and the original application for this project was initiated under that name.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

In the interest of providing Cenovus Energy Inc. ("Cenovus" or the "Company") shareholders and potential investors with information regarding the Company, its subsidiaries, including management's assessment of the Company's future plans and operations, certain statements and graphs throughout this document contain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 or "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking statements in this document include, but are not limited to, statements and tables with respect to: the proposed Narrows Lake project, including the preliminary development plans that will be pursued and new facilities that will be constructed in connection with the same, proposal to use SAP with SAGD, the area that will be covered by the facility, depth of steam chambers, various areas that might be impacted by the project, project duration, estimated consultation time for the project, projected receipt of regulatory approval in late 2012, duration of project construction period, projected operational life of the project, and the projected date for filing of the joint application and EIA with the Alberta Environment and Energy Resources Conservation Board.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated in or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that circumstances, events or outcomes anticipated or implied by forward-looking statements will not occur, which may cause the actual performance and financial results in future periods to differ materially from the performance or results anticipated or implied by any such forward-looking statements. These assumptions, risks and uncertainties include, among other things: risks associated with the ability to obtain any necessary approvals, waivers, consents, court orders and other requirements necessary or desirable to permit or facilitate the proposed transaction (including regulatory and shareholder approvals); the risk that any applicable conditions of the proposed transaction may not be satisfied; volatility of and assumptions regarding oil and gas prices; assumptions contained in or relevant to the company's current corporate guidance; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in marketing operations (including credit risks); imprecision of reserves estimates and estimates of recoverable quantities of oil, bitumen, natural gas and liquids from resource plays and other sources not currently classified as proved reserves; the ability to successfully manage and operate the integrated North American enhanced oil recovery business with ConocoPhillips; refining and marketing margins; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities; unexpected difficulties in manufacturing, transporting or refining crude oil; risks associated with technology; the ability to replace and expand oil and gas reserves; the ability to generate sufficient cash flow from operations to meet current and future obligations; the ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; the ability to secure adequate product transportation; changes in royalty, tax, environmental and other laws or regulations or the interpretations of such laws or regulations; applicable political and economic conditions; the risk of war, hostilities, civil insurrection, political instability and terrorist threats; risks associated with existing and potential future lawsuits and regulatory actions; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by Cenovus and its predecessors. Although Cenovus believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive.

Assumptions relating to forward-looking statements generally include Cenovus' current expectations and projections made by the company in light of, and generally consistent with, its historical experience and its perception of historical trends, as well as expectations regarding rates of advancement and innovation, generally consistent with and informed by its past experience, all of which are subject to the risk factors identified elsewhere in this document.

Furthermore, the forward-looking statements contained in this document are made as of the date of this document, and, except as required by law, Cenovus does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.