

MONTHLY UPDATE

PRIMROSE OIL SANDS FLOW TO SURFACE

March, 2014

1 Introduction

Primrose/Wolf Lake Oil Sands Project (PAW) is a thermal in situ operation located approximately 65 km north of Bonnyville and about 350 km northeast of Edmonton, primarily inside the Cold Lake Air Weapons Range. The approved project area covers 288 sections or 73,728 hectares.

Bitumen production from this project employs cyclic steam stimulation (CSS) technology whereby steam is injected into the oil sands formation (at approx. 500 metres depth) through wells to reduce the viscosity of the bitumen. After steaming, bitumen then flows through the same wells and is processed at project facilities.

In May and June of 2013, Canadian Natural discovered four sites in the Primrose project area where bitumen emulsion had flowed to surface (FTS). Measures were immediately taken to address the incidents in order to clean up, investigate, remediate and address the causes of the events.

The legal descriptions of the four FTS sites are:

- 02-22-067-03 W4M (2-22)
- 10-01-067-03 W4M (10-1)
- 10-02-067-03 W4M (10-2)
- 09-21-067-04 W4M (9-21)

The prompt and thorough management of environmental impacts is of the highest priority for Canadian Natural. In the Primrose/Wolf Lake Oil Sands Project flow to surface incident, the most immediate concern was the containment and clean-up of the bitumen emulsion from the terrestrial and aquatic environments. Also of urgent concern was managing the impacts to wildlife, soil, water quality, and vegetation.

The land disturbances associated with the Primrose flow to surface incident will be reclaimed and restored. This includes the surrounding areas and any disturbances associated with the investigation of the incident (roads, well sites, equipment storage, etc.). All aspects of environmental response and management are the responsibility of Canadian Natural and subject to the oversight and regulation of provincial and federal authorities.

Canadian Natural is working with the Alberta Energy Regulator (AER) and Alberta Environment and Sustainable Resource Development (AESRD) to investigate and remediate the affected locations and investigate the root cause of the bitumen emulsion seepage to surface. We appreciate AER and AESRD's ongoing support as we continue to manage these events.

In the fall of 2013, Canadian Natural evaluated the best technical approach to access the fissure below the shallow water body at the 9-21 site. In consultation with AESRD, multiple options were considered. Canadian Natural decided the best option was to move the water from its original position and temporarily store it in two near-by locations, allowing access to the underlying fissure.

The water is scheduled to be returned from its temporary storage locations to its original position in the spring of 2014. This technical option was chosen as it would be the least environmentally impactful and provide the best approach to contain the entire fissure. You can find weekly photographs documenting this process on our corporate website, at www.cnrl.com.

The best regulatory option to do this work in a timely manner was through an Environmental Protection Order (EPO-2013-33/NR), which we requested and then received on September 24, 2013. The requirement to conduct this work prior to freeze-up was also an essential component of pursuing this regulatory option. Monthly progress reports can be on our corporate website, at www.cnrl.com.

Our efforts to date focused on ensuring each surface location is secured, and that recovery and reclamation activities progress. In August 2013, we began applying for approvals to advance our investigation and requested an Enforcement Order. On October 21, 2013 we received the Enforcement Order (EO-2013/05-NR) that allows us to continue mitigation and investigation activities.

Canadian Natural's plan consists of eight separate plans requiring AESRD and AER approval prior to any earthworks or drilling activity, as described below. Investigative drilling is ongoing and will continue throughout the winter season.

2 Summary of Activities to Date

2.1. Surface Site Containment, Delineation and Remediation Plan

This plan covers site containment, delineation and remediation plans for each site.

- The bitumen surface releases at all sites are fully contained within clay berms.
- Clean-up is complete on 3 terrestrial sites and 92 per cent complete at 9-21.
- Bitumen emulsion recovered to date: 1,177m³ as of February 17, 2014.
- Current seepage rate: less than 1m³/month from all sites.

Status at each site:

2.1.1 2-22 (Terrestrial Site)

- Discovered June 8, 2013.
- Clean up is complete and 7,396 tonnes of impacted material have been removed for disposal at the Tervita Class II landfill in Bonnyville, Alberta.
- Bitumen emulsion impacted area is 0.31 hectares.
- Under the Enforcement Order we have been approved to conduct investigative activities in a 26 hectare area. We may not use the entire area, and as of March 4, 2014 we have developed on 9.8 hectares.
- 99m³ of bitumen emulsion has been recovered as February 17, 2014.
- Bitumen emulsion seepage from the fissure has slowed to an almost imperceptible rate and is contained within clay berms.
- Construction of the investigative areas began early January and is ongoing.
- Construction of the fissure containment structure and drilling pad is complete.
- Reclamation will be initiated on a portion of the 2-22 site this winter.

2.1.2 10-1 (Terrestrial Site)

- Discovered May 20, 2013.
- Clean up is complete and 25,394 tonnes of impacted material have been removed for disposal at the Tervita Class II landfill in Bonnyville, Alberta.
- Bitumen emulsion impacted area is 0.55 hectares.
- Under the Enforcement Order we have been approved to conduct investigative activities in an 8 hectare area. We may not use the entire area, and as of March 4, 2014, we have developed on 4.1 hectares.
- 350 m³ of bitumen emulsion has been recovered as of February 17, 2014.
- Bitumen emulsion seepage from the fissure has slowed to an almost imperceptible rate and is contained within clay berms.
- Construction of the fissure containment structure and drilling pad is complete.

2.1.3 10-2 (Terrestrial Site)

- Discovered May 20, 2013.
- Clean-up is complete and 17,410 tonnes of impacted material were removed for disposal at the Tervita Class II landfill in Bonnyville, Alberta.
- Bitumen emulsion impacted area is 0.57 hectares.
- Under the Enforcement Order we have been approved to conduct investigative activities in a 37 hectares area. We may not use the entire area, and as of March 4, 2014 we have developed on 12.5 hectares.
- 559 m³ of bitumen emulsion has been recovered as of February 17, 2014.
- The rate of bitumen flow has slowed to an almost imperceptible rate and the fissures are contained within clay berms.
- Construction of the fissure containment structure and drilling pad is complete.

2.1.4 9-21 (Water Body Site)

- Discovered June 24, 2013.
- The impacted area has been reduced from 20 hectares to less than 6 hectares and cleanup is 92% completed as of February 17, 2014.
- Under the Enforcement Order we have been approved to conduct investigative activities in a 28 hectare area. We may not use the entire area, and as of March 4, 2014 we have developed on 5.8 hectares.
- Bitumen emulsion seepage from the fissure has slowed to an almost imperceptible rate and is contained within clay berms.
- 170 m³ of bitumen emulsion has been recovered as of February 17, 2013.
- On September 24, 2013 we received an Environmental Protection Order for the 9-21 site to allow us to isolate, excavate and contain the fissure below the water body.
- To facilitate this work, the water from the area was removed and stored in two near-by, temporary storage areas.
- Work is currently underway to remove impacted soil from beneath the water body.
- The flow to surface will be contained within berms and a retaining wall.
- The retaining wall plan was approved by AESRD late January and construction of the retaining wall is underway.
- The water will be returned to the water body in spring of 2014 as per Alberta Environment and Sustainable Resource Development's requirements.
- Fencing and berms around the 9-21 site are being inspected weekly

2.2. Geology and Regional Ground Water Delineation, Monitoring and Remediation Plan

This plan covers ground water delineation, monitoring and remediation in and around the FTS sites.

- The plan was approved by AESRD December 9, 2013.
- A multi stage groundwater drilling investigation is planned for all 4 sites.
- Construction of the fissure containment structures and drilling pads on the 3 terrestrial sites is complete.
- Canadian Natural received approval from AESRD for additional area required at 9-21 to accommodate the drilling/installation of additional down gradient monitoring wells.
- As of February 14, one borehole and one hydro monitoring well have been drilled at the 2-22 FTS.
- As the containment structures and drilling pads are now prepared, several monitoring wells will be installed in February/March in accordance with the Ground Water investigation Plan.

2.3. Source/Flow Pathways Investigation Plan

This plan outlines the investigation activities that will be undertaken at and around the four FTS sites and may be adapted depending on the outcome of the investigation activities.

- The objectives of the plan are to locate and delineate the FTS flow path from its source in the Clearwater, and identifying the root cause(s) of FTS.
- The plan was approved by AESRD December 9, 2013.
- 14 Cretaceous investigation wells were drilled between January 15 - February 14.
- We have performed remedial operations on 6 abandoned wellbores in the area.
- Currently we have four drilling rigs drilling cretaceous investigation wells.
- Construction of the fissure containment structures and drilling pads on the terrestrial sites is complete.
- Site preparation at the 9-21 site is ongoing.

2.4. Surface Water Management and Monitoring Plan

This plan covers site surface water management and monitoring plans for the FTS sites. In general, surface water was managed and monitored at the FTS sites through the following measures:

- Precipitation between January 25 and February 17, 2014 was in the form of snow rather than rain; therefore, no surface water quality sampling was undertaken.
- Water management in terms of surface water diversion and collection during excavation at the 10-1, 10-2 and 2-22 sites did not occur during the February reporting period. This was mainly due to the presence of fissure containment structures and drilling pads that have filled the previously open excavations.
- Between January 25 and February 17, 2014, 22 m³ of water was collected in small depression areas at the 9-21 site and removed by vacuum truck for disposal.
- Once thawing begins and water is again encountered, it will be tested and hauled away for disposal or pumped into the borrow pit adjacent to the 9-21 water body.

2.5. Wildlife Management Plan

This plan addresses wildlife deterrents, capture and treatment of impacted wildlife and rehabilitation/release options.

- Wildlife deterrents have been removed from the terrestrial sites as the containment structures and drilling pads are complete.
- Wildlife activity in the vicinity of the FTS sites continues to be minimal due to the freezing conditions and snow. Additionally, frozen conditions at each location have helped to minimize the risk of wildlife exposure to possible contamination.
- Canadian Natural will comply with all federal and provincial legislation that apply to the conservation and management of wildlife.
- Winter tracking surveys have been completed at all 4 FTS sites and there is no indication of Caribou in the areas.
- Spring wildlife deterrents for use at the 9-21 site will be installed in March, 2014.

2.6. Waste Management Plan

This plan outlines the waste management activities that will be undertaken by Canadian Natural at the 4 FTS sites. The Waste Management activities may be adapted as the needs of the investigation and clean-up change, which will be shared with AESRD and AER.

It is Canadian Natural's goal to manage the waste resulting from this bitumen release in a manner that will mitigate environmental impact, minimize waste volumes and utilize recycling opportunities where possible.

Drilling waste from investigation drilling is being managed using remote sumps in accordance with Directive 50.

2.7. Reclamation Plan

While the final reclamation plan will not be submitted to AESRD/AER until June 2014 (in accordance with Enforcement Order EO-2013/05-NR), the initial plan covers Pre-Disturbance Assessments (PDA) and Conservation and Reclamation plan. The purpose of the PDA and C & R plan is to identify:

- Annual reclamation procedures and progress reporting will begin November 1, 2014 and continue annually until advised otherwise by AESRD.
- No update for this reporting period.

2.8. Communications Plan

This plan summarizes our planned weekly and monthly communication with stakeholders, regulators, Government officials and the general public.

- Canadian Natural's website will be updated on a regular basis.
- We will continue to address government, media and public inquiries.
- We will provide written summaries and meet with stakeholders as needed to provide updates.

3 Summary

Significant progress on the surface clean-up has been made at all four sites. While the surface clean-up can mitigate the environmental impact of these events, there are also issues that need to be investigated in the subsurface.

Canadian Natural's efforts to investigate and mitigate these events in the subsurface require access to suitable surface locations. To minimize the environmental impact associated with the investigation, Canadian Natural intends to complete activities on existing leases and previously disturbed lands wherever possible.