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May 12, 2003

Tery Abel, P. Eng.
Applications Branch
ALBERTA ENERGY AND UTILITIES BOARD
640 - 5 Avenue, SW
Calgary, AB T2P 3G4

Dear Mr. Abel:

Re: General Bulletin GB 2003-12 - Gas Production in Oil Sands Areas
Submission of ConocoPhillips Canada Resources Corp.

We enclose two copies of the submission on behalf of ConocoPhillips Canada Resources Corp. respecting the above noted hearing, as well as one electronic copy.

Yours truly,

BORDEN LADNER GERVAIS LLP

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In the Matter of Alberta Energy and Utilities Board

General Bulletin 2003-12

CONOCOPHILLIPS CANADA RESOURCES CORP.
SUBMISSION ON
GENERAL BULLETIN
2003-12

May 12, 2003

Submitted on Behalf of ConocoPhillips Canada Resources Corp.

by:

Borden Ladner Gervais LLP

Randall W. Block

Frank R. Foran, Q.C.

CONOCOPHILLIPS CANADA RESOURCES CORP. SUBMISSION ON GB 2003-12

I. Introduction

ConocoPhillips Canada Resources Corp. (“ConocoPhillips”) provides this submission in response to General Bulletin 2003-12. The Board asks two questions in GB 2003-12:

(a) Whether existing gas production from the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area should be shut in, and/or

(b) any alternative measures that might be taken to ensure the conservation of bitumen in the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area.

As the Board is aware, ConocoPhillips was an active participant in the Public Inquiry and the Surmont shut-in proceeding leading to Board Decision 2000-22. Following the shut-in of associated gas production at Surmont, ConocoPhillips has proceeded with a commercial application at Surmont. Following resolution of issues with affected gas producers and the Crown, ConocoPhillips continues to investigate technical solutions to the conservation issues caused by associated gas production. ConocoPhillips currently does not hold bitumen rights outside of Surmont.

II. Should Existing Gas Production From the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area Be Shut-In?

To properly assess the risk of gas production in the Oil Sands Area, the critical first step is the development of a regional geologic model for the Oil Sands Area. Such a model allows the Board to determine, based on available well control, the risk of ongoing gas production to bitumen development.

The Board has conducted an intensive review of the geology of the Surmont and Leismer/Chard hearing areas. Building on its findings in Decision 2000-22, the Board, in Decision 2003-023 (the Leismer/Chard Decision) developed a regional model that may be extended from Leismer/Chard and Surmont throughout the Oil Sands Area. All producing gas wells outside of Leismer/Chard and Surmont should be reviewed by the Board in light of a regional geologic model. The regional geological model should be completed by the Board, as part of its conservation mandate, and published to industry.

Once a regional geologic model is prepared by the Board and published to industry, the Board should address those wells in the Oil Sands Area outside of Surmont and Leismer/Chard that it views to pose a significant risk to bitumen development. The Board has already conducted an extensive review of Surmont and Leismer/Chard, and therefore additional technical review is not necessary.

III. *Alternative Measures that Might be Taken to Ensure the Conservation of Bitumen in the Wabiskaw McMurray Formation in the Athabasca Oil Sands Area*

As the Board is aware, various alternative measures to regulatory involvement to conserve the bitumen resource were debated at the Public Inquiry and again at the Surmont shut-in proceeding. Unfortunately, ConocoPhillips believes that, given the difficult technical issues involved with gas over bitumen disputes, there is little opportunity for resolution outside of the formal hearing process.

ConocoPhillips has been active in the Gas Over Bitumen Technical Solution Steering Committee, as well as four of the sub-committees, which include Lateral and Vertical pressure communication, Low pressure SAGD, Shut-in data gathering and interpretation, and Artificial lift. Both the gas producer and bitumen developer have rights to the same formation (the Wabiskaw/McMurray) granted by the Crown. The resources, however, are in conflict and the conflict is inherent in the depositional environment.

At Surmont, gas remains shut-in while technical solutions are explored. This is the prudent course of action and one that has been charted by the Board. The Board has clearly advised industry, on at least three occasions, that mitigative measures must be feasible and practical based on field tests. If and when mitigative measures are established to be feasible and practical, the Board may determine it is in the public interest to resume gas production.

As to the Voluntary Resolution Alternatives, bitumen and gas have rights to the Wabiskaw/McMurray, and ConocoPhillips concurs with the Board that “the existing shared ownership regime, itself, makes resolution, whether voluntary or otherwise, extremely difficult.”¹

IV. *Conclusion*

ConocoPhillips, at Surmont, continues to explore technical solutions. None have been discovered thus far. At Surmont, gas remains shut-in while technical solutions are explored. This is the logical and prudent approach, and one that is wholly consistent with GB 2003-12 and the conservation mandate of the Board. Conservation demands that the harm be stopped while a determination is made if any mitigative measure is proven and practical on field evidence. Assuming a mitigative measure can be demonstrated to the Board’s satisfaction, it may then be in the public interest to permit gas production.

¹ 2003-023, p. 39.

ConocoPhillips is of the view that it is important that industry continue with the help of the ADOE and AEUB to strive to develop technical solutions.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF
CONOCOPHILLIPS CANADA RESOURCES CORP. THIS 12TH DAY OF MAY, 2003.**

**CONOCOPHILLIPS CANADA
RESOURCES CORP.**

**By its Counsel BORDEN LADNER
GERVAIS LLP**

Per: _____
**Randall W. Block/Frank R. Foran,
Q.C.**