

May 12, 2003

THE ALBERTA ENERGY AND UTILITIES BOARD
Third Floor, 640 Fifth Avenue, S.W.
Calgary Alberta T2P 3G4

Attention: Mr. Terry Abel
Applications Branch

Dear Sir:

Re: Comments in Reponse to General Bulletin GB 2003-12

Paramount Resources Ltd., as a leaseholder of bitumen and P&NG rights in the Athabasca Oil Sands Area, submits the following in response to the subject document.

Question a)

Should existing gas production from the Wabiskaw McMurray Formation be shut-in?

Response a)

Paramount Resources does not believe that the shut-in of gas is clearly justified in any case, because of the possibility of mitigative repressuring solutions. If the Board believes it must order gas to be shut-in, Paramount Resources contends that such an order must be preceded by a fair and reasonable hearing process, that establishes that gas production from a given well is in effective communication with underlying commercially potential bitumen, and mitigative solutions are proven infeasible. Information regarding Paramount Resource's recommendation for "potentially commercial" criteria are included in our Final Argument submission in the Chard Leismer Hearing proceedings.

Question b)

What alternative measures might be taken to ensure the conservation of bitumen in the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area?

Response b)

Paramount Resources Ltd. believes that the current process is adequate to deal fairly with the gas-bitumen controversy. It is acknowledged the the process is not simple, but it ensures that the leaseholders of both the gas and the bitumen rights has a chance to put the most current, and the most relevant information before the Board. Any measures that short-circuits the established regulatory process increases the risk that an incorrect decision will be made relative to overall resource conservation.

Paramount Resources Ltd. is satisfied that the current regulatory process provides adequate protection for our bitumen leases in the Athabasca Oil Sands Area. We also believe that negotiated solutions between associated gas and bitumen leaseholders should be considered adequate to ensure bitumen conservation.

Yours Very Truly,

David C. Monroe
Reservoir Engineering Manager

