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File No. 090-1/DWR

## DELIVERED VIA COURIER

May 12, 2003

Attention: Terry Abel, P.Eng.  
Applications Branch  
Alberta Energy and Utilities Board  
640 - 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3G4  
E-mail: terry.abel@gov.ab.ca

Dear Sirs:

Re: General Bulletin GB 2003-12 – Submission of Stylus  
Exploration Inc.

Enclosed herewith please find two copies of the Submission of Stylus in the above matter. Please be advised that a copy of this letter and the enclosed Submission have been sent to you by e-mail.

Should you have any questions regarding the Submission of Stylus, please contact either Mr. Evans (517-8791) or the writer at your convenience.

Yours very truly,

David W. Rowbotham

DWR:sjp  
Enclosure

**SUBMISSION OF STYLUS EXPLORATION INC. (“Stylus”)  
WITH RESPECT TO GENERAL BULLETIN GB 2003-12 OF  
THE ALBERTA ENERGY AND UTILITIES BOARD (“EUB”)**

On April 3, 2003, the EUB issued General Bulletin GB 2003-12 which invites interested parties to provide written submissions that comment on:

- 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.

The comments of Stylus with respect to these issues are as follows:

1. From the paragraph of General Bulletin GB 2003-12 which precedes the paragraph that solicits comments from interested parties, Stylus understands that the focus of the EUB concern is on gas production which is grandfathered pursuant to Interim Directive (ID) 99-1. In that regard, Stylus would make the following observations:

- a) Gas production from the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area which has already been the subject of EUB review and scrutiny pursuant to applications for approval to produce gas that have been approved by the EUB should clearly be exempted from any shut-in order being contemplated by the EUB. To shut in such gas and then require the gas owner to obtain approval of the EUB to resume production would be inequitable, unnecessarily burdensome on natural gas producers and clearly an unlawful abuse of EUB’s authority; and
- b) To the extent that any applications for approval to produce gas from the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area have already resulted in certain wells that are grandfathered pursuant to Interim Directive (ID) 99-1 being reviewed and scrutinized by the EUB and subsequently left on production, such grandfathered wells should be clearly exempted from any shut-in order being contemplated by the EUB. To shut in such gas and then require the gas owner to obtain approval of the EUB to resume production would likewise be inequitable, unnecessarily burdensome on natural gas producers and clearly an unlawful abuse of EUB’s authority.

2. Subject to the exceptions noted in #1 above, Stylus is of the view that a fair procedure for reviewing whether existing grandfathered gas production from the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area should be shut in would permit such production to continue unless and until an application to shut-in such production is filed with the EUB, scrutinized and decided in favour of the applicant. In that regard, the applicant could be either a bitumen owner or the EUB staff. In the hearing of any such application it should be made clear

that the onus is on the applicant to establish that continued production of gas will be detrimental to the conservation of the bitumen resource.

3. In the absence of a procedure of the type described in #2 above, Stylus is of the view that a blanket shut-in by the EUB of all gas production grandfathered pursuant to Interim Directive (ID) 99-1 would amount to an expropriation of the natural gas reserves of the producers whose gas is shut in and would give rise to an immediate entitlement to compensation pursuant to section 91 of the Oil and Gas Conservation Act of Alberta. Such a blanket order would also send a very clear negative message to the oil and gas industry and to the investment community, both in Canada and internationally, about the uncertainty of conducting business in the Province of Alberta.

4. Stylus is of the opinion that, at present, the EUB is overly-zealous in its protection of all bitumen when its real focus should be on the conservation of commercially recoverable bitumen. It is not in the interests of any stakeholder that gas production should be shut in to conserve bitumen that is not commercially recoverable.

5. Although the EUB in its Chard/Leismer Decision 2003-023 dated March 18, 2003 (the "Chard/Leismer Decision") reaffirms the criteria of Interim Directive (ID) 99-1, Stylus is of the view that the length of time that it takes the EUB to review and consider "non-routine" applications pursuant to Interim Directive (ID) 99-1 makes a mockery out of Interim Directive (ID) 99-1. Some of the Stylus Applications currently before the EUB have been outstanding since June, 2001 and have still not been set down for a hearing. All such applications should be dealt with expeditiously and objectively in a stream-lined process. In that regard Stylus submits that to the extent that any applications for approval to produce gas in bitumen areas have been delayed by General Bulletin GB 2003-12, they should not have been for the reasons set forth above.

6. Stylus notes that in the Chard/Leismer decision, the EUB encourages the use of the alternative dispute resolution options that are available "... to, if not avoid, at least simplify ongoing regulatory proceedings." (page 40). In the submission of Stylus, the EUB's current regulatory practice for dealing with applications for approval to produce gas in bitumen areas ignores the consensus reached by gas and bitumen owners, so much so that the EUB even directs its own staff to participate in regulatory proceedings as interveners to ensure that the EUB hears the staff's views in opposition to the consensus reached by the parties. This discourages the use of the various alternative dispute resolution options which are available to the parties.

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

Stylus Exploration Inc.

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Paul D. Evans,  
President and Chief Executive Officer