

June 24, 2005

Alberta Energy and Utilities Board
640 Fifth Avenue SW
Calgary, Alberta, T2P 3G4



Attention: Mr. Gary Perkins

Re: GB 2003-28 Gas over Bitumen Hearing

Dear Mr. Perkins:

Chairman Dilay has asked all participants in the GB 2003-28 final hearing if they could consider a different resolution method for Gas over Bitumen disputes than the adversarial hearing process. He has also asked regarding their participation in the Gas over Bitumen Technical Solutions Committee.

Paramount Resources ("Paramount") wishes to provide a policy statement regarding these two questions. Paramount did not originally submit this policy statement on dispute resolution processes, or on the development of technical solutions, as neither of these topics were included in the terms of reference.

If the Board would find it helpful, Paramount would be prepared to have Mr. Gary Bunio, Manager, Heavy Oil, present this policy statement to the hearing.

If you have any questions, please contact me at 290-3690.

Paramount Resources



Charles E. Morin, LL.B.
General Counsel & Corporate Secretary
Manager, Land

cc: G. L. Bunio

J. H. T. Riddell

C. H. Riddell

Paramount Resources Policy Statement on Gas over Bitumen Dispute Resolution Process

With respect to the question of how to resolve gas over bitumen disputes:

- The adversarial hearing method has not resolved the dispute in any area.
- Two resource owners should be able to resolve issues collaboratively with the right framework of regulation, incentives and organizational skill and commitment.
- The two current technical solution pilots, at Christina Lake and Surmont were achieved through the cooperative efforts of gas and bitumen owners. They were reviewed and approved through the board's existing processes outside of the Gas over Bitumen hearing process.
- The Board has the tools available to encourage cooperation in areas where parties are reluctant to proceed sensibly.
 - Gas has been shut-in, and been re-instated (albeit rarely) through Board orders.
 - The Board could require that any Oil Sands scheme or exploration program application and approval contain requirements regarding Gas over Bitumen Solutions in that specific area.
 - The area specific applications and approvals could contain tailored requirements to resolve technical gaps such as pressure measurement and shale extent which are impractical on a global oil sands basis. Geological and engineering variation could be recognized in an area by area approach.
- Paramount has previously requested the EUB require steam injection pressures as well as volumes to be reported monthly in SAGD schemes. This data, collected routinely for all other fluids injected, would facilitate answering questions regarding actual impact of low pressure SAGD.
- Paramount recommends the disbanding of the Staff Submission Group. This would allow the Board and staff to re-confirm their role as regulator. Advocacy of programs, schemes and gas-bitumen trade-offs are the responsibility of project proponents, which would foster innovation and experimentation. The Board would continue to have the responsibility to approve gas and bitumen scheme's based upon the appropriateness of technical and economic design.

Paramount Resources believes the commercial implementation of Gas over Bitumen technical solutions will begin within the next three years.

Paramount Resources is a founding member and active supporter of the Gas over Bitumen Technical Solutions Committee. Paramount is the proponent and operator of the Gas Re-Injection & Production Experiment (GRIFE), one of only two technical solutions being piloted in the field today.