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May 9, 2005

Alberta Energy and Utilities Board
8th Floor, 640-5th Avenue S.W.
Calgary, AB T2P 3G4

Attention: Mr. Ernie Smith, Resources Applications

Dear Sir:

**Subject: Proceeding No. 1347905 – Phase 3 Final Proceeding under Bitumen
Conservation Requirements Athabasca Wabiskaw-McMurray
Reply Submission of ISH Energy Ltd.
Our File No. 158281-1**

Please find enclosed 15 paper copies and one electronic copy on CD in pdf format of the submission to this proceeding made on behalf of ISH Energy Ltd. (ISH). This submission is in reply to the submission of the Staff Submission Group (SSG), dated February 14, 2005 and copies of this submission are concurrently being served on the SSG.

Should you have any questions or require any additional information, please contact the undersigned.

Yours truly,

FRASER MILNER CASGRAIN LLP

A handwritten signature in blue ink, appearing to read 'A.L. McLarty', written over a light blue scribble.

A.L. McLarty
ALM/aw
Encs.

cc: **Alberta Energy and Utilities Board**
Attention: Mr. G.D. Perkins, Board Counsel (with hard copy attachment)
Attention: Mr. J.P. Mousseau, SSG Counsel (with 3 paper copies and 1 copy of CD in pdf format)

Participating Parties with hard copy attachment (by e-mail)

1343912_1

REPLY SUBMISSION ON BEHALF OF ISH ENERGY LTD.

In Response to the SSG's February 14, 2005 Submission

Kirby Upper Mannville O3O Pool

SSG Submission:

In section 5.2 of its February 14, 2005 submission:

“The SSG contests the production status for the wells in the Upper Mannville O3O Pool which were allowed by Decision 2004-045”.

The SSG contests the Board's decision on the basis of its interpretation that the A2 regional mudstone is not present at the 16-5-74-9W4 well.

ISH Reply:

The SSG Submission notes that at the hearing of Proceeding No. 1333566, the RGS had interpreted the O3O Pool to be associated with channel bitumen based on the absence of a regional mudstone at the 16-5-74-9W4 and 12-9-74-9W4 wells.

The evidence of the SSG at the hearing of Proceeding No. 1333566, and which led to Decision 2004-045, acknowledged it is reasonable to interpret the McMurray A mudstone as present in the wells 00/10-02, 00/9-03, 00/16-05 and 00/12-09 all in Township 74 Range 9 West of the 4th, based on similar log characteristics.¹

EUB Decision 2004-045 allowed gas production to continue from the Upper Mannville O3O Pool on the basis of the presence of a regional mudstone existing in all wells in the pool.

The SSG February 14, 2005 submission indicates that the SSG agrees with the Board's decision that the A2 regional mudstone is present at the 12-9 well but has reversed what it earlier concluded was a reasonable interpretation to now conclude that:

“... it does not agree that the A2 mudstone is present at the 16-5 well based on the absence of the A2 mudstone log character as defined in the RGS.”

The SSG's subjective interpretation appears to reflect a change of perception but does not reflect any substantive or material change in the evidence presented to, reviewed and accepted by the Board in Decision 2004-045.

The technical review conducted for ISH, by Fekete & Associates, of the O3O Pool, confirms that the regional mudstone is present in all wells in the pool, including the well 00/16-05-74-9W4. The existence of this regional mudstone can be seen on Appendix 2, Figure 8 and from Appendix 3, Figure 3, in the submission filed on behalf of ISH, dated February 14, 2005.

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¹ Proceeding No. 1333566, Vol. 2, March 11, 2004, pp. 214-216 and Vol. 3, March 12, 2004, pp. 524-525.