

Rowbotham Law Office

David W. Rowbotham
Direct Line: (403) 571-4621
Direct E-mail: rlo.dwr@shaw.ca

320, 703 - 6th Avenue S.W.
Calgary, Alberta
T2P 0T9
Telephone: (403) 571-4620
Facsimile: (403) 571-4624
E-mail: rlo.office@shaw.ca
File No. 121-3/DWR

VIA COURIER (One CD in PDF Format and 15 Paper Copies)

May 9, 2005

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

Dear Sirs:

Re: Submission of Stylus Energy Inc. ("Stylus") -
Proceeding No. 1347905 (Final Proceeding)
Phase 3 Proceedings Under
Bitumen Conservation Requirements
Athabasca Wabiskaw-McMurray Area, Alberta

Further to Decision 2004-088 of the Alberta Energy and Utilities Board (the "EUB") in the above matter dated October 14, 2004, as supplemented by Mr. Perkins' February 1, 2005 and March 2, 2005 letters to all parties and counsel, enclosed please find fifteen (15) copies of the Submission of Stylus for consideration at the Phase 3 Final Hearing, together with one (1) copy of the Submission of Stylus on a CD in PDF format as per the EUB's directions dated February 1, 2005.

By copy of this letter to Mr. J.P. Mousseau, counsel for the Staff Submission Group, Mr. Mousseau is being supplied by courier with three (3) copies of this letter and the enclosed Submission, together with a CD containing this letter and the enclosed Submission in PDF format, as directed by the EUB on February 1, 2005.

Yours truly,



David W. Rowbotham,
Counsel for Stylus Exploration Inc.

DWR:sjp / Enclosure

cc: J.P. Mousseau, SSG Counsel
Alberta Energy and Utilities Board
640 - 5th Avenue S.W.
Calgary, Alberta T2P 3G4
(One CD in PDF Format and 3 Paper Copies)

cc: Stylus Energy Inc.
Attn: Mr. P. Evans, President (via e-mail)

**SUBMISSION OF STYLUS ENERGY INC.
PROCEEDING NO. 1347905 (FINAL PROCEEDING)
PHASE 3 PROCEEDINGS UNDER BITUMEN CONSERVATION
REQUIREMENTS
ATHABASCA WABISKAW-MCMURRAY, ALBERTA**

Further to the Staff Submission Group (the "SSG") Declaration and Supporting Evidence for the Bitumen Conservation Phase 3 Final Hearing dated February 14, 2005, as amended by the SSG Addendum and Errata dated February 17, 2005 and March 24, 2005 (collectively, the "SSG Submission"), Stylus Energy Inc. ("Stylus") hereby makes the following written submissions to the Alberta Energy and Utilities Board (the "EUB") in support of the position of Stylus that Stylus should continue to be permitted to produce gas from the McMurray R Pool in the Stylus well 00/07-28-082 W4/0 well (the "07-28 well") located in the Divide field:

1. Exhibit 1 enclosed is a structural cross-section illustrating the correlations for the wells in the Divide McMurray R and W Pools, including the Stylus 07-28 well in respect of which Stylus disagrees with the SSG Recommendation that the McMurray R or U/D-074 Pool be shut in, and the Stylus well 00/06-27-082-12W4/0 (the "06-27 well"). The correlations were taken from the Athabasca Wabiskaw-McMurray Regional Geological Study issued by the EUB on December 31, 2003 (the "RGS"). Two (2) Connacher Oil and Gas Limited ("COGL") bitumen test holes drilled in March 2004, AA/15-28-082-12W4/0 (the "15-28 well") and AA/08-28-082-12W4/0 (the "08-28 well"), the data from which were not available at the time the RGS was completed, have been inserted into the cross-section between the two (2) Stylus wells. The two (2) COGL wells evidence the fact that the McMurray B2 Mudstone extends over section 28-082-12W4M and therefore, in the submission of Stylus, the Divide McMurray R Pool within the McMurray B2 Sequence does not directly overlie bitumen in the 07-28 well and does not have lateral communication to McMurray Channel bitumen in the 06-27 well.

Please note the following features of the correlations supporting Stylus' interpretation of Exhibit 1:

- the consistency of a correlatable mudstone within the McMurray B1 Sequence (highlighted in green in Exhibit 1) which acts as a seal, as substantiated by the McMurray W Pool pressure of 831 kPaa and the McMurray R Pool pressure of 1355 kPaa taken on 18 January 2003 from the 07-28 well (shown in Exhibit 1)
- the consistency of the McMurray B2 Mudstone correlations (highlighted in green in Exhibit 1)
- the consistent profile of the McMurray B2 Sequence immediately overlying the McMurray B2 Mudstone which contains a thick sand unit that is gas-charged in the 07-28 well and is bitumen-charged in the 15-28 well and in the 08-28 well

2. Based on the correlations described in #1 above, the McMurray B2 Sequence gas in the Divide McMurray R Pool does not extend beyond the limits of the B2 Mudstone and therefore is not associated with any potentially recoverable bitumen in the underlying McMurray C Channel or McMurray Channel deposits. The gas/water contact in the 07-28 well is at +269.1m subsea,

whereas the top of the McMurray B2 Sequence in the 15-28 and 08-28 wells is structurally lower. There is no evidence of lateral communication of McMurray B2 Sequence gas in the 07-28 well through gas or water to the McMurray Channel interpreted in the 06-27 well. Accordingly, Stylus should be permitted to produce gas from the Divide McMurray R Pool in the 07-28 well.

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

Stylus Energy Inc.



Paul D. Evans,
President and Chief Executive Officer

May 9, 2005