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February 9, 2004

Alberta Energy and Utilities Board
640 - 5th Avenue SW
Calgary, Alberta
T2P 3G4

ATTENTION: Gary D. Perkins

Dear Sir:

**RE: General Bulletin 2003-28
Bitumen Conservation Requirements
Athabasca Wabiskaw McMurray
Phase 3 Proceeding**

Nexen Canada Ltd. ("Nexen") has been and continues to be active in the acquisition and development of oil sands properties in the Athabasca area of Northern Alberta. Nexen is an owner and operator of the Long Lake Project, a substantial oil sands project in the Athabasca Oil Sands Area. In addition, Nexen holds significant bitumen interests in the Jackfish area, which were the subject, in part, of the Leismer/Chard Hearing. The issues arising from the conflict between bitumen and natural gas production are of vital importance to Nexen's ongoing strategy and continuing opportunity to acquire high quality bitumen prospects for development.

Nexen supports the Board's conservation efforts with respect to preserving the bitumen resource and supports the Board's process prescribed in General Bulletin 2003-28. Nexen has reviewed the Athabasca Wabiskaw-McMurray Regional Geological Study released by the EUB on December 31, 2003 and the Staff Submission Group Recommendations for Production Status of Gas Wells dated January 26, 2004.

Overall, Nexen agrees with the geological depiction contained in the Regional Geological Study and the SSG's interpretation of the geology. While we agree with the SSG's geological model, there are several wells that remain of concern to Nexen.

With respect to 100/13-27-084-06W4/0, we seek clarification as to the designation of producing and non-producing zones in that well. The well appears to be within the area in which bitumen occurs in the McMurray, yet gas in the McMurray A1 and the McMurray Channel zones is being allowed to produce. This seems to be inconsistent as Wabiskaw C gas is being shut in. We believe that there may have been an error in identifying the McMurray Channel zone as a zone allowed to produce. Should it be confirmed

that an error in transcription or otherwise occurred regarding this well, Nexen's exception will be withdrawn or modified.

In the region surrounding Nexen's Long Lake Project, there appear to be wells that are, or are likely, in pressure communication with bitumen. Nexen is of the view that, applying the geologic principles developed in Decision 2000-22, and 2003-023, the SSG may have underestimated the potential for communication between Wabiskaw C sand and the underlying McMurray bitumen. In particular, Nexen is concerned with wells:

1. 100/15-17-85-6W4
2. 100/3-18-84-6W4
3. 1AA/11-1-86-7W4
4. 1AA/2-11-86-7W4
5. 1AA/6-23-86-7W4
6. 1AA/11-23-86-7W4
7. 1AA/7-26-86-7W4
8. 1AA/6-28-86-7W4
9. 1AA/7-33-86-7W4

Nexen will be filing its submission on the above wells of concern by February 23, 2004 and looks forward to the Board's further advice regarding the timing of presentation of evidence.

Yours truly,

NEXEN CANADA LTD.

Shannon E. Young
Counsel, Regulatory

cc: Randall Block, Borden Ladner Gervais (266-1395)
Patrick McGovern (CNRL), Thackray Burgess (531-4720)
Lenard Sali, Q.C. (Paramount), Bennett Jones LLP (265-7219)
Scott R. Miller, Petro-Canada (296-4910)
Doug G. Schulz, Imperial Oil Resources (284-7431)
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Doug Larder, EUB SSG (297-8398)