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August 6, 2004

Mr. Gary Perkins  
Alberta Energy and Utilities Board  
640 5 Avenue SW  
Calgary, AB T2P 3G4

Dear Mr. Perkins:

**RE:               General Bulletin 2003-28  
                      Bitumen Conservation Requirements  
                      Athabasca Wabiskaw - McMurray  
                      Phase 3 Proceedings – Final Hearing  
                      EUB Corporate Database**

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Paramount Energy Operating Corp., as administrator of Paramount Energy Trust (“PET”), has the following comments regarding the Staff Submission Group’s (“SSG”) request that it be granted sole authority to make changes to the EUB’s corporate database until the completion of the Phase 3 Final Hearing.

**SSG Request Confirms the Lack of Adequate Time to Prepare for Interim Hearing**

PET agrees with the SSG that the integration of new well data and additional pressure analyses is absolutely necessary to provide the optimal interpretation with which to make recommendations for the productive status of zones within the Area of Concern. With respect to the comments regarding use of a stand-alone system on page 2 of the SSG’s letter to the EUB dated July 12, 2004, PET agrees with the SSG that it would take at least 2 months to build a stand-alone system to integrate their interpretations and any new data; there would be significant uncertainty respecting its functionality; and the use and management of the system would be labour intensive. These were exactly the circumstances the EUB thrust upon gas producers with the release of the Regional Geological Study (“RGS”) on January 2, 2004, the release of the SSG’s recommendations on January 26, 2004 and the deadline for written submissions for the interim hearing on February 23, 2004.

These points were made by PET and other gas producers in several letters and submissions requesting extensions to the timelines for the interim hearing. The Board denied all such requests and the SSG supported the denial of these requests. PET had over 90 pools to address in the interim hearing and although that does not represent all of

the gas pools that the SSG is again reviewing, it did encompass many of the very large, newly-defined pools such as the Leismer Wabiskaw-McMurray A Pool and the Hardy Wabiskaw-McMurray A pool as well as many, many other gas pools with Pool Order changes.

Furthermore, prior to the interim hearing, gas producers could have integrated seismic data and mapping into their respective databases to further enhance the interpretation of gas pools, however integration of all data types into a database, formulating an interpretation and documentation of that interpretation into written submissions takes time and that time was simply not provided. The magnitude of the workload for gas producers in January and February was arguably much greater than that which the SSG is discussing now in developing a new database, yet far less time was afforded to gas producers. As discussed in previous correspondence, PET maintains that the time allotted for gas producers was inadequate to prepare technical support integrating the available technical information for the interim hearing. The SSG's letter of July 12, 2004 further confirms this.

### **SSG Independence and Apprehension of Bias**

It appears that the SSG is requesting that it replace 'Board Staff' for the Wabiskaw-McMurray within the Area of Concern. Comments from the SSG's July 12, 2004 letter suggest this such as:

- 1) "We ask that other staff processing data in the RGS area vet database changes through the RGS."; and
- 2) "Staff assisting the Phase 3 Board Panel would not be able to make changes through the system until after the Phase 3 Final Hearing."

What system are Board Staff assisting the Phase 3 Board Panel to use if it is not the system of the EUB? PET understood that Board Staff assisting the Board Panel were to be independent from the SSG but this becomes difficult when they no longer have use of their own systems. Furthermore, how do Board Staff not assisting the Board Panel and conversing with the SSG while changes are being "vetted" remain separate from Board Staff assisting the Board Panel? These questions seem to raise an Apprehension of Bias.

Furthermore, the SSG is an applicant in the final hearing. Accordingly, the SSG should be in no better position than any other affected party in the final hearing proceedings. Clearly if the SSG is given favorable treatment this would certainly create an Apprehension of Bias to these proceedings.

### **Recommendations if SSG Request is Granted**

Although PET does not support the SSG's request, if the EUB were to grant the SSG sole authority in the use of, access to and changes to the EUB corporate database in the RGS area, PET recommends the following minimum procedures be put in place:

- 1) Any data (this includes new/related well data, pressure analyses etc.) that the SSG inputs into the EUB corporate database in the RGS area are provided to all of the affected parties within one week that the data input has been implemented;
- 2) Any changes other than new pools or pool orders to the current EUB corporate database in the RGS area that are made by the SSG are provided to all of the affected parties, within one week that the changes have been implemented;
- 3) Any new pools and pool orders that are generated are provided to all of the affected parties within one week of being generated for use for the SSG;
- 4) All changes by the SSG are clearly identified in any of its submissions with a complete detailed explanation for why the changes were made;
- 5) Adequate time is allotted to all affected parties after any changes are made to provide a rebuttal to the SSG's changes;
- 6) Any and all staff that are assisting the SSG in its changes needs to be clearly identified and not be allowed to associate with the staff assisting the Board Panel; and
- 7) The SSG create, maintain, and produce to all interested parties a complete log of any changes it makes to the database, when and by whom made, and a record of the data, prior to the change being made. All such information should be provided to all interested parties on a regular, e.g. monthly basis.

PET is interested in seeing the most accurate integrated interpretations put forward by the SSG. However, there are some significant issues to overcome with respect to the SSG's independence and the Apprehension of Bias that will most certainly be created if the Board were to grant the SSG's request.

For further discussion or clarification, either myself or Larry Martinuzzi can be reached at 269-4442 or 269-4448 respectively. Alternatively, Len Sali, PET's Legal Counsel at Bennett Jones LLP can be reached at 298-3469.

Yours truly,

**PARAMOUNT ENERGY OPERATING CORP.**

“Signed”

Susan L. Riddell Rose  
President & Chief Operating Officer

pc: Mr. Douglas Larder, Counsel, Staff Submission Group