

Shawn M. Munro
Direct Line: (403) 298-3481
e-mail: munros@bennettjones.ca
Our File No.: 48992-19

September 7, 2004

Mr. Gary Perkins
Alberta Energy and Utilities Board
640 – 5th Ave. S.W.
Calgary, AB T2P 3G4

Dear Sir:

**Re: Proceeding No. 1347905: Phase 3 Proceedings
Under Bitumen Conservation Requirements
Athabasca Wabiskaw-McMurray Area**

Further to the Alberta Energy and Utilities Board Notice of Pre-hearing Meeting in respect of the above matter, please be advised that we act for Devon Canada Corporation ("Devon"). Devon is a producer of gas and bitumen, and the holder of undeveloped gas and bitumen rights, and intends to participate in the pre-hearing meeting and final hearing.

Scope

Devon submits that the scope of the hearing should remain consistent with and be restricted to the area currently under consideration in the current Phase 3 process undertaken by the EUB.

Issues

Devon maintains, as it did at the interim hearing, that the issues ought not to be restricted merely to whether gas is in association with potentially recoverable bitumen. Where it is established that gas is in association with potentially recoverable bitumen, consideration must be had to whether such gas should be shut-in – having regard to pressure data and the proposed manner of bitumen extraction, and to impacts on the ability to produce bitumen occasioned by a blanket shut-in of gas. The issues for consideration at the final hearing, therefore, should include, but not be limited to, those issues considered by the Board in the final hearing for the Chard-Leismer Area.

As a producer of bitumen and holder of bitumen rights, Devon remains concerned that a long-term shut-in of gas may have the effect of inhibiting, rather than promoting, bitumen production in the public interest of Albertans.

Further consideration should be given to potential limitations on the duration of any shut-in of gas, and of those circumstances whereby gas that is shut-in for a period of time may be brought

September 7, 2004

Page Two

back on production. Such consideration may avoid circumstances where gas in association with bitumen remains shut-in unnecessarily, notwithstanding the lack of any commercial prospect for bitumen production.

We also understand that some parties take the position that ID 99-1 is inapplicable to the ongoing Phase 3 process. If that is the case, then that is certainly a matter to be addressed at a pre-hearing meeting.

Process

Prior to the final hearing, the SSG should be required to state its position on particular pools, and to file evidence in support thereof. Other parties should then be given time to consider the SSG's position and evidence, and to file their own evidence. The SSG is the applicant, and it would be procedurally unfair to require that the respondents' evidence be filed simultaneously with the applicant's evidence, particularly where recent correspondence from Counsel to the SSG makes it clear that there will be changes to the SSG's position. There is no justification to vary the Board's established administrative practice of requiring an applicant to file its evidence first, and affording respondents adequate opportunity to consider and respond to that evidence.

The same considerations apply to those bitumen rights holders in support of the SSG's position, who may seek to file evidence. Gas producers and bitumen producers who disagree with the SSG's position should have full opportunity to consider and respond to the evidence of all parties that agree with the SSG's position.

Devon supports the procedural recommendations proposed by Paramount Energy Trust in its letter of August 6, 2004. Devon submits that the use, access and changes to the EUB corporate database by the SSG must be transparent and public, in a manner that ensures that interested gas producers (and bitumen producers opposed to shut-in) are put on an even footing with the SSG, and have a full opportunity to know and examine inputs and changes to the EUB corporate database. The Chairman's letter dated September 3, 2004 notes that there will be a period of time where the SSG is afforded access to the EUB database. In short, the SSG needs to make public the full extent of any pooling changes it seeks, and to provide the evidence in support of such changes. Devon submits that the Board should specify a date in advance of the final hearing for the SSG to file that submission. Thereafter, Devon respectfully submits that parties in support of the SSG's position should be required to file their submissions, followed by parties opposed to the SSG's position.

Yours truly,

BENNETT JONES LLP

Shawn M. Munro

cc: Interested Parties (Via E-Mail)