

September 7, 2004

Alberta Energy and Utilities Board
14th Floor, Law Branch
640 – 5 Avenue SW
Calgary, Alberta T2P 3G4

Attention: Gary Perkins, Board Counsel

Dear Mr. Perkins:

**RE: PRE-HEARING MEETING
PROCEEDING NO. 1347905: PHASE 3 PROCEEDINGS
UNDER BITUMEN CONSERVATION REQUIREMENTS
ATHABASCA WABISKAW-MCMURRAY**

The Staff Submission Group (SSG) intends to fully participate in the subject proceeding.

SCOPE OF HEARING

Wells and Zones

The Board should consider any relevant evidence from non-confidential wells within the Regional Geological Study (RGS) area.

All wells/zones for which production status recommendations were made in the SSG's January 26, 2004 submission and March 3, 2004 reply submission should be considered in this proceeding. The interim hearings considered only contested wells. For the final hearing, the Board should consider all wells, contested or not. The SSG believes this is necessary to provide the Board with the ability to determine pooling and make final production status decisions on all wells.

Additionally, any wells/zones potentially capable of gas production and not previously reviewed in the RGS should be considered and have a production status decision.

Issues to be Considered

The Board should not limit the issues it will consider at the hearing. The SSG notes that in previous full hearings the topics identified as issues included association of gas with potentially recoverable bitumen, effect of associated gas production on SAGD bitumen recovery, geomechanical effects, repressuring, artificial lift, and economics.

Respecting the effect of associated gas production on SAGD bitumen recovery, geomechanical effects, repressuring, artificial lift, and economics, the Board has heard considerable evidence on these topics in previous proceedings. The SSG is of the view that the Board should consider only new evidence on these topics. The SSG notes that the Board has concluded in previous decisions that field data, in particular, is lacking. New field data would constitute relevant new evidence.

The SSG continues to submit that the primary issue regarding the wells/zones in question is the determination of whether gas is in association with potentially recoverable bitumen. The RGS provides a comprehensive analysis of where gas is in association with potentially recoverable bitumen. Although the RGS had not incorporated all available pressure and production data, the work completed at the time of the interim hearing demonstrated there are limitations in the use of this data for pooling. The Board agreed with these concerns in *Decision 2004-045*:

The Board acknowledges that there are significant limitations to the use of pressure data in determining gas pooling in the areas under consideration. These limitations are due to both the quantity and quality of the pressure data, including the lack of historical pressure data, commingling of production and pressure measurements from different stratigraphic intervals, insufficient shut-in times and, in some cases, the use of surface pressures. The Board found very few cases where the pressure data were sufficiently definitive to base pooling decisions upon. In most cases, the Board relied more on geological data than on pressure data.

The SSG acknowledges that incorporating the remaining pressure and production data may result in some changes in the interpretation of where gas is in association with potentially recoverable bitumen. This work will require significant resources and time by all parties because of the quality and quantity of data involved. The SSG believes that before parties expend considerable time and effort on further pressure analyses, and before the Board establishes the scope and timing for initial submissions, there would be merit in reviewing the methods and findings of a recently completed (July 2004) Surmont shut-in study. The SSG understands from the Alberta Energy website that the study was prepared for the Lateral and Vertical Pressure Communication Subcommittee of the Technical Solutions Committee. It is also the SSG's understanding that this study incorporates pressure data gathered during a 4-year shut-in at Surmont.

The SSG recommends that the review of the Surmont shut-in study include a Board proceeding where the authors of the study make a presentation and answer questions. This review will assist all parties, including the Board, in assessing the reliability of such work in the RGS area, and the methods, time and effort needed to analyze the remaining pressure and production data. Section 36 of the Energy Resources Conservation Act and section 37 of the Board's Rules of Practice provide the Board with the authority to conduct such a proceeding. To be clear, the SSG is not advocating that the production status of the Surmont wells shut in by *Decision 2000-22* be considered in this proceeding.

The SSG recognizes that the parties who commissioned the Surmont shut-in study are subject to a 2-year confidentiality agreement. However, the issue of confidentiality has been appropriately dealt with by the Board on previous occasions in accordance with section 12 of the Rules of Practice.

PROCESS TO BE FOLLOWED

The SSG recommends that

- the Board's decision on scope and timing be deferred until after a review of the Surmont shut-in study;
- all parties simultaneously file their initial evidence; and
- all parties should have an opportunity to review the evidence filed by others to assess the time they require for preparing their reply evidence.

In the absence of a review of the Surmont shut-in study, the SSG estimates it would be prepared to simultaneously file its initial evidence no earlier than March 15, 2005.

The SSG proposes the following process:

Filing of Surmont shut-in study	October 15, 2004
Presentation and Q&A of Surmont shut-in study	November 1, 2004
All parties file amended submissions on scope of hearing and timing of initial evidence	November 15, 2004
Board issues decision on scope of hearing and timing of initial evidence	To be determined
All parties simultaneously file their evidence	To be determined
All parties file submissions on timing of reply evidence and hearing commencement	To be determined
Board issues decision on timing of reply evidence and hearing commencement	To be determined

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All parties file reply evidence

To be determined

Hearing commencement

To be determined

Yours truly,

A handwritten signature in cursive script that reads "Douglas A. Larder".

Douglas A. Larder
Counsel for Staff Submission Group

Pc: see attached list

E-Mail Address for Interested Parties

Bitumen Conservation Requirements
Phase III – Final Hearing

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