



January 30, 2004

Alberta Energy and Utilities Board
640 - 5th Avenue S.W.
Calgary, Alberta T2P 3G4

Attention: Mr. Gary Perkins,
Board Counsel for the Phase 3 Proceedings

Dear Sir:

Re: Comments on Phase 3 Proceedings raised in letters from
Paramount Energy Trust, CNRL, EnCana, BP Canada Energy
Company and Paramount Energy Operating Corp.

As a general comment, ISH Energy Ltd. is supportive of the positions advanced by the above captioned companies in response to the release of the Regional Geological Study ("RGS") and in light of the specific recommendations made by the RGS to vary the production status of gas wells which was released on January 26, 2004.

- 1) ISH believes that while the RGS is an excellent first step in the process of determining which gas may adversely impact the potential production of bitumen, it is inappropriate to rely almost exclusively on the RGS to make the determination as to which gas wells should be shut-in to protect the bitumen resource.
- 2) The RGS relies almost exclusively upon geological correlation techniques to infer pool connectivity. Based on this technique, significant expansions of previously defined pool boundaries have been inferred. ISH believes it is critical that these new pool boundaries be confirmed with the integration of engineering data, specifically pressure data, which will not be available in final form until after March 1, 2004.

- 3) The entire issue of the definition of "economically recoverable bitumen" has not been addressed by the RGS and it appears that bitumen which previously was deemed uneconomic as per ID 99-01 is now being treated as "economically recoverable bitumen". It would also appear that the EUB guidelines which address what can and cannot be discussed at the interim hearing limit any discussion as to what constitutes economically recoverable bitumen.

It is ISH's position that the GB 2003-28 Process would best be served by extending the time period between the February 23, 2004 date by which time parties must file evidence supporting their case and the March 8, 2004 date when the interim hearing begins. ISH believes that the two week time period proposed by the AEUB will be insufficient to allow for the proper evaluation of the evidence submitted and will likely result in virtually all wells where industry and the Board is in disagreement being subjected to the interim hearing. ISH would propose that interim hearings commence March 31, 2004 to allow for a proper evaluation of the evidence submitted. The March 31, 2004 date would then allow industry the ability to submit additional information as it pertains to pool pressures to be integrated into both industry and the Board's evaluation of all relevant data.

ISH believes that the production status of wells for which exemptions have been filed by industry participants should not be varied until the completion of the final hearing on the wells. ISH would be supportive of the following timetable.

- a) February 9, 2004 (unchanged) Board notification of intent to proceed to an interim hearing..
- b) February 23, 2004 (unchanged) written evidence submitted
- c) February 24, 2004 to March 31, 2004. The AEUB reviews the evidence submitted by industry and determines whether or not they accept industry's position with respect to disputed wells. During this period, industry may submit additional evidence developed based upon pressure data collected.

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- If the AEUB agrees with the industry's position on disputed wells, no interim hearing will be required.
 - If the AEUB disagrees with the industry's position on disputed wells, an interim hearing will then be set.
- d) April 1, 2004 to April 24, 2004. Interim hearings are conducted.
- e) April 30, 2004. Results of interim hearings are released. If industry accepts the AEUB's position, wells will be allowed to produce or be shut-in as determined at the interim hearing.
- f) May 7, 2004. If industry continues to disagree with the AEUB's recommendations, then a request for a final hearing should be submitted by this date. Production status for currently exempted wells should not be altered until the completion of the final hearing process.

We believe that the proposed timetable will allow all parties to evaluate all available data and make an informed decision as to the issues of whether the gas and bitumen are associated, whether the association has any effect on bitumen recovery and whether or not the bitumen resource is or is not commercially viable.

Yours truly,

ISH ENERGY LTD.

David A. Neshine, CA
Vice President

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