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January 30, 2004

Alberta Energy and Utilities Board  
640 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 3G4

**Attention: Mr. Gary Perkins, Board Counsel**

Dear Sir:

Re: **General Bulletin 2003-28 (GB 2003-28) Bitumen Conservation Requirements Athabasca Wabiskaw-McMurray Phase 3 Proceedings**

By letter dated January 26, 2004 the Alberta Energy and Utilities (“AEUB”) sought comments concerning requests from Paramount Energy Trust, Canadian Natural Resources Limited, EnCana Corporation, BP Canada Energy Company and Devon Canada Corporation generally seeking to amend the current AEUB GB 2003-28 process or specifically requesting additional time to prepare for a hearing and therefore seeking postponement of the hearing scheduled for March 8, 2004.

Imperial Oil Resources, Japan Canada Oil Sands Limited, Nexen Canada Ltd. and Petro-Canada hold bitumen and gas interests within the Province of Alberta and have specific interest in bitumen affected by GB 2003-28. These companies have supported, and continue to support, the Board’s conservation efforts with respect to preserving the bitumen resource. A change in the procedure at this time may seriously prejudice the interests of the bitumen producers.

As has been pointed out before, GB 2003-28 is the latest step in a long process of inquiry, industry consultation, examination of extensive evidence and responsible decision making on the part of the AEUB. In 1997 the Board held a public inquiry into the gas over bitumen issues, in 1999 the Board held the Surmont shut-in proceeding and in 2001 the Board held the Chard-Leismer hearing. In each of these three lengthy major hearings the Board found that the recovery of bitumen using SAGD is jeopardized by continued gas production due to pressure depletion, and

that the amount of bitumen at risk is substantially greater than the remaining gas reserves.

The Board has continued to study and evaluate this issue having regard to the concerns and interests of both gas producers and bitumen producers. As a part of GB 2003-28 the Board undertook a major Regional Geologic Study which further refined areas of conflict and concern. Concurrently, the independent Staff Submission Group (“SSG”), which brings to this exercise an objective point of view unfettered by commercial interests, has confirmed that the deleterious effect of reduced pressure on bitumen production is an urgent concern in the GB 2003-28, a concern area which must be addressed before pressure depletion renders any decision moot.

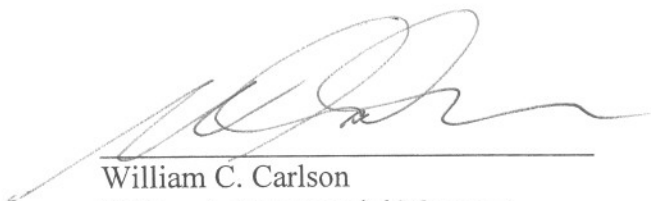
Having regard to the extensive history surrounding this issue we believe that the review process and timing outlined in GB 2003-28 and reaffirmed by the Board is a necessary and timely response to the identified conservation concern. We fully support this AEUB initiative.

With respect to the specific matters raised by the gas producers in their recent correspondences we have the following comments:

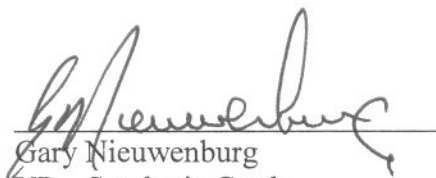
- As outlined above there had been substantial review and analysis over seven (7) years which demonstrates that continued gas production and pressure depletion will adversely affect the ability to produce the more valuable bitumen resource;
- Accordingly, the principle issue for consideration in these proceedings is the conservation of the bitumen;
- The suggestion by some gas producers that because there had not been an active exemption application since September leads to a conclusion that this is not an urgent issue is false. In order to bring certainty and to accommodate all parties the AEUB set a very aggressive timetable for itself and for others. As the Regional Geologic Study was indicated to be completed by the end of December and, as recommendations were to be provided by January 26, 2004, it seemed prudent to wait until these two endeavours were completed over this relatively short period of time rather than to divert internal corporate resources, Board resources and other stakeholder resources from the regional study to undertake the opposition of a number of short-lived interim applications; and,
- The SSG report confirms the urgency of this matter.

Having regard to the extensive work that has been carried out over the last seven (7) years, having regard to the consistent conclusions concerning the impact of continuing gas depletion on the bitumen production and having regard to the urgency of this issue as advanced by the SSG, we believe that the Board's process should continue without amendment. Should the Board decide, however, to amend its process and timing we would support the continuation of the Board's measures to actively preserve the current existing pool pressures in order to ensure that any final decision is not rendered moot due to pressure depletion.

In conclusion, we fully support the Board's mandate to effect resource conservation and endorse the action that has been taken to minimize further negative impacts resulting from continued pressure depletion caused by gas production.



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