

Monthly Status Letter

October 2003

Bitumen Conservation Requirements

I am pleased to provide you with the second update for the Bitumen Conservation Requirements. I will be covering the status of exemption challenges and the progress of the regional geological study.

Status of Exemption Challenges

To date neither EUB staff nor industry have filed challenges to the exempted wells. EUB staff have conducted a screening of all the wells in the area of concern, including the 601 exempted wells, and have determined that at this time industry has used the exemption process appropriately. Currently, 337 wells accounting for 41% of the Wabiskaw-McMurray gas production in the area of concern are shut in on an interim basis as a result of the Board's Bitumen Conservation Requirements. This represents responsible and conscientious action on the part of the industry in response to Phase 1 of the Bitumen Conservation Requirements, and the Board would like to express our appreciation to all industry for their cooperation on this difficult issue.

The EUB staff will continue to review any new exemptions that are filed throughout the fall. We are prepared to address any challenges through the Expedited Review Process and have put in place the resources and structure to carry out this function. A Board Panel and staff are assigned to deal with any challenges that may be filed.

It is important to emphasize that we are in the interim stage of the Board's Bitumen Conservation Requirements. The Regional Geological Study is still required to determine the final production status of zones within a well.

Regional Geological Study

The Regional Geological study is moving forward and is on target to be completed by December 31, 2003. The Industry/EUB geological teams working on the regional geological study achieved two milestones during September. First, they completed a screening of some 4000 wells to familiarize themselves with log and core data in their subproject areas. Second, they completed the first iteration of stratigraphic modeling. In addition, they have started testing the database and mapping tools that will be used to store and develop study results.

I visited the teams recently and was immediately impressed by the enthusiasm and cooperative effort evident.

We have also retained Dr. Norman Wardlaw as a geological advisor for the study. He is a highly respected academic and consultant who is no doubt familiar to many of you. Attached is a new organization chart for the project.

We are still looking for engineering assistance for the project and look forward to hearing from you if you can provide such assistance. Please contact Gary Dilay at 297-3561 in this regard.

I hope this update is helpful and I will provide a further report in one month's time.

Neil McCrank
Chairman
Alberta Energy & Utilities Board

Bitumen Conservation Project

