

## Monthly Status Letter

December 2003

### Bitumen Conservation Requirements

I am very pleased to provide you with the December update regarding the Alberta Energy and Utilities Board's Bitumen Conservation Requirements, as outlined in *EUB General Bulletin GB 2003-28*.

#### Regional Geological Study

Work continues to proceed on schedule to the last milestone, which is completion of the Regional Geological Study by December 31, 2003.

Over the month of November the teams have been working hard to identify gas pools within the stratigraphic intervals and determine where pools communicate laterally and vertically with other gas pools. Pressure analysis is being used to complement the geological interpretation of pools. As expected, there are some limitations respecting pressure analysis for pooling because of the variability in the quality and quantity of the data available.

The teams are also completing bitumen saturation evaluations across the area of concern. By associating the evaluations with the new stratigraphic framework, the teams are able to isolate bitumen within the different stratigraphic units.

Combining the results of these two data sets enables the teams to analyze where gas is or is not in communication with bitumen.

#### Pressure Survey Schedules

The EUB has reviewed and provided feedback to all companies that filed pressure survey schedules. I remind parties collecting the pressure data that 50% of the data is to be submitted by December 31, 2003, and that pressure surveys must be submitted within three weeks of being conducted.

#### Phase 3

Attached is a schedule to assist parties in planning for Phase 3, during which the EUB intends to confirm or vary the interim production status of wells subject to GB 2003-28. The EUB continues to believe that timely action is needed to address the bitumen conservation risk by the end of the 1<sup>st</sup> quarter of 2004. You will notice that following the releases of the regional study and staff recommendations there will be an interim hearing with limited scope and timelines to address wells in dispute on an interim basis. This interim hearing will be followed

by a final hearing, if required, to decide the final production status of wells that continue to be in dispute.

I hope this update is helpful. I expect that we will be moving into Phase 3 in one month's time; therefore, I do not anticipate that another status report on the study will be necessary.

Neil McCrank, Q.C., P.Eng.  
Chairman  
Alberta Energy and Utilities Board

Attachment – Phase 3 - Bitumen Conservation Requirements

December 17, 2003

To: All Oil, Gas, and Oil Sands Operators

## **PHASE 3 – BITUMEN CONSERVATION REQUIREMENTS ATHABASCA WABISKAW-McMURRAY**

### **Introduction**

In *General Bulletin (GB) 2003-28*, the Alberta Energy and Utilities Board (EUB or Board) established a three-phase process for the identification and curtailment of gas production that is associated with potentially recoverable bitumen. Phase 1 consisted of the issuance of an interim shut-in order regarding 938 wells with provision for temporary exemptions. Gas producers were provided an opportunity to exempt any gas zone where they possessed evidence that the gas production was not associated with potentially recoverable bitumen. Phase 2 allowed an opportunity to challenge exemptions through an expedited review process.

Phase 3 commences with the release of the EUB's Regional Geological Study (RGS). The RGS will assess the probability of gas being in communication with bitumen. Following the release of the RGS, the EUB staff submission group will make recommendations to continue or vary the production status of gas zones within wells subject to *GB 2003-28*.

A Board hearing will be held to make final decisions respecting the production status for any well where a party disagrees with the EUB staff recommendations. This hearing will be comprised of an interim and final hearing as was indicated in *GB 2003-28*. The Board is including an interim hearing because of its view that the conservation risk of continued gas production in wells that communicate with potentially recoverable bitumen requires timely action. Any decisions from the interim hearing will be implemented on an interim basis pending the outcome of the final hearing. An EUB staff submission group will participate in both the interim and final hearings.

### **Description of Phase 3 Interim Hearing**

An interim hearing will be convened for wells where the production status is in dispute. The scope will be limited to assessing whether gas is associated with potentially recoverable bitumen.

At the interim hearing, parties must rely on their filed written evidence, as no oral evidence in chief or reply will be permitted. Oral cross-examination will be followed by oral argument. Parties should expect that the Board will allocate hearing time among the participants.

Decisions respecting production status will be on a pool basis.

For wells where the production status is not in dispute the Board will issue an order in due course.

Following the interim hearing decision, there will be a pre-hearing meeting to establish the schedule and details for the final hearing.

### **Scheduling of Phase 3 Interim Hearing**

In *GB-2003-28* the Board indicated its intention to decide the status of all gas production subject to the interim shut in order by April 1, 2004, on an interim or final basis. The Board provides the following schedule to enable parties to allocate the necessary resources and time for participation in the interim proceeding. The Board intends to confirm the schedule upon issuance of the RGS.

#### **January 2, 2004**

- RGS is released.

#### **January 26, 2004**

- EUB staff submission group releases recommendations to continue or vary the production status of gas zones within wells subject to *GB 2003-28*.

#### **February 9, 2004**

- Parties that disagree with the recommendations must notify the Board of the wells and associated perforated intervals for which they wish to present their case at the interim hearing. These notifications will be posted on the EUB website.

#### **February 23, 2004**

- Parties file evidence supporting their case.

#### **March 1, 2004**

- Parties file reply evidence.

#### **March 8, 2004**

- Interim hearing commences.

Questions respecting the above may be directed to the undersigned at (403) 297-8256.

Michael J. Bruni, Q.C.  
General Counsel