

December 15, 2003

Alberta Energy and Utilities Board
640 – 5 Avenue SW
Calgary, AB T2P 3G4

Attention: Mr. Cal Hill

Dear Mr. Hill:

**RE: BITUMEN CONSERVATION REQUIREMENTS
ATHABASCA WABISKAW-MCMURRAY
REGIONAL GEOLOGICAL STUDY**

On July 22, 2003, the Alberta Energy and Utilities Board (EUB) issued General Bulletin 2003-28 announcing the EUB's conservation requirements respecting gas production from the Wabiskaw-McMurray in the Athabasca Oil Sands Area.

In response to GB 2003-28, the EUB issued a letter dated September 5, 2003 which stated that "a number of interested parties offered to provide the EUB with relevant data and interpretive information with respect to the regional geological study". The letter goes on to say that "The EUB agrees that such information may prove useful in its conduct of the regional geologic study and has decided to accept such data and interpretive information from interested parties".

Paramount Energy Trust wishes to provide the EUB with documentation on the following pools:

- **Corner McMurray N Pool**
 - The data provided demonstrates that a thin shale zone, named the M45 mud by Paramount Energy Trust and correlated within the Corner area, provides an effective vertical hydrodynamic seal between two producing gas sands.
- **Corner McMurray A Pool**
 - The data submitted demonstrates that this pool, as currently defined by the EUB actually consists of at least 5 separate gas pools. Further, the technical data illustrates how sand, that appears laterally continuous on log correlation, contains lateral permeability barriers.
- **Hangingstone McMurray G Pool**
 - The data presented demonstrates that the aquifer, although correlatable on well logs, is not laterally connected, thereby severely reducing the region of influence (ROI).

In general, these submissions show that:

- 1) Conclusions stated in these documents would not possibly have been reached from well log correlations alone. Technical engineering data needs to be integrated into this type of detailed work,
- 2) Thin muds (approximately 0.7 meters thick) can provide a vertical seal capacity,
- 3) Gas pools can be much smaller than would be otherwise anticipated, and therefore

4) Region of Influence can be much smaller than would otherwise be anticipated.

Questions respecting Paramount's submission can be directed to the undersigned (403) 269-4400.

Yours truly,

PARAMOUNT ENERGY OPERATING CORP.
(as trustee of Paramount Operating Trust)
Note: The original signed by:

Brett Norris, P. Geol.
Vice President
New Ventures & Geosciences

Kevin Marjoram, P. Eng
Vice President
Operations