

December 8, 2010

Via Email

Interested and Registered Parties to Proceeding 169

Dear Sirs and Madams:

**RE: ERCB PROCEEDING 169
APPLICATION NO. 1613543 BY SUNSHINE OIL SANDS LTD.
APPLICATION NO. 1616123 BY TOTAL E & P CANADA LTD.
APPLICATION NO. 1506272 BY PARAMOUNT ENERGY OPERATING
CORPORATION (NOW PERPETUAL ENERGY OPERATING
CORPORATION)
APPLICATION NO. 1647807 BY ATHABASCA OIL SANDS CORPORATION
ATHABASCA OIL SANDS AREA**

On April 15, 2010, Athabasca Oil Sands Corporation (AOSC) filed a submission in ERCB Proceeding 169 and submitted Application No. 1647807, in which it asked the Board to shut-in gas production in the Dover West area of the Athabasca Oil Sands, on an interim and a final basis. On October 29, 2010, Husky Oil Operations Limited (Husky) filed a submission in support of AOSC's Application and requesting Proceeding 169 be expanded to include the shut-in of gas in the Husky Liege West Area and the protection of bitumen resources contained within the Devonian section, mainly within the Grosmont Formation.

The Board received responses to Husky's request from AOSC, Sunshine Oil Sands Ltd. (Sunshine), Canadian Natural Resources Limited (CNRL) and Perpetual Energy Operating Corporation (Perpetual). On December 3, 2010, Sunshine, AOSC, and Husky provided further submissions in support of Husky's request. The Board has considered Husky's request and the parties' respective submissions and has decided to limit Husky's submission to its support of AOSC's application and not expand Proceeding 169 to consider the protection of bitumen in the Devonian section. The Board has asked me to communicate its decision, which is based on the reasons below.

The Board agrees with CNRL that protection of bitumen in the Devonian section has not been previously considered by the Board. Although in Decision 2009-061¹ the Board shut in, on an interim basis, gas from the Leduc stratigraphic interval, this gas was shut in because of its interpreted communication with Wabiskaw bitumen, not Devonian bitumen. Expanding the Proceeding to include a review of the effect of gas production on and the potential recoverability of Devonian bitumen would require sufficient technical data and analysis, which

¹ Decision 2009-061: Applications for Interim Shut-in of Gas, Liege Field, Athabasca Oil Sands Area, October 15, 2009.

could cause a significant delay in the current schedule for the Proceeding. The Board agrees that this review would best be done in a separate proceeding and in this regard notes that Husky has stated that it intends to submit an application for the shut in of gas in the Saleski area to protect bitumen within the Devonian section.

In regards to Husky's request to expand the hearing to include the Husky Liege Area, the Board's conservation approach requires gas production to be considered on a pool basis. To the extent that gas in the Husky Liege West Area is connected to the gas requested to be shut in by AOSC, then that area would likely be included in Proceeding 169. The Board notes that it has requested information from wells within the Husky Liege West Area in order to make this determination.

On November 19, 2010, Bonavista Petroleum Ltd. (Bonavista) submitted a letter stating its intent to participate in Proceeding 169. The Board has considered this letter and the submission schedule it set out in its letter dated June 30, 2010. If Bonavista intends to file a submission, it can do so according to the following schedule:

Date	Action
December 29, 2010	Bonavista to file submission
January 26, 2011	AOSC and parties supporting AOSC's shut-in request file response submissions – interim proceeding closed

Submissions should be filed through DDS, Proceeding ID 169. For information on the use of DDS to file submissions please contact

Kim Clayton, Senior Applications Officer
Applications Branch
Energy Resources Conservation Board
640-5 Avenue SW
Calgary, Alberta T2P 3G4
E-mail: kim.clayton@ercb.ca

In addition to filing copies of large-scale maps and cross-sections contained in submissions through DDS, parties should also send one paper copy of the large-scale maps and cross-sections to the other interested parties and 15 paper copies to

Bernadette Law, Application Coordinator
Oil Sands Branch
Energy Resources Conservation Board
640-5 Avenue SW
Calgary, Alberta T2P 3G4

Finally, in regards to Perpetual's letter dated November 17, 2010, in which Perpetual stated it is withdrawing its objections to the shutting-in of the gas zones requested to be shut-in by AOSC, Sunshine and Total E & P Canada Ltd., as well as the additional wells identified by the ERCB in its July 9, 2010 letter, the Board notes that Perpetual has stated that it has shut-in production of those wells on November 17, 2010 but Perpetual did not identify the wells. Also, Perpetual did not address the status of its application to produce gas from the 02/01-28-093-18W4 well. In this regard, the Board requests that Perpetual provide the following:

1. A list of the wells and intervals that Perpetual has voluntarily shut-in and clarification that Perpetual does not object to the Board issuing a shut-in order for the intervals.
2. In light of Perpetual withdrawing its objections to the shut-in applications, clarification of whether Perpetual is also withdrawing its Application 1506272 to produce gas from the 02/01-28-093-18W4 well.

If you have any questions in relation to this letter, please feel free to contact me.

Yours truly,

A handwritten signature in blue ink, appearing to read "David Burns", with a long horizontal flourish extending to the right.

David Burns
Board Counsel