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June 26, 2003

Via Courier and Via E-mail

Application Branch
Alberta Energy and Utilities Board
640 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Attention: Terry Abel, P. Eng.

Dear Sir:

Re: **GENERAL BULLETIN GB 2003-16**
Our Reference: CNR190

We enclose herewith two paper copies of the submission made on behalf of Canadian Natural Resources Limited in respect of GB 2003-16.

Would you please reserve a place for CNRL at the proceeding scheduled for July 3 and 4, 2003.

Yours truly,
THACKRAY BURGESS

Patrick J. McGovern

cc: Canadian Natural Resources Limited

ALBERTA ENERGY AND UTILITIES BOARD

GB 2003-16

**SUBMISSIONS OF
*CANADIAN NATURAL RESOURCES LIMITED***

Introduction

Canadian Natural Resources Limited ("CNRL") responded on May 12, 2003 to General Bulletin GB 2003-12 and incorporates those submissions by reference. CNRL holds both PNG and oil sands leases in the area of concern (the "AOC") identified by the Board in GB 2003-16. CNRL's holdings include 268,123 acres or 419 sections of oil sands rights under oil sands leases and 474,071 acres or 741 sections of gas rights under P&NG leases. CNRL, based on the EUB Crude Bitumen Reserves Atlas, calculates that it has 9 billion cubic meters of bitumen in place in the aforementioned oil sands leases. Accordingly, CNRL approaches this matter from the perspective of being both a bitumen rights holder and a gas producer. It is extremely important to CNRL that the policy adopted by this Board protect the rights of both gas and bitumen producers. CNRL is making this submission without prejudice to its rights to later address and seek relief for the procedural fairness concerns addressed in this submission.

Ramifications of the Proposed Change in Policy

The immediate impacts on CNRL of the implementation of this proposed policy include, but are not limited to, the following:

1. (a) 130 producing gas wells within the AOC being shut-in;
- (b) 67 gas wells located outside the AOC being shut-in as they are part of gas pools that overlap the AOC boundaries;
- (c) 17 gas wells located outside of the AOC that are connected to facilities which serve gas wells located inside the AOC being shut-in (these wells will have to be shut-in until the facilities can be modified for the reduction in gas volumes¹); and
- (d) The affected gas wells in the AOC connect to 200 kilometres of pipelines and 16 gas processing and compression facilities, 6 of which will be shut-in immediately.

¹ Modifications include removing and replacing existing compression facilities with smaller compression equipment capable of handling the reduced gas volumes which cannot be handled by the existing equipment once the shut-in in the AOC takes place.

2. The required facility modifications to the affected wells and facilities can only reasonably be performed in winter. For a short term shut-in of no more than 4 months, minimal action would be required. Should the shut-in period exceed 4 months, CNRL may have to conduct full "suspension"² operations for the affected wells, pipelines and facilities to comply with regulations, good operating practices, and in order to protect these facilities and pipelines from physical deterioration. Such a full suspension would be required in order to avoid the risk of physical deterioration prior to the next available window in the winter of 2004. While not all wells and pipelines must be suspended after freeze-up, the majority of facilities can only be properly suspended or modified after freeze-up.
3. CNRL will be forced by economic and operational necessity to re-allocate staff, resources and equipment that is currently serving gas production in the AOC. In some cases, this may result in staff being laid off and contracts with vendors and service providers being terminated. This would have a major impact on the communities located in and around the AOC. As most of the bitumen resource which the Board is seeking to protect is undeveloped and will likely remain so for the foreseeable future, those communities may find it difficult to recover from such an impact.
4. CNRL would not have sufficient time to:
 - (a) evaluate the possibility of re-completing other zones. Additional time would permit technical evaluations of the wells, the segregation of zones and the completion of up-hole zones, the suspension of pipelines and the relocation of both staff and infrastructure;
 - (b) adjust compressors and other facilities to handle the reduced volumes of gas;
and
 - (c) properly address safety and environmental concerns regarding the shut-in of pipeline and compression facilities.

² "suspension" includes draining and flushing of pipe and equipment, purging of gas and injection of inert gas.

Such expenses and effort will have been unnecessary if such wells are later found to be producing "non-associated" gas³.

As the length of the shut-in increases, equipment and facilities used to serve gas production in the AOC will be removed and re-deployed to operations outside of the AOC; or will be sold. Placing wells back on production in the AOC after a lengthy shut-in will require re-investment in equipment, re-staffing of area operations and re-engagement of vendors and service providers; which may prove difficult at that time if skilled personnel and qualified businesses have left the AOC. The economic value of the remaining gas production from the non-associated wells that could be put back on production may not justify the effort and expense of doing so. Therefore, the effect of the Board shutting in all gas production in the AOC pending the completion of the regional geological model may result in the sterilization of gas production in the AOC from both associated and non-associated gas pools; and, in the worst case, could result in the entire loss of some of those reserves.

The number of gas wells in the AOC are an indication of the investment that stakeholders have made under the legitimate expectation that their rights to produce natural gas under their leases would not be terminated without due process; and is also an indication of the magnitude of the losses that will result from a blanket shut-in. CNRL, in the context of the regulatory regime currently in place, has expended hundreds of millions of dollars in acquiring and developing gas resources in the AOC, some of which this Board now proposes to shut-in. As a result, CNRL will suffer financial losses as a result of the shut-in proposed in GB 2003-16. To reiterate, CNRL has been operating under the legitimate expectation that grandfathered wells would be allowed to continue to produce; and certainly that there would be no shut-in of those wells without due process.

Procedural Fairness, Legitimate Expectations and the Current Policy: ID 99-01

The gas/bitumen ("GOB") was first considered by this Board following its receipt of submissions in late 1996 suggesting that the production of associated gas prior to bitumen production could have adverse effects on bitumen production. As a result, the EUB held an inquiry and published

³ GB 2003-16, page 6: "The Board recognizes that this action will result in the shut-in of some non-associated gas. However, in the Board's view, to properly identify non-associated gas requires the development of a regional geological model"

its findings in a report dated March, 1998⁴. The EUB Inquiry proceeded after all stakeholders were given: (i) proper notice, (ii) the opportunity to make submissions on the issues to be considered at the Inquiry, (iii) the opportunity to prepare evidence, (iv) the opportunity to test and examine the evidence of those taking a contrary view, and (v) the opportunity to adequately prepare and present their case before this Board. In short, the EUB held a hearing in accordance with the EUB Rules of Practice.

The policy findings resulting from the EUB Inquiry were only made after the Board heard evidence from stakeholders on both sides of the GOB issue and after a full and fair notice and hearing. All stakeholders were given sufficient notice and were permitted adequate time both before and during the EUB Inquiry to prepare and properly address the GOB issue.

Significantly, it appears that the Minerals Tenure Branch of the Alberta Department of Energy participated in the Inquiry. CNRL is not aware of similar participation on July 3 and 4; but would welcome input from the Alberta Department of Energy, particularly in respect of the compensation issue.

The inputs for the models relied on and being relied on by this Board have not yet been history matched. In Decision 2003-23, this Board acknowledged that geology is a critical ingredient of the results generated by these models. Here, in respect of GB 2003-16, the Board has failed to provide the geology that supports the extrapolation of the Chard and Surmont geology to the entire AOC. Since there is still disagreement on the degree of risk posed by the production of associated gas, the presence and extent of regionally sealing mudstones, and the feasibility of alternative technologies⁵, this missing geological analysis is critical. The starting point for analysis of the GOB issue should be that gas production will not be shut-in until the regional geological study is properly completed and non-associated gas identified.

The bulk rescinding of all ID-99-1 orders is also unwarranted, as in some instances previous decisions made by the Board will not be altered by the findings of Decision 2003-23. An example is the McMurray C pool (Townships 94-95, Ranges 17 W4M) in the Liege area, which borders the AOC. The majority of the 145 section pool G-order lies outside the AOC. This pool

⁴ Alberta Energy and Utilities Board, "EUB Inquiry: Gas Bitumen Production in Oil Sands Areas", March 1998 (hereinafter "EUB Inquiry").

⁵ For example, see the Submission regarding GB 2003-12 of Fekete Associates Inc.

consists of an extensive cleaning upward shoreface deposit where gas overlies bitumen and water of varying thickness.

Of the 116 wells in the pool, only three exceed the 10m of bitumen cutoff of ID-99-1. The Board has examined this data through the ID-99-1 application process on three occasions and stated:

“the EUB concludes that the bitumen resource within the region of influence of the applied for wells, is not exploitable with foreseeable technology and economic conditions”.⁶

Given that shale barriers, regional or otherwise, played no part in the decision to allow production from this area, the ruling will not be impacted by the new geological model from the Chard hearing. As such this area should not have been included in the AOC, or the approvals to produce should be allowed to stand.

At the EUB Inquiry, the Board referenced the concurrent gas production policy in conventional reservoirs as a touchstone for the development of a policy regarding associated gas production.⁷ The discussion started from the premise that concurrent production should be fostered in conventional reservoirs. CNRL submits that the Board should only adopt a policy in

⁶ Approval Letter for Application 1026613, Apr. 15, 2000.
Approval Letter for Application 1042667, July 29, 1999.
Approval Letter for Application 1059268, Feb. 29, 2000.

⁷ Then with respect to policy implementation, it was stated:

"The Board believes that there are important similarities and differences between the policy that it already has in place for concurrent production and conventional reservoirs and a policy that would be appropriate for Alberta's oil sands deposits. One important similarity is that the database for either resource is not amenable to defining areas where conventional oil or bitumen development would take precedence over gas development. To alleviate some of that administrative burden, which could prove to be considerable, the Board considered if criteria could be adopted to narrow the scope of a concurrent production requirement, such as defining geographical areas of interest or a minimum bitumen pay thickness. However, in view of the limited information on which to base these decisions, the Board concludes that it would be premature to identify such criteria, as they would be quite arbitrary. Although such a database for bitumen may evolve, the Board expects that, in the meantime, each case where bitumen recovery is potentially at risk from associated gas production would be considered on its own merits. One important difference related to the evaluation of these reservoirs is that the Board has more experience in considering concurrent production in conventional reservoirs than in oil sands reservoirs; the practice is with respect to conventional reservoirs have thus been established over time. Therefore, the Board is not in a position at this time to articulate criteria that might be used to determine when associated gas production would pose a significant risk to future bitumen recovery. Project specific data would have to be considered and field experience would be helpful."

respect of the GOB issue that has a similar goal, namely the production (or protection) of both bitumen and gas. The shutting in of all gas production in the AOC should not be an acceptable solution; even temporarily. Every attempt must be made to protect and foster the development of both bitumen and gas and each case considered on its own merits.

This Board is basing its decision regarding the delineation of the AOC and to shut-in all gas on extrapolations from computer models and without any of the procedural steps that preceded the shut-in orders that followed the Surmont and Chard Decisions; that is a full and fair hearing in accordance with the EUB Rules of Practice. The approach being taken in GB 2003-16, in CNRL's respectful submission, is procedurally unfair and completely at odds with the legitimate expectations of the affected P&NG lease holders.

Further, the Board is now proposing to shut-in grandfathered wells. As is previously stated, the EUB Inquiry distinguished gas wells that were then completed from those wells and facilities that would later be developed.⁸ P&NG lease holders having grandfathered wells have been conducting business under the policies and rules of ID 99-01 with the legitimate expectation that policy change would not result in those wells being shut-in; at least not without due process. This Board is proposing to change this policy without providing adequate reasons and without providing stakeholders the right to be heard on that issue.

As is set out above, this Board has previously expressly acknowledged the need for fairness in implementing policy change that will affect those who, in reliance on the regulatory regime in place, have made investments in developing gas resources in the AOC. The question that immediately comes to mind is what has changed and what evidence does the Board now have

⁸ EUB Inquiry, pages 52-53:

"In the first instance, gas operators drilled wells and installed facilities in good faith with the reasonable expectation that gas production would be permitted; the risk that gas production would be shut-in because of the bitumen related conservation issue was not contemplated by the PNG leaseholders in the Oil Sands Areas. Therefore, although there may be some impact on future bitumen recovery, the Board will generally allow associated gas production to continue from investments made up to 1 July 1998, unless the Board receives a complaint from an oil sands leaseholder and the subsequent investigation shows continued production from existing gas wells would not be in the long term public interest. Suitable recognition would have to be given at that time to the cost/benefit of shutting in existing associated gas production. In some instances the Board may also initiate such a review."

that suggests the drastic policy change contemplated is warranted.⁹ CNRL submits that this Board must make this information available to stakeholders and the implementation of this change in policy must be delayed until that has been done and the rules of procedural fairness have been complied with. The Board indicates that a regional geological model will enable the Board to distinguish non-associated gas production from associated gas production. Until such model is complete, neither the stakeholders nor the Board can conclude with any degree of certainty that any of the gas wells within the AOC are producing gas associated with the bitumen reserves. Therefore, until such model is complete, wells in the AOC should not be deemed to be producing associated gas.

Procedural Fairness

As a starting point, P&NG lease holders must be provided with all information, data, geology, mapping, interpretation, extrapolations and other material ("Board Information") on which the Board has based its decision to delineate the AOC and to implement GB 2003-16. Board Information must include:

- (a) Explicit details of the methodology and data used to build the regional geological model for the Chard/Leismer Area: Well lists with tops picked, petrophysical log cutoffs used, pay calculations, core descriptions utilized, seismic sections and maps (if any), pressure data, and any other data considered, as well as all maps and cross-sections derived from this data;
- (b) All regional mapping which has been done to extend the Chard/Leismer geological model to AOC including, but not limited to, any mapping that covers the wells listed in Decision 2003-23 Appendix 3 as "additional wells that could present a risk to future bitumen recovery";

⁹ In Decision 2003-023, this Board stated at page 37:

"The Board believes that every effort must be made to ensure the efficiency of the process contemplated by ID 99-1. However, the Board notes the complex nature of the evidence forming the basis of the decisions being made and the need to ensure fairness. Accordingly, the Board would be prepared to review ID 99-1 if sufficient evidence were submitted pointing to a problem with the current process. The Board does not find the evidence submitted to this proceeding to be sufficiently complete and conclusive to indicate what, if any, changes to ID 99-1 are warranted. Therefore, the Board continues to believe that the current application process is appropriate to ensure that potentially at risk bitumen is not jeopardized."

- (c) The rationale for the revision of the AOC for the Wabiskaw-McMurray formation including all mapping carried out, and the raw data from which the maps were derived (see list above);
- (d) Any other data that has influenced the Board in making this policy change; and
- (e) The basis upon which the Board made the extrapolation on page 6 of the attachment to GB 2003-16:

"The Board believes that its conclusions from these hearings (as set forth previously) should be extrapolated to the Board's AOC because of the similarity in geological environment, bitumen thickness encountered and general gas production history."

P&NG lease holders must then be afforded the right to respond to the Board Information. In order to properly and fully respond, P&NG lease holders require:

- (a) Reasonable time to analyze and prepare rebuttal evidence to the Board Information;
- (b) The opportunity to test that Board Information and to introduce rebuttal evidence; and
- (c) The right to address the Board with respect to these issues in a fair and open manner consistent with the requirement of due process and the regulatory regime under which they have been operating.

The time between the issuance of GB 2003-16 and the time scheduled for the filing of this submission has not been adequate to permit this; and, therefore, at best, this procedure can only be a preliminary step. In light of the complex nature of the subject, the area and evidence required, stakeholders require a reasonable period of time following disclosure of Board Information to analyze the data and prepare rebuttal evidence. While the Board lists in its News Release that considerable industry consultation has occurred, the first notification to industry that a blanket shut-in was being considered was in GB 2003-12. Furthermore, although the

Board did give notice in Decision 2003-023 that some of the wells listed in Appendix 3 to that Decision could present a significant risk to future bitumen recovery and that it intended to deal with grandfathered production, CNRL is not aware of any new information that warrants the drastic action contemplated by GB 2003-16.

It is CNRL's understanding that when the Board received a request for a shut-in order under ID 99-1, P&NG lease holders were, through the application and hearing process conducted under the EUB Rules of Practice, apprised of the case they had to meet, the right to test that evidence, and to present their own evidence. Procedural fairness, in the context of this drastic change in policy, demands that stakeholders continue to be given such rights. The process contemplated for July 3 and 4 does not accomplish this.

In summary, the implementation of the policy proposed in GB 2003-16:

- a) Is contrary to the legitimate expectations of P&NG lease holders;
- b) Violates the rules of procedural fairness:
 - i) by failing to inform P&NG lease holders of the basis upon which the Board is making this policy change;
 - ii) by not providing sufficient time for P&NG lease holders to respond:
 - (1) P&NG lease holders do not have sufficient time to prepare evidence;
 - (2) P&NG lease holders do not have enough time to comply.
 - iii) by not providing an adequate process and forum to facilitate due process, and allow parties to exercise their rights;
 - iv) does not meet the requirements of the *Administrative Procedures Act*¹⁰ and the *Energy Resources Conservation Act*¹¹ for the Province of Alberta.

¹⁰ *The Administrative Procedures Act* provides in Sections 4 and 5:

4. "Before an authority, in the exercise of a statutory power, refuses the application of or makes a decision or order adversely affecting the rights of a party, the authority

Completion of the Regional Geological Model is Critical

CNRL does not agree that all wells producing from the perforated intervals in the Wabiskaw-McMurray formation within the AOC need to be shut-in in order to protect bitumen production. The Board has indicated that the shut-in cannot be delayed until the model is completed as gas pools in the AOC are at an advanced state of depletion; therefore, continued pressure decline must be arrested immediately to conserve the bitumen with the highest potential for thermal development.¹² CNRL submits that the regional geologic model of which the Board makes mention must be completed before there can be any realistic and reasonable implementation of the proposed policy. As is noted by this Board in GB 2003-16, the regional geologic model will

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- (a) shall give the party a reasonable opportunity of furnishing relevant evidence to the authority
 - (b) shall inform the party of the facts in its possession or the allegations made to it contrary to the interest of the party in sufficient detail
 - (i) to permit the party to understand the facts or allegations, and
 - (ii) to afford the party a reasonable opportunity to furnish relevant evidence or to contradict the facts or allegations, and

shall give the party an adequate opportunity to make any representations by way of argument to the authority."

- 5. "When an authority has informed a party of facts or allegations and that party
 - (a) is entitled under section 4 to contradict or explain them, but
 - (b) will not have a fair opportunity of doing so without cross-examination of the person making the statements that constitute the facts or allegations, the authority shall afford the party an opportunity of cross-examination in the presence of the authority or of a person authorized to hear or take evidence for the authority."

¹¹ *Energy Resources Conversation Act*, RSA 2000, c. E10, Section 26:

"(1) Unless it is otherwise expressly provided by this Act to the contrary, any order or direction that the Board is authorized to make may be made on its own motion or initiative, and without the giving of notice, and without holding a hearing.

(2) Notwithstanding subsection (1), if it appears to the Board that its decision on an application may directly and adversely affect the rights of a person, the Board shall give the person

- (a) notice of the application,
- (b) a reasonable opportunity of learning the facts bearing on the application and presented to the Board by the applicant and other parties to the application,
- (c) a reasonable opportunity to furnish evidence relevant to the application or in contradiction or explanation of the facts or allegations in the application,
- (d) if the person will not have a fair opportunity to contradict or explain the facts or allegations in the application without cross-examination of the person presenting the application, an opportunity of cross-examination in the presence of the Board or its examiners, and
- (e) an adequate opportunity of making representations by way of argument to the Board or its examiners."

¹² GB 2003-16, page 6:

"Gas pools in the area of concern are at an advanced state of depletion; therefore, continued pressure decline must be arrested immediately to conserve the bitumen with the highest potential for thermal development."

identify non-associated gas. In the absence of such model, P&NG lease holders must be dealt with on a site-specific basis and in accordance with the rules of procedural fairness; and any decision to shut-in gas must be an informed decision. Investment in the AOC by P&NG lease holders is predicated on the legitimate expectation that procedural fairness would be followed before the right to produce gas was removed.

The Board has indicated that the completion of the regional geological model will require more time than is available to effect bitumen conservation¹³; but fails to provide an estimate of the time required to complete the model. CNRL estimates that the regional geological model for the AOC could be done by 10 people in less than 6 months and suggests that the Board consider retaining additional manpower to expedite the completion of the model. Industry could provide additional manpower and resources through temporary secondments. CNRL would support this alternative and would be prepared to allocate, on a temporary basis, personnel to the Board or provide funding. Another method would be for the Board to retain a qualified consulting firm. CNRL's preference would be that this Board utilize industry secondment and that all such manpower work under the direct supervision of the EUB.

CNRL does not share the Board's view that immediate action is required in the entire AOC to mitigate further risk to thermal bitumen recovery and requests that the Board provide P&NG lease holders with the data and analysis that supports the Board's conclusion regarding the state of depletion of gas pools in the AOC. Further, CNRL does not share the Board's concern that the situation is uniform throughout the AOC. In many pools, the reservoir pressure has not diminished to the point where it is nearing the technical limit as defined by the Board in Decision 2003-022¹⁴; and, as is stated above, in many cases there is no pressure communication between the gas and the bitumen. Furthermore, CNRL also notes that parties in responding to GB 2003-12 have stated that, in any event, the virgin gas pressure of some of these gas pools may be lower than the technical limit required for SAGD.

¹³ GB 2003-16, page 6:

"Given the existing level of pressure depletion, the Board concludes that bitumen conservation cannot be effectively addressed in the area of concern using the hearing process for grandfathered production."

¹⁴ Decision 2003-22, page 79:

"... the Board concludes that the minimum steam chamber pressure required for artificial lift to be technically feasible would be in the range of 400 to 600 kPaa. The Board further concludes that even if the gas zone abandonment pressure were 500 kPaa, as suggested by the SPG, there would be a significant risk that artificial lift would not be feasible."

Recommendations for Going Forward

CNRL does, however, recognize the Board's concern regarding the production of associated gas in the AOSA and is prepared to work with the Board and the other stakeholders involved to address this concern. CNRL further recognizes the enormity of the time that could be involved if all wells or oil sands lease holder interests in the Area of Concern become the subject of the application and hearing procedure similar in duration to the Surmont and Chard Hearings; and that such time may defeat the Board's ability to redress potential harm to bitumen production from the production of associated gas. It is clear that a balance must be struck.

CNRL, therefore, respectfully submits the following process for consideration.

1. Complete the regional geologic study across the entire AOC to determine associated and non-associated gas, based on the criteria established in the Chard Leismer Hearing. This project would be completed by January 1, 2004.

As is stated above, this deadline could be achieved through the use of a team of seconded industry professionals or consultants working under Board supervision. The team would ideally represent a cross-section of gas and bitumen stakeholders.

2. Publish on January 1, 2004 the listing of all wells in the AOC which have been determined to be in association with bitumen. Publish all criteria, rationale, mapping, and supporting documentation that is the basis of and supports the findings of association within the AOC.
3. Order shut-in of all gas deemed in association effective April 1, 2004.
4. Create a fast track process which, recognizes the rules of procedural fairness and allows affected stakeholders to test all findings of association on a well, pool or area basis. Challenges should be confined to the geological and engineering interpretation of association, rather than any of the wider gas/ bitumen issues.

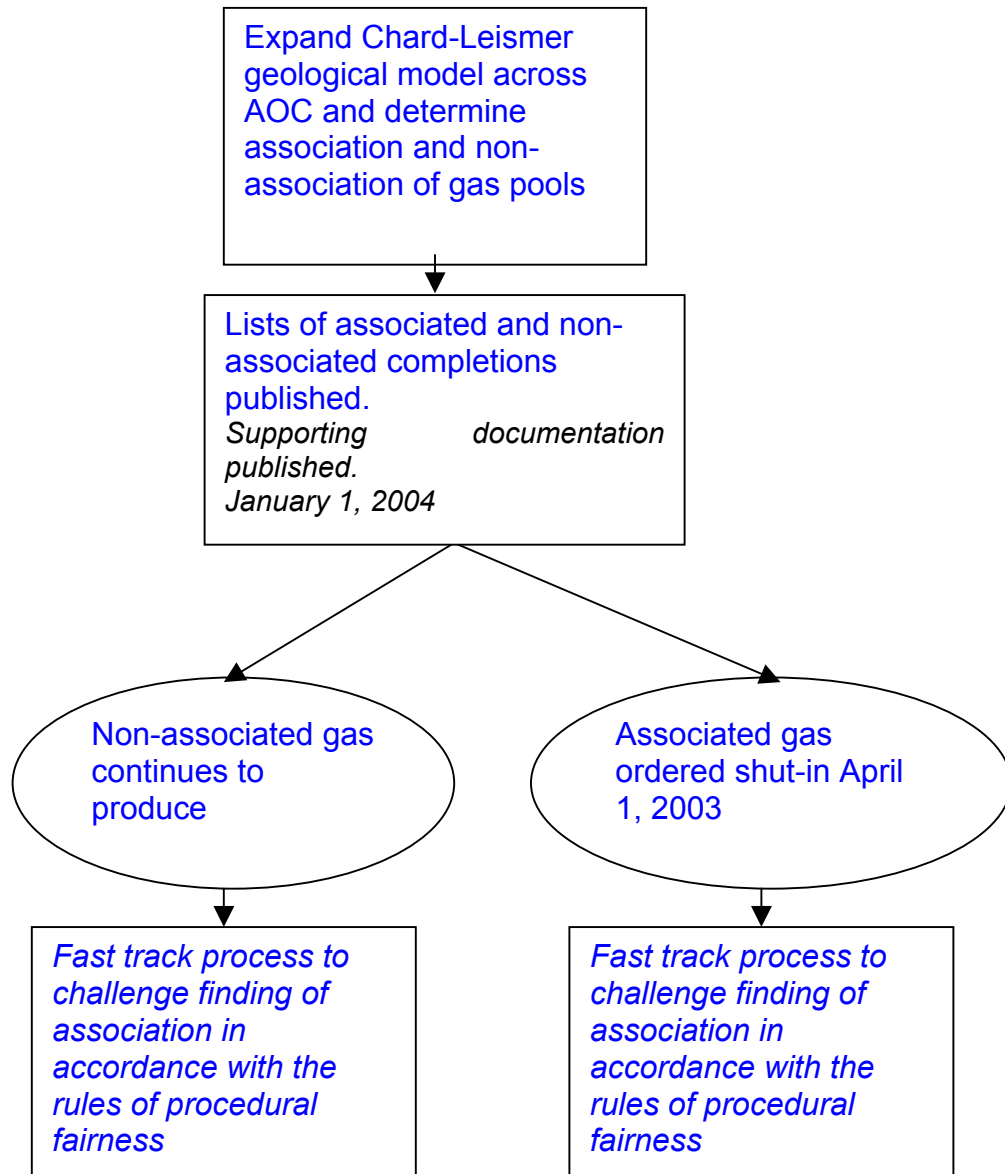
Advantages of this alternate process:

- The shut-in order will be more focussed, fact-based and fair;

- It will protect bitumen in a timely manner;
- It will allow for due process;
- It will minimize the shut-in of non-associated gas;
- It will allow operators to rationalize and optimize wells and infrastructure in winter ;
- It will provide a transparent process; and
- It will build relationships in a polarized community.

In parallel, the Board must establish a process by which the current criteria outlined in ID 99-1 and the findings of the previous hearings can be reviewed in light of field experience of SAGD operators and evolving bitumen recovery technology.

The Board must develop a regular long term review process to evaluate mitigative technology developments, and determine when there is a reasonable likelihood that a given technology will address the risk to bitumen. CNRL suggests the Board publish an annual Bitumen Recovery Technology Bulletin which reports on field experience, technology development and the Board's assessment of the viability of application to the gas/bitumen issue. This process for ongoing evaluation of the technology is critical because of the rapid advances in the area.



Conclusion

The Board must specify exactly how and when a regional geological model will be developed since informed decisions cannot be made without that geological analysis. Consequently, no shut-ins should occur until that process is complete. In no event should the Board invoke, on other than a site specific basis, the drastic measure of shutting in gas production until the extent of lateral and vertical pressure communication can be properly assessed through a regional geological study and then only in a procedurally fair manner.

CNRL has noted this Board's statement in Chard confirming that ID 99-1 is adequate and submits that this Board must explain why that is no longer the case.¹⁵

CNRL submits that the blanket shut-in order contemplated is both unnecessary and unnecessarily extreme. If shut-in, many of these wells may never be returned to production and the affected gas reserves would consequently be sterilized or, in the worst case, some could be lost. Such a result would be contrary to the Board's mandate to ensure conservation of resources and prevent waste.

In light of the lengthy history of gas production from this area, any policy that purports to shut-in gas production must address compensation. While the Board may not have specific jurisdiction to deal with compensation, it can support the implementation of a policy that is done in conjunction with a determination of compensation under Section 99 of the *Oil and Gas Conservation Act*. Only then will the parties be dealt with fairly.

¹⁵ "In the absence of sufficiently complete and conclusive evidence, it does not believe the change to ID 99-1 is warranted and continues to believe that the current application process is appropriate to ensure that potentially at risk bitumen is not jeopardized."

If this policy is implemented on August 1, 2003 as proposed, it will violate the principles of procedural fairness. The Board can, however, proceed in a procedurally fair manner and still reasonably address the concern over the threat that the production of associated gas poses to bitumen production. CNRL has suggested a reasonable and fair alternative for addressing the Board's concern and urges this Board to adopt its proposal.

All of this which is respectfully submitted this 26th day of June, 2003.

THACKRAY BURGESS

Per: _____
on behalf of Canadian Natural Resources Limited