



June 26, 2003

Alberta Energy and Utilities Board  
Applications Branch  
640 - 5<sup>th</sup> Ave SW  
Calgary, Alberta  
T2P 3G4

Attention: Terry Abel, P.Eng

**Re: Submission in respect of General Bulletin GB 2003-16 – Epact Exploration Ltd**

Epact Exploration Ltd (Epact) is a leaseholder of P&NG rights in the Liege and Chard strike areas which fall in to the Athabasca Oil Sands Area.

Epact is a small, private energy company, owned by 55 shareholders, most of which are Albertans. We have interests in 74 well bores in Liege and 16 well bores in Chard which will be impacted by the conservation policy proposed in GB 2003-16. A complete shut in of these gas wells will be devastating for Epact as they represent approximately 25% of our asset base. This issue has a significant impact on our continued commercial viability.

The conservation policy proposed in this GB 2003-16 represents a distinct departure from the AEUB's values of **Fairness** and **Competence**. We believe the actions that the AEUB has taken relative to the bulletin will have a lasting negative effect on the discovery, development and delivery of hydrocarbon resources in northeastern Alberta. This policy has already, and will in the future lead to impacts which do not benefit Albertans. **For these reasons we request that the AEUB retract GB 2003-16 and conduct a dialogue with stakeholders (industry, province) that will result in a revised, workable conservation policy that will have a positive impact on the recovery of hydrocarbon resources in northeastern Alberta.**

**Fairness** { --encompasses objectivity impartiality, openness, independence, respect, integrity, and honesty }

Epact has interests in gas wells drilled on P&NG leases that were acquired from the Crown on the basis of good faith transactions. Each one of these wells has been permitted and approved without reservation by the AEUB. The wells were drilled, completed and tied-in in accordance with the laws of the province of Alberta and in accordance with industry best practices. Irrespective of opinion as to the impact of gas production on recovery of underlying bitumen, shutting in of these wells would speak to

a lack of fairness and integrity in the mineral rights offerings of the Crown, and the approval process of the AEUB. **Wells grandfathered under ID 99-1 and those since approved by the AEUB under the auspices of the directive should not be shut in under GB 2003-16 or any other board directive.**

Epact's development of the resources on its P&NG leases has been in recognition of the technical, economic, fiscal and regulatory risks associated with the oil and gas business in Alberta. Widespread confiscation of producing rights has not, until now, been generally recognized as a risk in Alberta. **Cost of capital increases reflecting this new perceived risk will discourage resource development activity within the province.**

**Companies or individuals with P&NG rights confiscated or production shut in as a result of this policy are due full and fair compensation from the crown for proven and probable reserves, undeveloped land value and resource potential.** Epact's shareholders have already experienced real, measurable financial losses that result from the AEUB's actions in respect of this proposal.

**Competence** { -- includes commitment, accountability, excellence and recognized authority. }

The effect of gas production on the recovery of underlying bitumen is a complex technical issue that varies widely in its significance throughout the Athabasca Oil Sands Area. We are supportive of the principle of resource conservation, but believe that the principle must be applied on a case by case basis and always with sound technical and economic foundations. The conservation policy proposed by GB 2003-16 has been applied in a blanket manner and without a thorough site specific technical review. The blanket shut in proposed in GB 2003-16 has resulted in real costs for gas producers regardless of whether their production has any impact on the future recovery of underlying bitumen. Enacting of this conservation policy without first conducting a thorough site specific technical review is irresponsible. If the AEUB's current review process is inadequate in terms of the time required to get to site specific decisions, then fix the process...don't bring industry to a stand still! **In this regard we request that the AEUB defer the shut in of any Wabiskaw-McMurray gas production until a thorough site specific technical review involving all stakeholders is completed.**

Epact is supportive of a joint industry / AEUB initiative to develop a regional geologic model identifying the regional extent of "at risk" bitumen resources and non associated gas. It would be unwise and unfair to shut in gas production while this study is underway. The ultimate recovery from many gas wells could be reduced as a result of an extended shut in. An extended period of shut in may be especially burdensome on some producers...some producers may not have the resources to withstand an extended shut in period.

At Epact's Liege property, the AEUB has already characterized the bitumen resource as being "not exploitable with reasonably foreseeable technology and economic conditions", yet these wells are subject to the blanket shut in. What aspect of bitumen recovery will be impacted by gas production from these wells? Shutting in wells that produce gas from zones overlying unexploitable bitumen is not congruent with the AEUB's mission of delivering Alberta's resources "in a manner that is fair, responsible and in the public

interest." **On this basis we request that the AEUB further reduce the "new reduced application area" (NRAA) to exclude areas where the AEUB has already determined that the bitumen resource is unexploitable.**

### **Conclusion**

Epact is of the view that elements of the Conservation policy proposed under GB 2003-16 will lead to a destruction of value for Albertans in the short term, that may not be offset by increases in value for Albertans over the long term. The manner in which the policy is being implemented has resulted in real and unnecessary costs for industry participants for which the province bears a responsibility for compensation. **We recommend that the AEUB retract GB 2003-16 and start a process inclusive of industry to explore the complex gas over bitumen issue in regions where it has not already been addressed.** Retracting GB 2003-16, or significantly modifying its contents, will only partially offset damages that have already been caused. **We recommend that the province, AEUB and industry initiate a process to provides adequate compensation for these damages**

Sincerely

**EPACT EXPLORATION LTD.**

*{ original signed by }*

J.Steven Hunter P.Eng, MBA  
Chief Operating Officer