

26 June 2003

**Alberta Energy and Utilities Board,**  
Applications Branch,  
640 – 5<sup>th</sup> Avenue, S.W.,  
**CALGARY**, Alberta,  
T2P 3G4.

Attention: Mr. Terry Abel, P.Eng.

**RE: Response to GB 2003-16**

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We support the request made by the Northeast Gas and Bitumen Producers for a delay in the implementation of the natural gas shut-ins proposed by GB 2003-16 pending a comprehensive government/industry review of the gas/bitumen issue.

In taking this position, we agree that a speedy resolution of this issue is required. However, we believe that the issues raised by GB 2003-16 are so large and so critical to both the Province and the industry that they can and should only be proceeded with after the completion of a review and resolution process in which all relevant stakeholders (including the Department of Energy) are involved and all relevant impacts and potential options and courses of action are considered in a collaborative, as opposed to adversarial, manner. We respectfully submit that these factors extend beyond pure conservation considerations and include critically important issues relating to investment certainty and investor confidence and Alberta's position as a reliable source of natural gas for the North American economy. Like many of our industry partners we firmly believe that a workable solution to this issue can be found that properly accommodates all of the competing interests that are at stake.

To the extent that this review confirms that natural gas shut-ins are required, it is our view that issues relating to compensation must be addressed and resolved as part of the collaborative process. We submit that fundamental principles of equity and fairness require that agreements on compensation be reached prior to the implementation of decisions such as the natural gas shut-ins proposed by GB 2003-16.

In making these statements, Husky, of course, acknowledges the efforts made by the EUB to remove the uncertainty surrounding natural gas exploration and development in a portion of the Athabasca Oil Sands Area, and supports the Board's decision to eliminate the application requirement for gas production outside the amended area of concern and to promptly close and return all outstanding applications. Nonetheless, the scope of the shut-ins proposed by GB 2003-16 remains so large, and the issues raised by such a course of action so fundamental and wide ranging both for the Province and the industry, we feel obligated to make these submissions.

We would advise that by a copy of this letter to the Department of Energy we are requesting that the Department re-consider its decision set out in IL 2000-36 to have normal lease continuation rules apply in the portions of the Athabasca Oil Sands Area outside the moratorium area. We respectfully submit that GB 2003-12 and GB 2003-16 have confirmed the degree of regulatory uncertainty, and the wide range of potential outcomes, that - exist with respect to this issue, and the resulting need to delay drilling activities until this uncertainty is resolved. While in Husky's case this resolution appears - in large part at least - to have finally

occurred, it is now too late for Husky to drill many of the leases it holds in the Athabasca Oil Sands Area if normal continuation rules continue to apply.

As the Athabasca Oil Sands Area is a winter access area only Husky will only be in a position to undertake previously deferred drilling activities in the upcoming winter drilling season. We appreciate that neither the EUB nor the Department of Energy intended that such a high level of instability and uncertainty should exist with respect to this issue or that it should persist for the length of time that it has. Be that as it may, we submit that GB 2003-12 and GB 2003-16 confirmed the potential risks that companies would have run in undertaking drilling programs in the Athabasca Oil Sands Area, and justifies a reconsideration of IL 2000-36. Simply put, wells were not drilled because companies could not be sure they would see a return of their investment within a reasonable time frame, if at all.

We appreciate the enormous responsibility placed on the EUB, and the complexity of this and other issues that it is required to deal with. We are not in any way inferring that the EUB has not endeavoured to fulfill its mandate with respect to this issue with the same high degree of professionalism that it has always exhibited. Our point is that where, as is the case here, the issues and impacts are so fundamental and wide ranging, a broad government/industry collaborative process is required.

Yours truly

**HUSKY OIL OPERATIONS LIMITED**

R. S. Coward, (P.Eng.)  
Vice President  
Western Canada Production

cc: Hon. Murray Smith, Minister of Energy  
Mr. Bob Taylor, Department of Energy