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Alberta Energy and Utilities Board
Applications Branch
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Attention: Terry Abel, P.Eng.

June 26, 2003

Re: GB 2003-16 Proposed Conservation Policy Affecting Gas Production in Athabasca Wabiskaw-McMurray Oil Sands Areas

In General Bulletin 2003-16, the Alberta Energy and Utilities Board ("AEUB") requests submissions regarding the proposed policy to shut-in grandfathered gas wells in the Athabasca Oil Sands area. Imperial Oil Resources, Japan Canada Oil Sands Limited, Nexen Canada Ltd., and Petro-Canada Oil and Gas filed separate submissions dated May 12, 2003 as part of the initial consultation request of AEUB GB 2003-12 and would like to further add this joint response.

GB 2003-16 is the culmination of a long process of inquiry, industry consultation, examination of evidence and responsible decision-making on the part of the AEUB. In 1997, the Board held a public inquiry ("Public Inquiry") into gas/bitumen issues and in 1998, it issued its report "EUB Inquiry: Gas Production in Oil Sands Areas" (the "Inquiry Report"). In the Inquiry Report, the Board made a number of fundamental findings and policy determinations applicable to the gas/bitumen conflict. Following the issuance of the Inquiry Report, the Board, in consultation with industry, implemented ID 99-1 and enacted regulations expressly empowering the Board to shut-in gas. These were critical first steps to manage the conservation loss caused by associated gas production.

In 1999, the Board heard the Surmont Shut-in proceeding and, in March 2000 issued its decision, shutting in 146 producing Wabiskaw/McMurray gas wells at Surmont. The Board held that continued production of associated gas presented a significant risk to future bitumen recovery. In the Surmont Decision 2000-22, the Board applied many of the key findings made in the Public Inquiry, and made additional findings directly applicable to the Leismer/Chard Hearing. The result of the Public Inquiry and Surmont Decision 2000-22 was the clear and forceful statement of the Board that it would not permit large scale bitumen resources to be placed at risk through associated gas production.

The Chard-Leismer Hearing was convened in November 2001 and considered 27 applications from various parties to shut-in and to produce gas wells in the Chard area and Leismer Field. The Chard-Leismer Hearing was the third major proceeding heard by the Board focused on the potential negative impact caused to ultimate bitumen recovery through associated gas production. The Chard-Leismer Decision 2003-023 built on and furthered the fundamental underpinnings provided by the Public Inquiry and Surrmont Decision 2000-22, and resulted in the denial of Wabiskaw-McMurray production from another 60 wells, and additionally, identified another 139 wells as presenting a significant risk to future bitumen recovery.

In each of the three major hearings, the Board found that the recovery of bitumen is jeopardized by continued gas production, and that the amount of bitumen at risk is substantially greater than the remaining gas reserves. The AEUB is fulfilling its public interest mandate by shutting in natural gas to preserve a far more valuable resource. The importance of protecting this resource for the future benefit of Albertans cannot be disputed.

After the industry consultation process regarding grandfathered gas production afforded by GB 2003-12, GB 2003-16 was issued. We believe that the process outlined in GB 2003-16 is a prudent and pragmatic response to conservation concerns and concerns raised by both bitumen and gas producers, and we fully support this AEUB initiative.

We would like to offer the following comments with respect to the policy outlined in GB 2003-16. These additional considerations will, in our estimation, enhance the policy and provide for a quicker resolution of some of the issues in the gas/bitumen conflict.

1. Rescind the waivers for annual pressure test measurements on Wabiskaw-McMurray gas wells in the Athabasca Oil Sands Area.

All parties recognize that pressure data is important to demonstrating the extent of pressure communication through the region of influence. However, as noted in Decision 2003-023, pressure data in many areas is limited in quantity and some of it is of questionable quality. The Board should use this opportunity to ensure that such deficiencies are corrected in order to ensure the acquisition of an ongoing pressure database that reliably measures pressure trends. In order that this may be accomplished, we recommend that the Board rescind all waivers of annual pressure testing in the entire Athabasca Oil Sands Area.

2. Prioritize the review process

We recognize that the recommended policy for shutting in grandfathered gas production is to protect the more valuable bitumen resource. The Board has also noted that this process will after review, allow for gas to be approved for production where there is little or no risk of bitumen loss. In order to minimize the impact of this on gas producers who find themselves in these situations, we encourage the Board to initiate a process to allow for representations from gas and bitumen producers on how to prioritize this review process in the area of concern.

3. Support the ongoing pursuit of technical solutions

We support on-going and increased efforts to identify and study potential technical solutions to the gas-over-bitumen issue. Industry should be encouraged to undertake appropriate pilots and technology evaluations to address both industry and AEUB concerns regarding the impacts on the gas and bitumen resource.

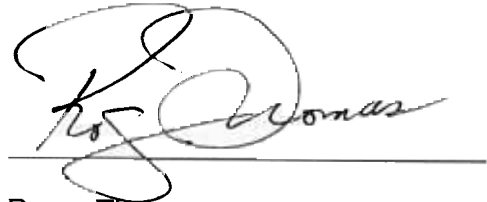
Pressure data from producing and shut-in Wabiskaw-McMurray gas wells will be invaluable to the resolution of this issue. Industry should be encouraged to investigate the issues of pressure data acquisition, beyond the requirements stated in AEUB Guide 40.

All stakeholders in the gas-over-bitumen issue should be encouraged to actively participate in the beneficial pursuits undertaken by the Technical Solutions Committee.

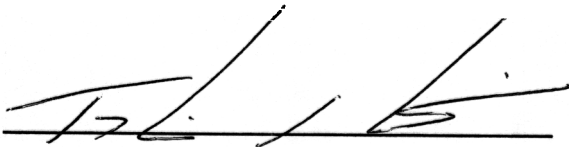
In conclusion, we fully support the Board's mandate to maximize resource conservation and the Board's action taken to minimize further negative impact from continued pressure depletion caused by gas production. This action prudently addresses the protection of the public interest. We believe consideration of the above points will enhance the resolution of this issue to all parties concerned.



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