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| <b>EUB RESOURCES APPLICATIONS</b> |
| DATE REGISTERED                   |
| <b>JUN 26 2003</b>                |
| SUBMISSION # <u>11670</u>         |
| REF: APPLN # _____                |

**THE ALBERTA ENERGY AND UTILITIES BOARD**

**GENERAL BULLETIN GB 2003-16**  
**GAS PRODUCTION IN OIL SANDS AREAS**

**SUBMISSION OF THE**  
**SMALL EXPLORERS AND PRODUCERS ASSOCIATION OF CANADA**

June 25, 2003



**Small Explorers and Producers Association of Canada**

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June 25, 2003

Via E-mail and Hand Delivery

Terry Abel, P. Eng.  
Applications Branch,  
Alberta Energy and Utilities Board  
640 – 5 Avenue S.W.  
Calgary, AB T2P 3G4

Dear Sir:

**Re: SEPAC Submission  
GB 2003-16 – Gas Production in Oil Sands Areas**

In accordance with the instructions set out in General Bulletin GB 2003-16, please find enclosed two (2) copies of the Submission of the Small Explorers and Producers Association of Canada. An electronic version of the Submission has been e-mailed to you at [terry.abel@gov.ab.ca](mailto:terry.abel@gov.ab.ca).

Communications relating to this Submission should be directed to:

Small Explorers and Producers Association of Canada  
1060, 717 – 7 Avenue S.W.  
Calgary, Alberta T2P 0Z3

Telephone: 403-269-3454  
Facsimile: 403-269-3636  
E-mail: [info@sepac.ca](mailto:info@sepac.ca)

Attention: Mr. D.L. Peterson

Yours very truly,

D.L. Peterson  
Chairman, Natural Gas Committee

DLP/tlm  
Enc.

SUBMISSION OF THE  
SMALL EXPLORERS AND PRODUCERS ASSOCIATION OF CANADA

GENERAL BULLETIN GB 2003-16 – GAS PRODUCTION IN OIL SANDS AREAS

**Introduction**

The Small Explorers and Producers Association of Canada (“SEPAC”) is an Association actively representing more than 380 member companies involved in the exploration for and production of crude oil and natural gas in the Province of Alberta. SEPAC was formed in 1986 to represent the unique interests of emerging oil and gas companies to the public, governments and other sectors of the oil and gas industry.

SEPAC member companies hold natural gas and bitumen rights within the Wabiskaw – McMurray Gas Production Application Area and will be impacted by the proposals outlined in the Alberta Energy and Utilities Board (“EUB/Board”) General Bulletin GB 2003-16. SEPAC therefore has a bona fide interest in these proceedings.

**Process**

SEPAC submits that in addition to the conservation issues considered by the Board, the potential shut in of as much as 2 per cent of Alberta’s natural gas production on August 1, 2003 warrants careful consideration of companion business and financial issues. While some of these issues may fall outside the mandate of the Board, SEPAC believes that a comprehensive solution requires consideration of impacts on the natural gas industry as well as bitumen producers.

Gas contracts, transportation agreements, facility arrangements and investment decisions will all be impacted from the industry side and the Province will be affected through royalties, lease sales and compensation claims. Ultimately natural gas consumers will also be impacted through price effects and a reduction in supply. None of these results are healthy for the natural gas industry, the Province or consumers.

A number of suggestions have been made in submissions in response to General Bulletin GB 2003-12 and General Bulletin GB 2003-16. SEPAC supports a process whereby the Board, Alberta Energy and the oil and gas industry work together to develop comprehensive solutions to the issue which address fairness, equity and compensation where required. A less than complete solution will satisfy few participants and lead to ongoing issues in the future. SEPAC is prepared to participate in such a process.

## Leases

Both bitumen owners and gas producers have rights to the Wabiskaw – McMurray Formation as granted through leases issued by the Crown. Given the competing natural gas and bitumen interests in the Wabiskaw – McMurray Gas Production Application Area, SEPAC proposes that no further Mannville zone split leases be issued by the Crown within this area in order to minimize future conservation and compensation issues. A moratorium on all Mannville lease sales, including Oil Sands leases, should be imposed until a comprehensive solution to current issues is achieved.

## Summary

SEPAC is not in favor of a blanket shut in of natural gas production within the Wabiskaw – McMurray Gas Production Application Area on August 1, 2003. SEPAC further believes that technology will play a very significant role in overcoming a number of challenges arising from the joint production of natural gas and bitumen.

SEPAC recognizes the complex nature of the issues being addressed and the competing interests of bitumen and natural gas producers. SEPAC does not support delay for the sake of delay but we do believe that more time is required to develop comprehensive solutions that consider not only conservation issues but also business, financial and industry impacts. Fairness, equity and compensation are necessary ingredients for a successful conclusion to a complex problem. SEPAC is prepared to participate in a joint Board, Alberta Energy and industry initiative to achieve this end.

All of which is respectfully submitted this 25<sup>th</sup> day of June, 2003

**SMALL EXPLORERS AND PRODUCERS ASSOCIATION OF CANADA**



Per: D.L. Peterson  
Chairman, Natural Gas Committee