



**Alberta Energy and Utilities Board  
GB 2003-16 – Proposed Conservation Policy Affecting Gas  
Production in Athabasca Wabiskaw-McMurray Oil Sands  
Areas**

**Submission of Talisman Energy Canada**

**June 26, 2003**

**ATTENTION: TERRY ABEL, P. ENG.**

Dear Sir:

**RE: GB 2003-16 REQUEST FOR SUBMISSIONS  
Proposed Conservation Policy Affecting Gas Production in Athabasca  
Wabiskaw-McMurray Oil Sands Areas**

Talisman Energy Canada (Talisman) submits the following response in relation to The Alberta Energy and Utilities Board's General Bulletin (GB 2003-16), in which the Board announced further steps to review and revise the Board's conservation policy respecting gas production from the Wabiskaw-McMurray formation in the Athabasca Oil Sands Area.

For purposes of the present submission, Talisman fully adopts its previous submission dated May 12, 2003 responding to GB 2003-12. In particular, Talisman reiterates the following points:

- Talisman does not support shutting-in of grandfathered Wabiskaw-McMurray gas production in the Talisman area of operations.
- Talisman's area of operations is west of the main bitumen trend and the Wabiskaw-McMurray bitumen within this area would never be considered for commercial production because of its thinness, poor porosity, low permeability, and the fact it is not continuous.
- The gas pools in Talisman's operating areas are generally small and isolated, indicating small regions of influence per 99-01.
- The practical application of Steam Assisted Gravity Drainage ("SAGD") operations in the foreseeable future is unreasonable for such poor quality bitumen.
- Talisman is not aware of any field evidence which demonstrates that gas production negatively affects SAGD bitumen recovery.
- Talisman believes potential solutions such as gas cap re-pressurizing should be investigated further and be considered a viable option.
- Talisman supports the concept of industry solutions with Board support. Most of the bitumen rights in Talisman's operating areas are undisposed, indicating the lack of interest in the bitumen in the subject operating areas. In areas where it has been disposed, Talisman has not received any objections to its gas production.
- Shutting in gas production from the Wabiskaw-McMurray Formation would have an immediate impact on production and cash flow. It would also have serious implications on many stakeholders including the Department of Energy, Talisman

shareholders, the local economy in Lac La Biche and surrounding communities, and the Oil and Gas industry in general.

- Talisman has invested substantially in the Athabasca Area over several decades and has been committed to building it into a core property. Should production be suspended indefinitely, Talisman expects compensation to be paid, either in the form of cash settlements or royalty waivers.

In respect to GB 2003-16 and the Board's proposed final policy, Talisman offers the following observations and concerns:

- Talisman estimates that the Board's final policy will have the effect of shutting in approximately 28 e3m3/d of Talisman gas production. Talisman's preliminary estimate is that the net present value of this shut in production is \$5.8 million. This value represents the shut-in production only and does not include less tangible losses such as the land and G&G related expenses that would be sterilized, increases in facility operating costs, and lost opportunity costs.
- The Board's decision to issue a blanket shut-in only makes sense if the bitumen is economic and can only be recovered using SAGD (i.e. alternative artificial lift methods are not viable). The Board's decision does not adequately address these issues.
- Proceedings and policy decisions to date appear to have ignored socio-economic, fiscal and compensatory issues.
- Talisman shares the concerns of other gas producers in this area about the process followed by the Board in issuing a policy that has the effect of shutting in production, including grandfathered production, without any formal hearing process. The process adopted by the Board is a denial of natural justice and procedural fairness to affected parties, including Talisman. In particular, Talisman is concerned that:
  - The Board is making far reaching bitumen conservation decisions on its own cognizance without the benefit of weighing case by case circumstances or evidence.
  - The Board advises it is relying on its 'own knowledge' without indicating to affected parties what that knowledge is, or giving those parties an opportunity to rebut or address that knowledge.
  - The Board has taken very dramatic action without giving any meaningful explanation of the reasons or basis for its action.

- The Board intimates that it may conduct a review of other oil sands leaseholder shut in issues ‘on its own initiative’, suggesting it may seek to invoke this deficient process again in future cases.
- The Board’s proposed policy does not address the issue of compensation. Any decision of the magnitude of this proposed policy must be accompanied by government or regulatory proposals for the resolution of compensation issues. This Board decision has the effect of extinguishing grand-fathered natural gas rights issued by the Crown. The Crown must accept responsibility for Board actions affecting such rights.

Talisman plans to attend the two day consultation meeting starting July 3<sup>rd</sup>. If you have any questions with respect to this submission, please contact Peter Leveque at (403) 237 - 4781.

Respectfully Submitted,

**TALISMAN ENERGY CANADA**

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