

News Release

FOR IMMEDIATE RELEASE

CONSULTATION CONTINUES ON PROPOSED CONSERVATION POLICY AFFECTING GAS PRODUCTION IN ATHABASCA WABISKAW-MCMURRAY OILS SANDS AREAS

Calgary, Alberta (June 3, 2003) The Alberta Energy and Utilities Board (EUB) has issued General Bulletin 2003 - 16, which invites continued consultation on the EUB's proposed *Gas Production in Oil Sands Areas* conservation policy. Interested parties can provide submissions on the proposed policy and speak to their submissions, as well as those of others, at a public two-day consultation meeting beginning July 3, 2003, in Calgary.

The conservation of Alberta's energy resources is the responsibility of the EUB. For the past six years, the EUB has consulted with industry, held public hearings and gathered evidence regarding the effects of gas production on the recovery of crude bitumen in the geological strata known as the 'Wabiskaw-McMurray' of the Athabasca Oil Sands area. Crude bitumen is the hydrocarbon component found within an oil sands deposit.

As a result of that consultation and work, evidence has been brought forward that identifies a specific area of concern within the Wabiskaw-McMurray. The area of concern contains natural gas that lies in contact with significant bitumen reserves. When that natural gas is extracted, there is a drop in pressure within the gas zones. Evidence indicates that this leads to a risk of bitumen loss, as bitumen may not then be recovered through existing thermal recovery techniques, such as steam assisted gravity drainage (SAGD).

The amount of recoverable crude bitumen reserves at risk in the area of concern is about 100 billion barrels (16 billion cubic metres); an amount that is 60 times larger than Alberta's remaining established conventional oil reserves, or 7 times greater than all of the conventional oil ever produced in Alberta.

As evidence suggests that some Wabiskaw-McMurray gas pools are at an advanced state of depletion, and to provide more certainty for producers, the EUB will complete its consultation on the proposed conservation policy in early July 2003, and the completed policy will be released shortly thereafter.

Proposed Conservation Policy Affecting Gas Production

The *Gas Production in Oil Sands Areas* policy proposes to shut in gas production from the Wabiskaw-McMurray in about 900 gas wells within the area of concern. Some of these wells are currently not producing. Gas production will be allowed to continue from other geologic zones. Those gas wells currently producing from the Wabiskaw-McMurray account for about 2.5 billion cubic metres, or 90 billion cubic feet (about 2 per cent) of Alberta's total *annual* natural gas production, or about 30 billion cubic metres, or one trillion cubic feet (about 2 per cent) of Alberta's *remaining* natural gas reserves. The energy content of the crude bitumen reserves at risk is about 600 times larger than the energy content of the proposed shut in Wabiskaw-McMurray gas production.

This policy also proposes that the EUB would then complete a review of potential bitumen loss in the area of concern. Following that review, gas production would then be allowed in the area of concern where there is little or no risk of bitumen loss.

Gas Production Outside the Area of Concern

The EUB also announces that effective immediately, gas production outside of the Wabiskaw-McMurray area of concern, where there is little or no risk of bitumen loss, will no longer require an application to the EUB for gas production approval.

The EUB ensures that the discovery, development, and delivery of Alberta's resources and utilities services take place in a manner that is fair, responsible, and in the public interest.

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Note to Editors: Attachments include:

- Timeline of EUB Consultation and Activities Regarding the Conservation of Bitumen
- A list of companies that forwarded submissions to the EUB regarding a previous EUB General Bulletin released April 3, 2003 entitled *EUB General Bulletin GB 2003-12: Gas Production in Oil Sands Areas*,

Note to Editors: See the EUB web site for:

- EUB General Bulletin 2003 - 16: Gas Production in Oil Sands Areas,
- The EUB's proposed *Gas Bitumen Policy for the Athabasca Wabiskaw-McMurray*.

This news release and attachments are available on the EUB Web site at www.eub.gov.ab.ca.

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Timeline of EUB Consultation and Activities Regarding the Conservation of Bitumen

The EUB continues to be concerned about the conservation of bitumen in oil sands areas of the province where the bitumen is associated with an overlying gas zone. Over the past six years, the EUB has undertaken a number of activities aimed at understanding the issue of conservation of bitumen in the oil sands areas of the province where the bitumen is associated with an overlying gas zone:

- The EUB held an inquiry into the matter of gas production from oil sands strata (EUB Inquiry, Gas/Bitumen Production in Oil Sands Areas, EUB Inquiry began in 1997 and was completed March 25, 1998).
- The EUB received and considered recommendations from the gas/bitumen committee on related issues (Recommendations on Gas/Bitumen Issues, July 10, 1998).
- The EUB received and considered recommendations from the industry/EUB committee on gas production application areas (Report of the Industry/EUB Committee, Gas Production Applications in Oil Sands Areas, November 24, 1998).
- The EUB issued an interim directive respecting gas/bitumen production in oil sands areas ([Interim Directive \(ID\) 99-1](#): Gas/Bitumen Production in Oil Sands Areas: Application, Notification and Drilling Requirements, February 1999).
- The EUB initiated a Government-Industry Advisory Group on Gas and Bitumen Conservation in Oil Sands Areas, which prepared draft recommendations on the subject (published on the EUB Web site, July 2001).
- The EUB issues EUB General Bulletin GB 2003-12: ([GB 2003-12](#)) Gas Production in Oil Sands Areas (April 3, 2003).
- The EUB issues EUB General Bulletin GB 2003-16: Gas Production in Oil Sands Areas (June 3, 2003).

In addition, the Board has conducted two major public hearings during which it received and considered extensive evidence related to the production of gas from oil sands strata. These hearings considered:

- An application by Gulf Canada Resources Limited for the shut-in of gas production from the Wabiskaw-McMurray Formation in the Surmont Area (EUB Decision 2000-22, March 30, 2000), [Decision 2000-22](#)
- A number of applications related to the production and shut-in of gas from the Wabiskaw-McMurray Formation in the Chard/Leismer Area (EUB Decision 2003-023, March 18, 2003). [Decision 2003-023](#)

List of Companies Forwarding Submissions to the EUB Regarding EUB General Bulletin GB 2003-12: Gas Production in Oil Sands Areas

- EUB General Bulletin GB 2003-12: *Gas Production in Oil Sands Areas* was issued on April 3, 2003
- The following submissions and correspondence can be viewed on the EUB website at <http://www.eub.gov.ab.ca/BBS/applications/GasProdOilSands.htm>

Submission/Correspondence	Date
Submission from Husky Oil Operations Limited	May 14, 2003
Letter and Submission from TriQuest Energy Corp.	May 14, 2003
Submission from Devon Canada Corporation	May 12, 2003
Letter and Submission from BP Canada Energy Company	May 12, 2003
Submission from Talisman Energy	May 12, 2003
Submission from Imperial Oil Resources	May 12, 2003
Letter and Submission from Nexen Canada	May 12, 2003
Letter and Submission from ConocoPhillips Canada Resources	May 12, 2003
Submission from Japan Canada Oil Sands Limited (JACOS)	May 12, 2003
Letter and Submission from Encana Corporation	May 12, 2003
Letter and Submission from Viking Energy Ltd.	May 12, 2003
Submission by Paramount Energy Operating Group	May 12, 2003
Submission by Paramount Resources	May 12, 2003
Submission by Canadian Natural Resources	May 12, 2003
Letter and Submission by Stylus Exploration	May 12, 2003
Letter and Submission by Petro-Canada	May 12, 2003