

News Release

FOR IMMEDIATE RELEASE

EUB Issues Comprehensive Bitumen Conservation Requirements

Calgary, Alberta (July 22, 2003) Following six years of consultation and work, the Alberta Energy and Utilities Board (EUB) has issued *General Bulletin GB 2003 – 28*, which sets out comprehensive Bitumen Conservation Requirements to address the risk of natural gas production on bitumen recovery in the Athabasca Oil Sands Area.

“The EUB’s Bitumen Conservation Requirements are a fair and measured approach to the most significant energy conservation issue that the Board has faced since its inception in 1938,” stated EUB Chairman Neil McCrank. “The conservation of Alberta’s energy resources is the responsibility of the EUB, and these Requirements clearly reflect the best interests of all Albertans, both today and into the future.”

Since 1997, the EUB has consulted with industry, held public hearings and reviewed evidence regarding the potential effects of gas production on the recovery of bitumen in the geological strata known as the Wabiskaw-McMurray of the Athabasca Oil Sands Area.

As a result of that consultation and work, the EUB believes there is an immediate and continued risk to bitumen recovery from the production of natural gas from an area of concern within the Athabasca Oil Sands Area. The energy content of the bitumen reserves at risk is about 600 times larger than the energy content of the gas in the area.

There are 938 gas wells in the Wabiskaw-McMurray that are of concern to the EUB. This area contains natural gas that is in contact with some of the highest quality bitumen resources in the province. As this natural gas is extracted, there is a drop in pressure within the gas pools. The EUB believes this leads to an unacceptable risk to bitumen recovery using thermal techniques, such as steam assisted gravity drainage (SAGD). The EUB is of the view that there are currently no proven technologies that satisfactorily mitigate this risk. The EUB has also begun a regional geological study to assess where Wabiskaw-McMurray gas is not in contact with potentially recoverable bitumen.

To ensure a continued fair and measured approach to the issue of bitumen conservation, the EUB will use a phased approach to address relevant concerns advanced by interested parties. During this phased approach the gas production status of these wells is temporary. When the regional geological study is complete, the EUB will make a final decision as to whether each well may produce or be shut in.

Phase 1: Interim Shut-In Order and Exemptions

Effective September 1, 2003, the EUB will order the interim shut-in of Wabiskaw-McMurray gas production in the area of concern, unless operators file a temporary exemption with the EUB. Temporary exemptions will be provided for wells where operators have evidence that natural gas extraction does not affect the potential extraction of bitumen.

Phase 2: Expedited Review of Exemptions

Exempted wells contested by the EUB or affected parties will be addressed on an interim basis through an expedited EUB process. If contested, the gas operator must produce evidence in support of the exemption. If an operator fails to produce the evidence, the producing zone will be subject to immediate interim shut-in, and the EUB may audit that operator’s remaining exempted wells. Evidence of further noncompliance will invoke the EUB’s general enforcement process.

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Phase 3: Full Review at an EUB Hearing

Upon completion of all or a portion of the regional biological study, the EUB will notify affected parties of its intention to continue or vary the well's gas production status. If an affected party objects, an EUB hearing will be held regarding the matter.

EUB/Industry Meeting

The EUB may convene a meeting with senior industry executives to discuss the timely completion of the regional study and other relevant issues.

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:

- x Backgrounder
- x Timeline of EUB Consultation and Activities Regarding the Conservation of Bitumen
- x A list of companies that forwarded submissions to the EUB regarding a previous EUB General Bulletin entitled EUB General Bulletin GB 2003-16: Gas Production in Oil Sands Areas
- x The EUB's General Bulletin GB 2003-28

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BACKGROUND

Oil Sands and Bitumen

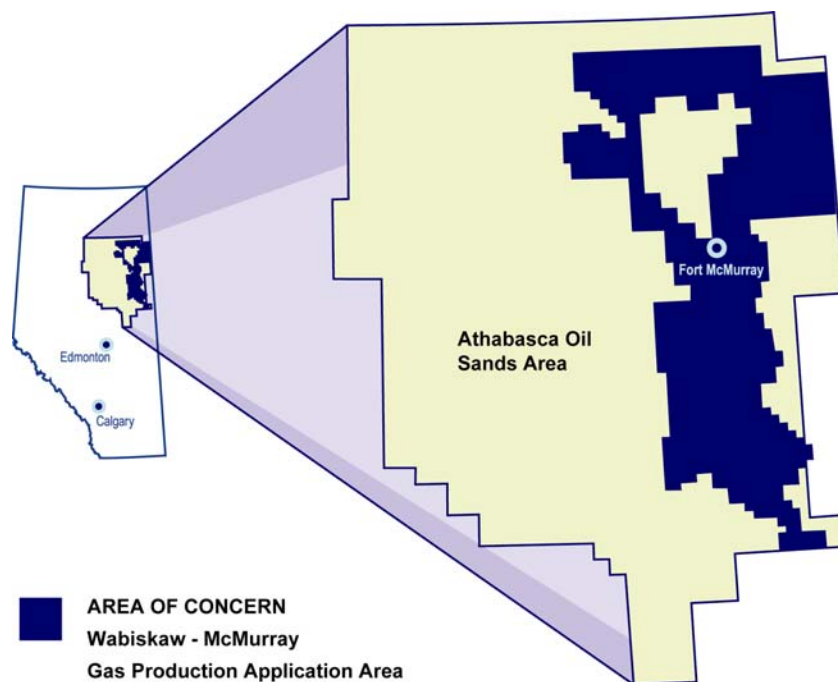
- Alberta's oil sands are a mixture of sand, clay, water and bitumen. Bitumen is thick, heavy oil with the consistency of molasses and is contained within the spaces between sand grains.

Amount of Recoverable Bitumen Reserves at Risk

- The amount of recoverable bitumen reserves at risk in the area of concern is about 100 billion barrels.
- The Bitumen Conservation Requirements order an interim shut-in of gas production from the Wabiskaw-McMurray in 938 gas wells (subject to potential temporary exemptions) 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 about 90 billion cubic feet (about 2 per cent) of Alberta's total *annual* natural gas production, or about 30 billion cubic metres, or about one trillion cubic feet (about 2 per cent) of Alberta's *remaining* natural gas reserves.
- The energy content of the bitumen reserves at risk is about 600 times larger than the energy content of the interim shut-in Wabiskaw-McMurray gas production.

Facts and Figures about Alberta's Energy Industry

- The Alberta Energy and Utilities Board is responsible for regulating;
 - 110,000 operating gas and oil wells (including 69,695 gas wells)
 - 16,527 oil batteries and satellites
 - 733 gas plants
 - 317,000 km of pipelines
- In 2002, Alberta produced;
 - 303 million barrels of bitumen
 - 264 million barrels of crude oil
 - 4.8 trillion cubic feet of natural gas
- In 2002, Alberta's energy reserves included;
 - 174 billion barrels of remaining established bitumen
 - 1.6 billion barrels of remaining established crude oil
 - 42 trillion cubic feet of remaining established natural gas
- Every year, the EUB effectively processes about 30,000 applications relating to energy facilities (including wells, pipelines, batteries and gas plants), resources, and utilities



Timeline of EUB Consultation and Activities Regarding the Conservation of Bitumen

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, 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: 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).
- The EUB holds a consultation meeting with interested parties regarding the proposed Gas Production in Oil Sands Areas conservation policy (July 3-5, 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),
- 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).

**GAS PRODUCTION IN OIL SANDS AREAS
SUBMISSIONS AND CORRESPONDENCE RESPECTING GB 2003-16**

Submission/Correspondence	Date
<u>Letter and Submission from Purcell Energy Ltd.</u>	June 27, 2003
<u>Letter and Submission from EnCana</u>	June 26, 2003
<u>Submission from Paramount Energy Operating Corp</u>	June 26, 2003
<u>Appendix IIIB</u> (Excel file)	
<u>Appendix IIIC</u> (Excel file)	
<u>Appendix IIID</u> (Excel file)	
<u>Submission from Viking Energy Ltd.</u>	June 26, 2003
<u>Technical Report by Fekete Associates Inc.</u>	
<u>Submission from TriQuest Energy Corp.</u>	June 26, 2003
<u>Technical Report by Fekete Associates Inc.</u> <u>Collaborative Solution</u>	
Submissions from Paramount Energy Trust Unitholders	June 26, 2003
<u>Jim Baillie</u>	
<u>Louis R. Dufresne</u>	
<u>Bruce Gordon</u>	
<u>Barry Mackenzie</u>	June 26, 2003
<u>Ross M. Turner</u>	
<u>Submission from PrimeWest Energy Inc.</u>	
<u>Letter and Submission from AltaGas Services Inc.</u>	June 26, 2003
<u>Submission from NOVA Gas Transmission Ltd. (NGTL)</u>	June 26, 2003
<u>Letter and Submission from Paramount Resources</u>	June 26, 2003
<u>Letter and Submission from CNRL</u>	June 26, 2003
<u>Submission from Sepac (Small Explorers and Producers Association of Canada)</u>	June 26, 2003
<u>Letter and Submission from Petro-Canada</u>	June 26, 2003
<u>Joint Submission from Imperial Oil, JACOS, Nexen and Petro-Canada</u>	June 26, 2003
<u>Submission from Husky Oil Operations Ltd.</u>	June 26, 2003
<u>Letter and Submission from Devon Canada Corporation</u>	June 26, 2003
<u>Submission from BP Canada Energy Company</u>	June 26, 2003
<u>Submission from Canadian Forest Oil Ltd./ProMark</u>	June 26, 2003
<u>Letter and Submission from Superman Resources Inc. (SRI)</u>	June 26, 2003
<u>Letter and Submission from Stylus Exploration Inc.</u>	June 26, 2003
<u>Submission from Epact Exploration Ltd.</u>	June 26, 2003

<u>Submission from Talisman Energy</u>	June 25, 2003
<u>Letter and Submission from ISH Energy Ltd.</u> (Report from Fekete Associates Inc.)	June 26, 2003
<u>Letter and Submission from ISH Energy Ltd.</u>	June 25, 2003
<u>Letter from Taurus Exploration</u>	June 25, 2003
<u>Letter and Submission from Giant Grosmont Petroleum Ltd.</u>	June 25, 2003
<u>Letter and Submission from C.P. Services Ltd.</u>	June 24, 2003