

News Release

FOR IMMEDIATE RELEASE

EUB Releases Final Bitumen Conservation Decision

Calgary, Alberta (November 10, 2005) - The Alberta Energy and Utilities Board (EUB) has issued Decision 2005-122 which addresses the risk that natural gas production poses to the recovery of bitumen from the geological strata known as the Wabiskaw-McMurray in the Athabasca Oil Sands Area in north east Alberta.

Decision 2005-122 is the result of a public hearing held in Calgary from June 14 to August 12, 2005 where an EUB panel listened to all of the technical, geological and relevant evidence on the bitumen conservation matter. Two previous EUB hearings on the bitumen conservation issue were held in 2004; those proceedings were interim hearings with a limited scope. Parties participating in this year's hearing were allowed to ask the Board to consider again the rulings the EUB made in the previous two interim decisions. In the next few weeks, the EUB will issue a report which will contain the detailed reasons for the rulings contained within Decision 2005-122.

The EUB believes that the production of certain natural gas in the Wabiskaw-McMurray, if allowed, would put bitumen recovery at risk. The EUB has found that as this gas is produced, it poses an unacceptable risk to bitumen recovery using thermal techniques, such as steam-assisted gravity drainage.

The Board had previously estimated that gas comprising about 280 billion cubic feet (about 0.7%) of Alberta's remaining gas reserves, or about 45 billion cubic feet (about 0.9%) of Alberta's annual natural gas production, was shut in following the 2004 interim hearings. Decision 2005-122 rules that production from certain Wabiskaw-McMurray gas zones will not be allowed in 917 wells. This final decision represents no significant change from the gas estimated to be affected by the 2004 interim decisions.

The decision conserves about 25.5 billion barrels of potentially recoverable Wabiskaw-McMurray bitumen that is in contact with the shut-in gas, which is about 14.6% of Alberta's remaining bitumen reserves. The energy content of the bitumen reserves conserved through the decision is about 500 times larger than the energy content of the shut-in gas production. The decision reflects the EUB's mandate, which is to ensure that Alberta's energy resources are conserved, and not wasted.

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 in the oil sands.

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: this news release contains two attachments. For more information, please contact:

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EUB Backgrounder: Timeline of Bitumen Conservation Events

- 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 issued EUB [General Bulletin GB 2003-12: Gas Production in Oil Sands Areas](#) (April 3, 2003).
- The EUB issued EUB [General Bulletin GB 2003-16: Gas Production in Oil Sands Areas](#) (June 3, 2003).
- The EUB held a consultation meeting with interested parties regarding the proposed Gas Production in Oil Sands Areas conservation policy (July 3-5, 2003).
- The EUB issued comprehensive Bitumen Conservation Requirements and EUB [General Bulletin GB 2003-28](#) to address the risk of natural gas production on bitumen recovery in the Athabasca Oil Sands Area (July 22, 2003).
- The EUB released a [Regional Geological Study](#), which identifies where natural gas in contact with bitumen in the Wabiskaw McMurray (January 2, 2004).
- EUB Staff Submission Group released [Recommendations for Production Status of Gas Wells Athabasca Wabiskaw-McMurray](#) (January 26, 2004).

EUB Backgrounder: Timeline of Bitumen Conservation Events – cont'd

The EUB has also conducted public hearings during which it received and considered extensive evidence related to the production of gas from oil sands strata.

- EUB conducted a public hearing regarding 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).
- EUB conducted a public hearing regarding 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).
- EUB conducted an interim public hearing regarding parties who challenged some recommendations of an EUB Staff Submission Group relating to the shut-in or continued production of wells in the Wabiskaw-McMurray ([EUB Decision 2004-045](#), EUB Order 04-01, June 8, 2004).
- EUB conducted an interim public hearing for gas wells that were previously ruled on in the Chard/Leismer decision ([EUB Decision 2004-062](#), July 27, 2004).
- EUB conducted a pre-hearing which established the scope of the EUB's Phase 3 final hearing on Bitumen Conservation in the Athabasca Oil Sands Area, and set a date for the initial filing of evidence in the hearing ([EUB Decision 2004-088](#), October 14, 2004).
- EUB conducted a hearing on the bitumen conservation matter and allowed full consideration of all issues. The EUB did not impose restrictions on the evidence parties presented at this final hearing ([EUB Decision 2005-122](#), November 10, 2005).

EUB Backgrounder: Steam Assisted Gravity Drainage

Steam Assisted Gravity Drainage (SAGD)

Steam assisted gravity drainage (SAGD) is a process used to recover bitumen from oil sands. Typically, pairs of horizontal wells are drilled, one for steam injection and one for production. Under the ground, the horizontal wells run parallel to each other in the bitumen zone, with the production well located below the injection well. Steam is injected into the reservoir from the injection well, and as the steam permeates the oil sands, the bitumen is heated, allowing it to flow, and the bitumen is then pumped to the surface via the production well.

Two schematics are available that illustrate the effect a pressure depleted gas pool can have on the steam injected by a SAGD operation in an underlying oil sands zone. In the undepleted case, the steam is mostly contained within the oil sands zone where it is able to heat the bitumen so that bitumen can flow to the producing well. In the depleted case, some of the steam escapes into the lower pressure gas pool and this steam is not available to heat the bitumen.

