

January 19, 2004

Mr. Neil McCrank, Q.C.
Chairman
Alberta Energy and Utilities Board
640 - 5 Avenue SW
Calgary, AB T2P 3G4

Dear Mr. McCrank:

RE: GB 2003-28 PROCESS TIMELINE

EnCana Corporation (EnCana), Devon Canada Corporation (Devon), Paramount Energy Trust (PET), and BP Canada Energy Company (BP) request modifications to the process timeline given in the EUB's January 2, 2004 News Release.

In its General Bulletin 2003-28, the Board said that the gas producers would be accorded due process in the Board's future actions on the gas over bitumen issue. Board counsel, in proceedings related to this matter, made strenuous representations that the gas producers would be accorded due process. What is being offered by the Board, in its proposed timeline, does not satisfy the requirements for due process.

We understand the proposed timeline to be:

December 31, 2003 Submission of 50% of data for new pressure survey requirements
January 2, 2004 Release of the Regional Geological Study ("RGS") and revised EUB Pool Orders
January 26, 2004 EUB Staff Submission Group ("SSG") release recommendations to continue or vary gas production status of well subject to EUB General Bulletin (GB) 2003-28.
February 9, 2004 Parties that disagree with the recommendations must notify the EUB's Board of the wells for which they wish to present their case at the interim hearing.
February 23, 2004 Parties file evidence supporting their case.

March 1, 2004 Submission deadline for remaining 50% of data for new pressure survey requirements and release of updated EUB Pool Orders
March 1, 2004 Parties file reply evidence.
March 8, 2004 EUB interim hearing begins.
Dates to be determined EUB final hearing begins, if required.

Further to a letter provided to you by Mr. Len Sali on behalf of Paramount Energy Trust on January 7, 2004, our position is that:

- 1) The EUB will not be in a technical position to release well researched recommendations to continue or vary the production status of gas wells by January 26, 2004 for reasons which include, but are not limited to, those outlined below:
 - a) Per the final conclusion of Dr. Wardlaw in Appendix A of the RGS (page 168), 'Pressure and potentiometric data should be used more extensively to provide evidence of pressure communication amongst stratigraphic units and between gas and bitumen zones within the McMurray-Wabiskaw interval.' We contend that the use of pressure data in only 10.6 percent of the gas pools evaluated, as is the case for the RGS, is not adequate to qualify any recommendations based on this study alone as well researched. In fact, we do not believe this level of analysis would qualify as acceptable engineering practice by APEGGA standards. Therefore, additional and extensive pressure assessment is required to meet acceptable standards of practice and we contend that adequate assessment is not possible by the Staff Submission Group, which we understand was constituted on January 5, 2004, in the three weeks contemplated by the current timeline.
 - b) Gas Producers are still collecting new pressure data as per the extensive pressure survey requirements of GB 2003-28. Some pressure data will not be available until March 1st, with as much as 50 percent of the data to be collected during January and February. Integration of all newly acquired data will most likely lead to additional and substantive changes to the EUB Pool Orders.

- c) Although plans do not appear to be in place to revise the RGS on an ongoing basis, the tables identifying non-associated and associated gas pools in the 'Communication Assessment' section of the RGS should be modified with changes to the EUB Pool Orders as they become available.
 - d) The glossary of the Regional Geological Study defines associated and non-associated gas with respect to its pressure communication with bitumen not potentially recoverable bitumen and the definition of potentially recoverable bitumen for the purposes of the study is 'Bitumen in the oil sands that has a minimum thickness of 10 m with a minimum bitumen saturation of 50 per cent. Consideration must be given to the volume of the bitumen encountered, the geological depositional environment, the presence of associated water zones, and the available well control.' (page 163 of RGS). As such, it is clear that the designation of associated gas in the study is not a designation of gas associated with potentially recoverable bitumen. As the latter should be the basis of any wells status redeterminations, it is our understanding that the SSG is charged with the task of establishing the occurrence and distribution of potentially recoverable bitumen, giving consideration to the factors included in the definition above. We believe it is physically impossible to complete this assessment in a well researched fashion in a three week time frame, particularly given the current designation of the SSG as 'independent' to Board staff.
- 2) The proposed schedule set out after January 26 is also extremely tight and does not allow for an adequate evaluation through the proposed hearing process following any well status redeterminations. Furthermore, the tight schedule is not warranted in light of the well shut-ins undertaken September 1, 2003 and the process for objections to exemptions provided by GB 2003-28. This comment is further validated when one considers the fact that the RGS identified even more wells that may have the potential to be shut-in. If any party had evidence that wells exempted from shut-in were producing under an unwarranted exemption, or that there was some urgency with respect to shut-in for conservation reasons, oil sands leaseholders, the EUB or other affected parties have a clear process available to undertake a shut-in request, as outlined in the description of Phase 2 in GB 2003-28. The fact that no challenges to the exemption process have occurred since September 2003 leads us to conclude that there is no urgency in releasing recommendations for further shut-ins or reversing the exemptions filed without solid and complete technical evidence. If in fact any oil sands leaseholder, EUB staff or any other party does identify wells or pools which should be dealt with on such an urgent basis as to justify precluding comprehensive analysis, there is a process in place to deal with these situations, which begins with the concerned party providing complete evidence to the EUB.
 - 3) With the three week timeframe for analysis by the SSG as presented above, one potential scenario is that the gas identified in the RGS as associated is simply translated into a well list and designated for shut-in. By our calculation, this would result in approximately 127 MMcf/d of additional natural gas production recommended for shut-in beyond the 95 MMcf/d actually shut-in on September 1st, for a total of 222 MMcf/d of the approximately 250 MMcf/d previously producing from the wells subject to Shut-in Order 03-001. If there are recommendations to shut-in additional wells released by the Board as scheduled, and there are a significant number of wells involved, the timeline to respond is extremely tight as

well. The gas producers as a minimum should be given time to collect, evaluate and interpret their pressure data, and also be given a fair amount of time to file their evidence supporting their case. The time listed is about a month, insufficient for the volume of work expected to prepare for any fair and comprehensive hearing process.

The hearing described in the attachment to your letter to Industry dated December 17, 2003 describes an interim hearing limited in scope to an assessment of the pressure communication with potentially recoverable bitumen. As per the referenced letter from Mr. Sali, which includes a request for a prehearing conference, we reiterate that it is unclear exactly what is contemplated for the content, format and nature of these proposed proceedings.

The process, as described in the news release, appears to be constructed to put all remaining producing gas wells in the study area on notice for shut-in, and to put the responsibility on gas producers to provide evidence why they should be kept producing. We have already made our best determination that the exempted wells should be allowed to produce, and suggest that the onus should be on the EUB or other affected parties to prove that the exemptions are not warranted.

While we remain fundamentally opposed to the current EUB process, we herein provide recommendations to modify the proposed process to allow for the consideration of additional data and for affected parties to more completely prepare their arguments, as described below. These recommendations should not be considered in any way to be an endorsement or acceptance of the EUB process:

December 31, 2003 Submission of 50% of data for new pressure survey requirements
January 2, 2004 Release of the Regional Geological Study ("RGS") and revised EUB Pool Orders
January 2, 2004 through Post April 1, 2004 Continuation of Phase 2 Objection to Exemption Process with extended timelines for expedited hearings to provide for integration of new pressure surveys
March 1, 2004 Submission deadline for remaining 50% of data for new pressure survey requirements and release of updated EUB Pool Orders

Post April 1, 2004

EUB release recommendations and technical evidence on an ongoing basis as required to continue or vary gas production status of wells or pools subject to EUB General Bulletin (GB) 2003-28.

Continued Release of updated EUB Pool Orders.

If the EUB, oilsands leaseholders or any other affected party brings forward recommendations and technical evidence to vary the production status of producing wells, gas producers will be provided with reasonable time to complete necessary technical work and file evidence. The most adequate process for review of specific wells and / or gas pools shall be determined in discussion between the Board and all interested parties at that time with regard to the scope and urgency of the review.

Clearly, the decisions being made have the potential to cost either gas producers, bitumen producers and/or the Government of Alberta a very significant amount of revenue, not to mention the significant impacts on local communities and the future economic development of both resources. We submit that a process which will lead to adequately researched recommendations and decisions is in the best interest of all parties. We can be available to discuss our position and this proposal for an alternative process at your earliest convenience.

Yours truly,

ENCANA CORPORATION

“Signed”

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**PARAMOUNT ENERGY OPERATING CORP.
as trustee of Paramount Operating Trust**

“Signed”

Susan Riddell Rose
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pc: The Honorable Murray Smith - Minister of Energy