October 15, 2009

ERCB issues interim bitumen conservation decision

*Decision shuts in natural gas production from 158 wells on an interim basis*

*Calgary...* The Energy Resources Conservation Board (ERCB) has issued *Decision 2009-061* which concludes that production of natural gas from 158 wells may present a significant risk to future in situ bitumen recovery and must be shut in, pending the outcome of a full ERCB hearing. The gas wells to be shut-in are located approximately 100 km north west of Fort McMurray.

This interim ERCB hearing dealt with applications from Sunshine Oilsands Ltd. and Total E&P Canada for the interim shut-in of gas production from certain wells. The gas wells that have been shut-in on an interim basis are licensed to Canadian Natural Resources Limited, Paramount Energy Operating Corp, and EnCana Corporation.

*Decision 2009-061* orders the interim shut-in of gas production from the 158 wells effective October 31, 2009. Production from those wells will remain shut-in pending the results of a final ERCB public hearing on this matter, which is expected to be held in early 2010. The estimated production of the shut-in natural gas is 940 thousand cubic metres per day (33 million cubic feet per day).

Gas production from these wells may lead to a risk to bitumen recovery. The geological strata at issue contain natural gas that is in contact with potentially recoverable bitumen. As this gas is extracted, there is a drop in pressure within the gas pools. Gas production in these circumstances may pose an unacceptable risk to bitumen recovery using thermal techniques, such as steam-assisted gravity drainage (SAGD).

The ERCB interim hearing on this matter was a written process from July 20 to August 31, 2009.

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