IN THE MATTER OF

MARAUDER RESOURCES WEST COAST INC.

AN APPLICATION FOR
COMMON CARRIER / COMMON PROCESSOR ORDERS
TO CANADIAN NATURAL RESOURCES LTD.
AND PIONEER NATURAL RESOURCES CANADA INC.

VELMA FIELD, BLUESKY POOL

DECISION

February 14, 2007

Before:

Anthony J. Pullman, Chairperson
and Commissioner

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APPENDICES

1.0 INTRODUCTION AND BACKGROUND

1.1 The Applications

By an Application dated June 16, 2006, Marauder Resources West Coast Inc. ("Marauder") applied pursuant to Section 65 of the Utilities Commission Act (the "Act", "UCA") for an Order declaring Canadian Natural Resources Limited ("CNRL") to be a common carrier and common processor of natural gas produced from the Velma Bluesky (2600) Pool (the "Pool") (the "Marauder CNRL Application"). By an Application dated June 16, 2006, Marauder also applied pursuant to Section 65 of the Act for an Order declaring Pioneer Natural Resources Canada Inc. ("Pioneer") to be a common carrier and common processor of natural gas produced from the Velma Bluesky (2600) Pool (the "Marauder Pioneer Application"). In each of the Marauder CNRL Application and the Marauder Pioneer Application (collectively, the "Applications"), Marauder requested that an Order made by the British Columbia Utilities Commission ("Commission", "BCUC") in response to the Applications be effective as of the date of the Applications and that, in the event it is necessary to share production from the Pool, the Commission direct the proportion of production to be taken by the common carrier from each producer or owner. Marauder submitted the same data in support of both of the Applications, and requested that the two Applications be reviewed as a single application with appropriate parties involved.

1.2 Section 67 Application

Marauder subsequently confirmed that it sought both common carrier declarations pursuant to Section 65 of the Act, and common processor declarations pursuant to Section 67 of the Act (collectively, "CC/CP Declaration"), to both CNRL and Pioneer with respect to gas produced from the Pool (Exhibit B-7, BCUC IR1, 1.1).

1.3 Procedural Conference

The Commission considered the submissions that it received at the August 2, 2006 Procedural Conference, and issued Order No. G-93-06 determining that the Marauder CNRL Application and the Marauder Pioneer Application should be reviewed in the same proceeding (Exhibit A-4).

1.4 Regulatory Timetable

Order No. G-93-06 also established the following Regulatory Timetable:

Intervenor and Interested Party Registration	Tuesday, July 25, 2006
Workshop	Tuesday, August 1
Procedural Conference	Wednesday, August 2
Commission and Participant Information Requests to Marauder	Tuesday, August 22
Marauder Responses to Information Requests	Friday, September 8
Intervenors Evidence	Friday, September 22
Commission and Participant Information Requests to Intervenors	Wednesday, October 11
Intervenor Responses to Information Requests	Friday, October 27
Pre-Hearing Conference	Wednesday, November 1
Public Hearing	Monday, November 6

In addition, in order to accommodate the scheduling constraints of the participants, the Commission removed any reference to a Commission-directed Negotiated Settlement Process from the Regulatory Timetable. Notwithstanding this deletion, the Commission encouraged the participants to continue their discussions and negotiations to resolve the matter while the Commission's process for the review of the Applications proceeded.

1.5 98(e) Application

On September 11, 2006 Marauder informed the Commission and parties to the hearing that on September 1, 2006 it had made an application to the Minister of Energy, Mines and Petroleum Resources under Section 98(e) of the Petroleum and Natural Gas Act ("PNGA"), for an order determining allocation of reserves for the Pool between CNRL and Marauder (Exhibit B-7, BCUC IR1, Appendix H).

By letter dated September 12, 3006 (Exhibit C2-5), Pioneer sought a ruling on whether the Commission's proceedings on the CC/CP Applications of Marauder would be conducted after or concurrent with the proceeding for the Application for a reserve allocation order that Marauder filed with the Ministry of Energy, Mines and Petroleum Resources ("MEMPR"). Commission Letter No. L-58-06 (Exhibit A-7) established a schedule for parties to file written submissions on the relative timing for the Commission's process to hear the CC/CP Applications.

By letter dated September 25, 2006 (Exhibit B-9) Marauder disagreed with Pioneer's request that the review of the CC/CP Applications be held in abeyance until the Application to MEMPR was decided, and submitted that Marauder would be unfairly prejudiced by a delay. Marauder stated that to its knowledge, MEMPR had not established a schedule to review the Application filed with it.

In a letter dated September 25, 2006 (Exhibit C3-2), MEMPR submitted that maintaining the concurrent reviews of Marauder's applications to the Commission and MEMPR was the preferred course of action.

By letters dated September 21, 2006 (Exhibit C1-7 and C1-8) CNRL submitted that the CC/CP Applications should be heard before the Application to MEMPR was considered. On September 27, 2006 (Exhibit C1-9), CNRL repeated its position that the CC/CP Applications should proceed first and identified certain logistical and procedural concerns if the proceedings were held concurrently.

By letter dated September 27, 2006 (Exhibit C2-7) Pioneer reiterated its submission that the Ministry's review should take place ahead of the proceeding for the Common Carrier/Common Processor ("CC/CP") Applications and expressed concern that the Ministry's review not follow the Commission's proceeding.

After considering the submissions from the parties, the Commission issued Letter No. L-59-06 and concluded that its hearing of CC/CP Applications should proceed as currently scheduled, since the schedule had been established for some time and the Commission was not persuaded that it should be varied in any substantive way (Exhibit A-8).

1.6 Revised Regulatory Timetable

By Letter No. L-59-06 dated September 29, 2006, the Commission established a Revised Regulatory Timetable that moved the date for filing Intervenor evidence to September 29, 2006 and included an extension to October 13, 2006 for submitting Information Requests on that evidence. In the CC/CP Applications, Marauder had requested that the Commission make common carrier and common processor declarations and also that it direct the proportion of production to be taken by the common carrier from each producer or owner. Notwithstanding that parties may have addressed this matter in filed evidence and in response to Information Requests, the Commission requested that parties provide a summary of their views regarding how the Commission should determine the quantity of gas a common carrier/processor must accept and carry from each producer or owner, by October 24, 2006 (Exhibit A-8).

1.7 Pre-Hearing Conference

At the Pre-Hearing Conference on November 1, 2006 Counsel for CNRL raised questions about the jurisdiction of the Commission to deal with the allocation of production from a gas pool in light of provisions in the PNGA, and whether the Commission needed to determine production allocation in order to avoid discrimination under the provisions of the Act. By Letter No. L-67-06, dated November 2, 2006 the Commission stated that it expected that its jurisdiction to make a determination on production allocation and whether it needed to make such a determination should be addressed in the Hearing and in Argument, and that it would not make a decision on these matters at this time.

In addition, as requested by the parties at the Pre-Hearing Conference, the Commission confirmed that it would not be making a determination on tariffs or fees that would apply for service provided by a Common Carrier or Common Processor, in its Decision at the conclusion of this proceeding (Exhibit A-12).

1.8 Public Hearing and Argument

A public hearing was held in Vancouver on November 6 and 7, 2006. Written Argument was submitted by Marauder on November 16, 2006. Pioneer, MEMPR and CNRL submitted Final Argument on November 23, 2006. Marauder submitted Reply Argument on December 5, 2006.

1.9 CNRL's Application to Reopen

By letter dated November 20, 2006 CNRL sought leave to reopen the evidentiary record to have certain correspondence admitted into evidence. After considering written submissions from all parties, the Commission issued Letter No. L-74-06 dated November 23, 2006 which denied this request (Exhibit A-14).

2.0 COMMON CARRIER/COMMON PROCESSOR APPLICATIONS

2.1 B.C. Legislative History

In 1979, the *Energy Act*, S.B.C. 1973 c. 29 (the "*Energy Act*") was amended by the *Energy Amendment Act, 1979*, S.B.C. 1979 c. 9. Section 3 of the amending statute introduced sections 86 (common carrier), 86.1 (common purchaser) and 86.2 (common processor) to the *Energy Act* to allow the Commission to make declarations for common carrier, processor and purchaser purposes. Prior to this amendment to the *Energy Act*, there was no statutory basis to make such declarations.

In 1980, with the introduction of the *Utilities Commission Act*, S.B.C. 1980 c. 60, those common carrier, processor and purchaser provisions became sections 82 to 84 of the UCA. These provisions remained relatively unchanged until 1998.

In 1998, upon introduction of the *Oil and Gas Commission Act*, S.B.C. 1998 c. 39, the authority to make common purchaser, processor and carrier declarations was removed from the UCA and was vested in the Oil and Gas Commission ("OGC"). However, the authority to establish the conditions under which the common processor, purchaser or carrier operated remained with the BCUC.

In 2003, with the introduction of the *Utilities Commission Amendment Act, 2003* S.B.C. 2003 c. 46, the power to make common carrier, purchaser or processor declarations was once again vested in the BCUC. The BCUC also retained the power to impose conditions on the common carrier, processor or purchaser operations.

At the time these Applications were filed, section 98(e) of the *Petroleum and Natural Gas Act*, R.S.B.C. 1996 c. 361 provided that the Minister of Energy, Mines and Petroleum Resources could by order restrict the amount of natural gas produced from a pool in a manner among wells in the pool such that each owner may produce or receive his or her fair share of the natural gas in the pool.

2.2 Alberta

The jurisdiction to hear common carrier, common purchaser and common processor orders as well as to make rateable allocation orders is set out in the Oil and Gas Conservation Act (R.S.A. 2000 c O-6) and resides with the Alberta Energy and Utilities Board ("AEUB"). The AEUB has published Directive 065 which, inter alia, sets out in detail how applicants should make applications and what criteria the AEUB will follow in making its determinations in these regards. The AEUB states at page 3 that it has "compiled this comprehensive directive to support a level playing field to all applicants".

Later in the document the AEUB states:

> "The purposes of the Oil and Gas Conservation Act (the Act) are, among other things, to effect the conservation of oil and gas resources, to afford each owner the opportunity of obtaining its share of the production of oil or gas from any pool, and to provide for economic, orderly, and efficient development in the public interest. Section 36 of the Act mandates the EUB to address all three of these purposes. Historically this legislation has been used only in the equity context and to allow for economic, orderly, and efficient development; other sections of the Act have been used to ensure conservation of resources" (Exhibit B-7, BCUC IR1, Appendix B, p.21).

2.3 The Applicable Act and Regulations

2.3.1 The Utilities Commission Act

Section 65 of the Act reads as follows:

"Common carrier

65 (1) In this section, **"common carrier"** means a person declared to be a common carrier by the commission under subsection (2) (a).

(2) On application by an interested person and after a hearing, sufficient notice of which has been given to all persons the commission believes may be affected, the commission may

(a) issue an order, to be effective on a date determined by it, declaring a person who owns or operates a pipeline for the transportation of

(i) one or more of crude oil, natural gas and natural gas liquids,
(ii) any other type of energy resource prescribed by the Lieutenant Governor in Council,

to be a common carrier with respect to the operation of the pipeline, and

(b) in the order establish the conditions under which the common carrier must accept and carry energy resources.

(3) On application by a person that uses or seeks to use facilities operated by a common carrier, the commission, by order and after a hearing, sufficient notice of which has been given to all persons the commission believes may be affected, may establish the conditions under which the common carrier must accept and carry crude oil, natural gas, natural gas liquids or prescribed energy resources referred to in subsection (2) (a).

(4) A common carrier must not unreasonably discriminate

(a) between itself and persons who apply to the common carrier to transport, in its pipeline, crude oil, natural gas, natural gas liquids or prescribed energy resources referred to in subsection (2) (a) (ii), or

(b) among the persons who so apply.

(5) A common carrier must comply with the conditions in any order applicable to the common carrier that is made under this section.

(6) The commission may, by order and after a hearing, sufficient notice of which has been given to al persons the commission believes may be affected, vary an order made under this section.

(7) If an agreement between a common carrier and another person

(a) is made before an order is made under this section, and

(b) is inconsistent with the conditions established by the commission in an order made under this section,

the commission may, in the order or in a subsequent order, after a hearing, sufficient notice of which has been given to all persons the commission believes may be affected, vary the agreement between the parties to eliminate the inconsistency.

(8) Subject to subsection (9), if an agreement is varied under subsection (7), the common carrier and the commission are not liable for damages suffered as a result of that variation by the other party to the agreement.

(9) Subsection (8) does not apply to a common carrier referred to in that subsection in relation to anything done or omitted by that person in bad faith."

"Common processor

67 (1) In this section, **"common processor"** means a person declared to be a common processor by the commission under subsection (2).

(2) On application by an interested person and after a hearing, sufficient notice of which has been given to all person the commission believes may be affected, the commission may issue an order, to be effective on a date determined by it, declaring the person that owns or operates a plant for processing natural gas to be a common processor of natural gas.

(3) On application by a person that uses or seeks to use facilities operated by a common processor, the commission, by order and after a hearing, sufficient notice of which has been given to all persons the commission believes may be affected, may establish the conditions under which the common processor must accept and process natural gas.

(4) A common processor must not unreasonably discriminate

(a) between itself and persons who apply for the services offered by the common processor, or

(b) among the persons who so apply.

(5) A common processor must comply with the conditions in any order applicable to the common processor made under this section.

(6) The commission may, by order and after a hearing, sufficient notice of which has been given to all persons the commission believes may be affected, vary an order made under this section.

(7) If an agreement between a common processor and another person

(a) is made before an order is made under this section, and

(b) is inconsistent with the conditions established by the commission in an order made under this section, the commission may, in the order or a subsequent order, after a hearing, sufficient notice of which has been given to all persons the commission believes may be affected, vary the agreement between the parties to eliminate the inconsistency.

(8) Subject to subsection (9), if an agreement is varied under subsection (7), the common processor and the commission are not liable for damages suffered as a result of that variation by the other party to the agreement.

(9) Subsection (8) does not apply to a common processor referred to in that subsection in relation to anything done or omitted by that person in bad faith."

2.3.2 Section 98 of the Petroleum and Natural Gas Act

Section 98 of the PNGA reads as follows:

Minister's regulations and orders

98 The minister may, by regulation of general application or by order related to a specific location or well, restrict the amount of petroleum or natural gas, or both, that may be produced in British Columbia by doing the following:

(a) to (c) [Repealed 2003-1-23.]

(d) limiting the total amount of natural gas that may be produced from a pool without waste, having regard to the market demand for natural gas, as determined by the minister, to an amount required for the efficient use of natural gas for the production of petroleum, and for the efficient utilization of the natural gas reserves of British Columbia.

(e) distributing the amount of natural gas that may be produced from a pool in a manner among the wells in the pool that each owner may produce or receive his or her fair share of the natural gas in the pool.

2.4 Decisions issued by the Commission

The following decisions of the Commission concerning Common Purchaser applications were entered as evidence in the hearing:

	Date	Number	Applicant	Declaree	
A2-1	15/8/80	COM-14-80	Sabine	BCPC	Common Purchase/Allocation
A2-2	15/8/80	COM-13-80	Suncor	BCPC	Common Purchaser/Allocation
A2-3	11/4/80	COM-7-80	Westgrowth	BCPC	Common Purchaser/Allocation
A2-4	11/4/80	COM-6-80	Orbit	BCPC	Common Purchaser/Allocation
A2-5	11/4/80	COM-5-80	Westgrowth	BCPC	Common Purchaser/Allocation
A2-6	11/4/80	COM-4-80	Westgrowth	BCPC	Common Purchaser/Allocation
A2-7	26/9/80	U-COM-1-80	BCPC	-	Clarification of COM 4/5/6/7-80
A2-8	16/10/80	U-COM-2-80	Baayland	BCPC	Common Purchaser/Allocation
A2-9	28/5/81	COM-8-81	Orbit	BCPC	Common Purchaser/Allocation
A2-10	6/7/81	COM-10-81	Silverton	BCPC	Common Purchaser/Allocation
A2-11	23/10/81	COM-13-81	Westgrowth	BCPC	Denied
A2-11	23/10/81	COM-12-81	Westgrowth	BCPC	Common Purchaser/Allocation
A2-12	28/10/82	COM-5-82	Rupertsland	BCPC	Common Purchaser/Allocation
A2-13	19/11/82	COM-6-82	Dome	BCPC	Common Purchaser/Allocation
A2-14	8/10/85	COM-2-85	Wainoco	-	Revision and variance of U-COM-2-80

All these decisions relate to applications to have the BC Petroleum Corporation (“BCPC”) declared a common purchaser and to allocate the volume of gas the BCPC was under contract to take from a particular pool at a time when the BCPC was the sole purchaser and aggregator of gas in British Columbia. There are no prior BCUC decisions on applications for common carrier or processor orders.

3.0 THE APPLICATIONS

3.1 Application Against CNRL

3.1.1 Application Against CNRL

Marauder applies, under Sections 65 and 67of the Act, for an order declaring CNRL to be a common carrier and processor of natural gas produced from the Pool. This gas would be transported from the CNRL wellsite at Velma d-28-B/94-H-8 ("d-28-B") to the southeast and processed at CNRL's Ladyfern gas plant at b-17-I/94-H-1 ("b-17-I").

Marauder also requests, pursuant to Sections 65 and 67 of the Act, that the order be effective as of the date of the application (June 16, 2006) and that the Commission direct the proportion of production to be taken by the common carrier from each producer or owner. Marauder proposes that the two Marauder and Talisman wells, namely b-37-B/94-H-8 and a-38-B/94-H-8, ("b-37-B" and "a-38-B" respectively) would receive 29.0 percent and 52.0 percent of the Pool's production respectively, based on phi-h mapping and that it would only be necessary to direct the proportion of production if the Commission deems it necessary to share production from the Pool. Marauder proposes that CNRL as the common carrier would take delivery of production at its well d-28-B/94-H-8 (Exhibit B-1-1, p. 1). ["phi-h" is the measure that Marauder proposes be used for the determination of the rateable take per well for the Velma Bluesky Pool. It is the product of "phi" multiplied by "h"; where "phi" is the ratio of the interstices or voids to the total volume of the material, represented as a fraction, and "h" is the net pay in the Bluesky formation, in metres (Exhibit B-1-1, Tab 3, p. 1)].

Marauder submits that a CC/CP Declaration to CNRL would afford Marauder the opportunity of obtaining its share of the production of gas from the Pool and to provide for economic, orderly, and efficient development of the gas resource in the public interest. Marauder specifically believes that a CC/CP Declaration to CNRL would mean that CNRL would accept Marauder's gas at d-28-B for transportation to and processing at b-17-I where it would provide inlet separation, compression and dehydration on a "best efforts" basis. Marauder submits that it believes CNRL has surplus capacity

available but that if in the future CNRL became unable to legitimately handle Marauder's gas, and the parties were unable to reach a compromise agreement, Marauder would expect that CNRL would seek to vary its obligations by applying to the Commission for appropriate relief (Exhibit B-7, BCUC IR1, 3.1).

Marauder submits that excess capacity exists in the CNRL pipeline and processing facilities sufficient to handle Marauder's expected Velma volumes. However, if sufficient capacity does not exist in the CNRL pipeline and processing facilities, Marauder proposes that CNRL and Marauder should proportionately share whatever capacity does exist for the Pool and that Marauder and CNRL should each be entitled to their respective share of any remaining CNRL and Marauder wells on production from the Pool, with the proportionate share, or rateable take entitlement, being based on Marauder's and CNRL's respective share of the Pool on a reserves basis. If there was only capacity for d-28-B then Marauder proposes such a solution being fair and equitable as it defaults to CNRL and Marauder's respective ownership of the reserves in question. Marauder states that if there is excess capacity then each party can determine their own exploitation method, number of wells, field compression, and if there is no excess capacity then both owners of the reserves in the Pool share what capacity is available in the form of a rateable take from whatever Velma Bluesky wells are on production (Exhibit B-7, BCUC IR1, 3.2).

However Marauder states that if, contrary to its current understanding, it is determined that no excess capacity exists in the CNRL pipeline and processing facilities, then a CC/CP Declaration should relate to that portion of capacity presently being utilized by d-28-B, which was producing 1.90 mmcf/d as of March 2006. Marauder believes that this capacity should be shared on a reserves basis as follows:

Well	mmcf/d	HCPV Ratio
a-38-B	1.162	(61.2%)
b-37-B	0.390	(20.5%)
d-28-B	0.348	(18.3%)
Total	1.900	(100%)

(Exhibit B-7, BCUC IR1, 3.3).

Marauder requests that the Commission direct the proportion of production to be taken by the common carrier from each producer or owner of a producing well in the Velma Bluesky Pool. Marauder requests the Commission to direct the proportion of production to be taken by the common carrier from each producing well bore in the pool, and proposes that the allocation be based on hydrocarbon pore volume("HCPV"), i.e., wellbore net pay x porosity x gas saturation x area of spacing unit for all wells in the pool. In Marauder's application it uses the term "phi-h" with an assumed Sw of 38.0 percent for all wells, which is in effect HCPV. Marauder believes that its proposed proportion of gas to be taken by the common carrier to be fair and reasonable as it is based on the most reliable and objective method of determining allocation of gas reserves. Marauder believes that mapping and planimetering the pool to calculate reserves would be interpretive and potentially unreliable (Exhibit B-7, BCUC IR1; 5.1)

3.1.2 Effective Date

Marauder chose the date of the Applications (June 16, 2006) as the date for the CC/CP Declaration to be made effective because by that date Marauder had exhausted every reasonable effort to put its two Velma Bluesky wells on production through CNRL facilities and that the application was only made after Marauder's final attempts to seek the co-operation of CNRL on June 5, 2006. Marauder proposes that an effective date of June 16, 2006 would affect the deliveries of gas to the CC/CP facilities through an adjustment to the reserve allocation and, if June 16, 2006 is declared the effective date, then CNRL's d-28-B production from that date until the day the Order is made would have to be subtracted out of that well's go-forward allocated reserve share of the Pool. Marauder believes the approach to the establishment of an effective date would provide a satisfactory model in the event the Commission determines that the details of arrangement between Marauder and a party declared to be a common carrier/common processor, including gathering and processing fees, would not be determined in this proceeding but referred to negotiations between the parties. Marauder believes, however, that the Commission can and should determine the details of arrangement between Marauder and a party declared to be a common carrier/common processor. If a CC/CP Declaration is made to CNRL, Marauder states that it will first have to apply for and obtain a pipeline permit from the OGC for the 600-metre tie-in to d-28-B. Once a permit is approved Marauder calculates that it will take three calendar months from the date of a CC/CP Declaration to CNRL, for it to effect delivery of Velma gas

from the Marauder wells (Exhibit B-7, BCUC IR1, 8.1-8.5).

3.1.3 Fees Payable

Marauder states that the appropriate Jumping Pound ("JP") formula to use for determining the CNRL fee would be JP-05 and that it would negotiate with CNRL to agree on a rate base between the original plant cost and the replacement cost. Marauder expects CNRL to provide Marauder with the Ladyfern plant operating costs and the unused capacity number to calculate the CNRL fee.

Marauder states it does not have a recommended method for calculating a fee for production back-out and states that the JP-05 formula has specifically excluded back-out as historically the production back-out is exaggerated by the facility owner (Exhibit B-7, BCUC IR1, 10.1.2, 10.2).

3.2 Application Against Pioneer

3.2.1 Application Against Pioneer

Marauder applies, under Sections 65 and 67of the Act, for an order declaring Pioneer to be a common carrier and processor of natural gas produced from the Pool. This gas would be transported from Pioneer's wellsite at Chinchaga b-61-B/94-H-8 ("b-61-B") to the northeast and processed at Pioneer's gas plant at Chinchaga c-32-H/94-H-8 ("c-32-H").

Marauder also requests, pursuant to Sections 65 and 67 of the Act, that the order be effective as of the date of the application and that the Commission direct the proportion of production to be taken by the common carrier from each producer or owner. Marauder proposes that the two Marauder and Talisman wells, namely b-37-B and a-38-B, would receive 29.0 percent and 52.0 percent of the Pool's production respectively, based on phi-h mapping; and that it would only be necessary to direct the proportion of production if the Commission deems it necessary to share production from the Pool. Marauder proposes that Pioneer as the common carrier would take delivery of production at b-61-B and states that it has already laid a 4-inch pipeline to this wellsite (Exhibit B-1-2, p. 1).

Marauder states that according to its current interpretation of the delineation of the Velma Bluesky Pool, the Pioneer pipeline and processing facilities with respect to which its application requests a CC/CP Declaration do not currently handle gas from the Pool (Exhibit B-7, BCUC IR1, 6.1).

Marauder requests that, if a CC/CP Declaration is issued to Pioneer and CNRL is allowed to continue to produce CNRL's d-28-B well at 1.9 mmcf/d, Pioneer make available 8.483 mmcf/d of spare capacity for the Marauder wells b-37-B and a-38-B, which Marauder calculates on a HCPV basis (1.900 mmcf/d/(CNRL Share = 18.3%) x (Marauder Share = 81.7%)) (Exhibit B-7, BCUC IR1, 6.3).

Marauder proposes that if Pioneer cannot make available to Marauder the 8.483 mmcf/d of capacity necessary to allow CNRL to continue to produce d-28-B at 1.9 mmcf/d, whatever capacity Pioneer makes available to Marauder will reduce the rate at which CNRL is allowed to produce d-28-B. For example, if Pioneer can only make available 3.0 mmcf/d of capacity to Marauder, then d-28-B should be restricted to 672 mcf/d (3.0 mmcf/d(Marauder Share = 81.7%) x (CNRL Share = 18.3%)).

Marauder proposes that this reserves-based proportion be adhered to until the point at which each well's allocated reserve limit has been produced as determined by the Commission or by the MEMPR, in response to Marauder's submission of a request for a ministerial order pursuant to Section 98(e) of the PNGA, to allocate reserves for the Pool (Exhibit B-7, BCUC IR1, 6.4).

Marauder states that if a CC/CP Declaration is made to Pioneer, Pioneer will not be obliged to receive and handle Velma Bluesky production from d-28-B. Marauder states that it is entitled to its fair share of the Pool's reserves and, if it is determined that Pioneer's facility is the best route economically and operationally, Pioneer should only be required to process Marauder's new gas (Exhibit B-7, BCUC IR1, 6.5).

Marauder states that if the Commission were to make a CC/CP Declaration to Pioneer but not to CNRL, the Commission's allocation of production to be taken by Pioneer should affect the production CNRL is allowed to take from d-28-B and that the d-28-B allocation should equal the Marauder allocation directed to be taken by Pioneer multiplied by the ratio of 18.3 percent/81.7 percent, which represents CNRL's ownership of reserves in the Pool divided by Marauder's ownership of reserves (Exhibit B-7, BCUC IR1, 6.6).

3.2.2 Effective Date

Marauder chose the date of the Application (June 16, 2006) as the date for the CC/CP Declaration to be made effective because by that date Marauder had exhausted every reasonable effort to put its two Velma Bluesky wells on production and that the application was only made after Marauder's final attempts to seek the co-operation of Pioneer on June 5, 2006 (Exhibit B-7, BCUC IR1, 8.1). Marauder states that it agrees with the approach taken in Order No. U-COM-1-80 in respect of its application against Pioneer and that while Marauder had originally requested the effective date to be the date of its application, the more equitable approach in respect of Pioneer may be to make the effective date the "date on which the new producer has completed all required of him to effect delivery of specification gas from the new well". In respect of Pioneer, Marauder states that it completed all required of it to effect delivery of specification gas from the new wells on April 3, 2006 (Exhibit B-7, BCUC IR1, 8.3).

Marauder believes the approach to the establishment of an effective date would provide a satisfactory model in the event the Commission determines that the details of arrangement between Marauder and a party declared to be a common carrier/common processor, including gathering and processing fees, would not be determined in this proceeding but referred to negotiations between the parties. Marauder believes, however, that the Commission can and should determine the details of arrangement between Marauder and a party declared to be a common carrier/common processor (Exhibit B-7, BCUC IR1, 8.5).

3.2.3 Fees for Transportation, Processing and Back-out

Marauder states that the appropriate JP formula to use for determining the Pioneer fee would be JP-05, and that it would negotiate with Pioneer to agree on a rate base between the original plant cost and the replacement cost. Marauder expects Pioneer to provide it with the Chinchaga plant operating costs and the unused capacity number to calculate the Pioneer fee (Exhibit B-7, BCUC IR1, 10.1.1).

Marauder states that it still considers the fee originally quoted by a Pioneer employee in the "19.20/e3m3 range" for gathering and processing service in the Pioneer facilities to be reasonable (Exhibit B-7, BCUC IR1, 9.1).
Marauder states it does not have a recommended method for calculating a fee for production back-out and states that the JP-05 formula has specifically excluded back-out as historically the production back-out is exaggerated by the facility owner (Exhibit B-7, BCUC IR1, 10.2).

3.3 Talisman's Energy Inc.

By letter dated November 3, 2006 Talisman Energy Inc. ("Talisman") advised the Commission that it fully supports Marauder's position on the Applications and that it owns a 50 percent working interest in the two subject wells b-37-B and a-38-B (Exhibit C4-2).

3.4 Marauder 98(e) Application

By letter addressed to the Oil and Gas Policy Branch, MEMPR, dated September 1, 2006, Marauder requested a Ministerial Order pursuant to Section 98(e) with respect to the Pool (Exhibit B-7, BCUC IR1, 7.1).

Marauder submits that while a Ministerial Order under Section 98(e) would effectively replace the need for the request in Exhibits B-1-1 and B-1-2 for the Commission to direct the proportion of production from the Pool to be taken by the common carrier from each producer or owner, the Ministerial Order, by itself, may be ineffective if not coupled with a CC/CP Declaration to Pioneer or CNRL, since it is not

clear to Marauder whether the Minister is empowered under the PNGA to order a CC/CP Declaration. In Marauder's view the Commission may be empowered to direct the proportion of production from a given pool by Sections 65, 67 and 110 of the Act. Furthermore, Marauder states that an order that exclusively directs the proportion of production would be meaningless absent an order that allows it a viable method of processing gas from the Pool (Exhibit B-7, BCUC IR1, 7.2).

Marauder states that the basis on which a Ministerial Order would be expected to distribute the amount of natural gas that may be produced from a pool in a manner among the wells in the pool that each owner may produce or receive his or her fair share of the natural gas in the pool, is set out in Marauder's application to the Oil and Gas Policy Branch, MEMPR, dated September 1, 2006. Marauder requests that the reserves be allocated on a percentage basis based on pool equity, and that the allocation per well should be based on remaining recoverable reserves on the date at which effective gas transportation could take place. Marauder proposes that the pool equity be determined by ratios of HCPV for each wellbore (one well per Gas Spacing Unit). Marauder expects that the Ministerial Order would fairly distribute the reserves allocated to the pool; however, Marauder would still expect the Commission to order a CC/CP Declaration for the transportation and processing of Marauder's gas based upon the reserves allocation (Exhibit B-7, BCUC IR-1, 7.3).

By letter dated November 3, 2006 to the MEMPR, Marauder requested that its application "be reserved generally pending the [Utilities] Commission decision" (Exhibit B-17).

3.5 Criteria

3.5.1 General

Marauder submits that for an applicant to be successful in an application for a CC/CP Declaration, an applicant should be required to satisfactorily demonstrate that:

- producible reserves are available for transportation and processing and that processing facilities are needed;

- there is a reasonable expectation of a market for the gas that is to be transported and processed through the proposed common carrier and common processor facilities;
- reasonable arrangements for use of the pipeline and processing facilities could not be agreed on by the parties; and
- the common carrier and common processor orders represent the only economic way or clearly the most practical way to transport and process the gas in question, or are clearly superior environmentally.

Marauder states that the foregoing criteria have been applied by the AEUB in Directive 065 (Exhibit B-7, BCUC IR1, Appendix B) which describes the considerations to be applied by the AEUB in its determination of whether to declare a proprietor a common carrier or common processor. The purpose of a declaration of common carrier or common processor is, according to Sections 1.3.1 and 1.4.1 of Directive 065, to afford "each owner the opportunity of obtaining its share of the production of oil or gas from any pool" and "to provide for economic, orderly, and efficient development in the public interest." Marauder cites Section 1.3.2 of Directive 065 which describes the situations in which an application for a declaration of common carrier may be made, as follows:

> "A typical situation that would warrant the filing of a common carrier application with the AEUB would be where an owner of a capable well has a market for its gas and has made arrangements to have the gas processed at a nearby plant. Its analysis shows the existing gathering system to be the only economic means of transporting its gas to the processing plant. However, the owner has been unsuccessful in negotiating an agreement on reasonable terms to use the existing pipeline. The well owner has recourse to apply for the declaration of a common carrier in order to obtain its share of gas from the pool."

Marauder also cites Section 1.4.2 of Directive 065 which describes the situations in which an application for a declaration of common processor may be made as follows:

> "A typical situation that would warrant the filing of a common processor application with the AEUB would be when an owner of a capable well has a market for its gas requiring processing to meet contract specifications. The owner believes it is desirable to use an existing plant, but it has been unsuccessful in negotiations to gain access to the plant on reasonable terms. The owner has recourse to apply fro the declaration of a common processor in order to gain access to the plant and allow it to obtain its share of gas from the pool."

Marauder believes that AEUB Directive 065 and the AEUB's decisions made in accordance with the principles discussed therein identify all the criteria that the Commission should consider when making a CC/CP Declaration and discusses the standards that should be applied to decide if the Velma Bluesky situation meets the criteria (Exhibit B-7, BCUC IR1, Appendix B).

3.5.2 Producible Reserves

Marauder submits it is relevant for the Commission to consider whether an applicant has at least one gas well that is capable of production from the pool, and that the applicant has done all that is reasonably required to connect its production to the common carrier pipeline and common processor facilities. Marauder does not believe this criterion to be solely determinative of an application. Marauder states that it presently has two gas wells that are capable of production from the Velma Bluesky pool. The Pioneer tie-in would require on-site connection at b-61-B, as pipe is currently laid to the lease boundary, while the CNRL tie-in would require a pipeline approval from a-38-B to d-28-B. Marauder estimates that once this approval is in place, the 600 metres of required pipe would be laid to the CNRL wellsite; that construction for the Pioneer site would take approximately two weeks, including cleanup; and that the CNRL pipeline approval and construction would take approximately three months (Exhibit B-7, BCUC IR1, 4.2).

3.5.3 Market for the Gas

Marauder submits that in the case of CNRL its gas would pass through b-17-I, in moving from d-28-B to one of two interconnection points with TransCanada Pipelines Ltd. ("TransCanada"). Marauder states that sales from the CNRL Ladyfern Gas Plant are split between two interconnection points with TransCanada on a monthly basis. A percentage of sales moves north and then east and is delivered to TransCanada at TransCanada's Tanghe Creek meter station located at 11-29-96-11 W6M. The remainder of sales moves directly East and is delivered to TransCanada at TransCanada's Owl Lake South meter station located at 15-20-94-12 W6M (Exhibit B-7, BCUC IR1, 1.2).

Marauder submits that in the case of Pioneer its gas would pass through c-32-H in moving from b-61-B to the interconnection point with TransCanada. Sales from Pioneer's Chinchaga Gas Plant move directly east and are delivered to TransCanada at TransCanada's Tanghe Creek meter station located at 11-29-96-11 W6M (Exhibit B-7, BCUC IR1, 2.1).

Marauder submits that there is no uncertainty about its ability to get its Velma gas to market or to market its gas after the gas passes through the facilities of either CNRL or Pioneer. In either scenario, EnCana Gas Marketing ("EnCana Marketing") can accept the Velma sales volumes and move this gas under its firm service on TransCanada's Northwest mainline to the AECO 'C' hub (Exhibit B-7, BCUC IR1, 2.4).

Marauder advises that it sells all of its current gas production from the Ladyfern area to EnCana Marketing which utilizes its own firm service with TransCanada and which can accept Marauder's Velma gas under its excess firm capacity in TransCanada's northwest mainline, either at Tanghe Creek or Owl Lake South meter stations (Exhibit B-7, BCUC IR1, 1.4).

3.5.4 Reasonable Effort to Negotiate

Marauder submits that whether an applicant has made a serious and determined effort to negotiate a resolution to the situation is a relevant criterion. Marauder states that it believes it has fulfilled this requirement and that it remains ready, willing and able to negotiate a resolution to the situation with either or both of CNRL and Pioneer. Marauder does not believe this criterion to be solely determinative of an application (Exhibit B-7, BCUC IR1, 4.3).

3.5.5 Clearly the most Economic and Practical

In describing its own economic parameters, Marauder testified that it is a private oil and gas exploration company, based in Calgary whose investors include U.S. investors (T3: 214) and whose investment expectations were "We're a small company; the most important thing for us is that the return on capital is immediate. We don't like projects where you have to wait a year or two" and "on a rate of return, on a risk basis, the investors in our company need to achieve at least 50 percent on a risk basis for the funds that are invested in our company" (T3: 145). Lastly Marauder testified "the first criteria we look at are projects that will give us rates immediately that winter, not the projects where there's one or two years of exploratory drilling" (T3: 146).

Marauder advised the Commission that its shares have been acquired by Signal Energy Inc. in a transaction that closed on November 15, 2006 (Marauder Reply Argument, p. 13).

Marauder testified that when it was looking at Bluesky pools in the area in the fall of 2005 "we were looking for a pool in the 10 to 15 Bcf range or bigger" (T3: 141) and that "given the size of the pool at 4 and a half B's [Bcf] in hindsight probably one well would have been okay" (T3: 246).

Marauder summarizes its corporate wells on production as follows:

Ladyfern North	12
Ladyfern South	7
Mearon North (Alberta)	6
Velma	0
Total	**25**

(Exhibit B-20)

Marauder testified that its ownership in each well varies and that its share of daily production is 3.4 mmcf/d (T3: 75); it plans to drill eight wells at Ladyfern South and three to six at Mearon North (T3: 77); all its production is being processed at third party facilities; and the only processing facility Marauder owns is an interest in a minor field separator adjacent to EnCana's Ladyfern plant at b-47-H/94-H-1 (T3: 74).

Marauder submits that in December 2005, prior to drilling the two wells, it considered the following options to obtain transportation and processing for its Velma Bluesky gas.

1. The Duke Option

Install a $4.0 MM gas plant (compression and dehydration) at Velma and install a $2.7 MM pipeline to run 18 km to the West to an interconnection point with the Duke raw gas transmission system at a-17-A/94-H-8 for a total project cost of $8.0 MM shown below:

Drill and Complete 2 wells:	$1,054,400 gross
Equipping of 2 wells:	$ 269,500 gross (b37B tied into a38B)
Gas Plant:	$3,969,000 gross
18-km Sales Line to Duke	$2,700,000 gross
Total Capital:	$7,992,900

2. The CNRL Sales Option

Install a $6.5 MM gas plant (compression, dehydration and refrigeration) at Velma and install a $1.4 MM pipeline to run 9.5 km to the East to an interconnection point with the CNRL sales gas pipeline at a-89-D/94-H-8 for a total project cost of $9.2 MM shown below:

Drill and Complete 2 wells:	$1,054,400 gross
Equipping of 2 wells:	$ 269,500 gross (b37B tied into a38B)
Gas Plant:	$6,469,000 gross
9.5-km Sales Line to CNRL	$1,425,000 gross
Total Capital:	$9,217,000

3. The EnCana Option

Install a $2.9 MM pipeline to run 19 km to the South to EnCana's Ladyfern Hub located at d-87-H/94-H-1 where the production enters EnCana's pipeline and is transported to its Ladyfern plant at b-47-H/94-H-1 for a total project cost of $4.2 MM shown below:

Drill and Complete 2 wells:	$1,054,400 gross
Equipping of 2 wells:	$ 269,500 gross (b37B tied into a38B)
19-km Line to EnCana:	$2,850,000 gross
Total Capital:	$4,173,900

4. The Pioneer Option

Install a $0.900 MM pipeline to run 6 km to the North to b-61-B, where the production enters Pioneer's pipeline and is transported to c-32-H for a total project cost of $2.2 MM shown below:

Drill and Complete 2 wells:	$1,054,400 gross
Equipping of 2 wells:	$ 269,500 gross (b37B tied into a38B)
6-km Line to Pioneer:	$ 900,000 gross
Total Capital:	$2,223,900

5. The CNRL Option

Install a $0.090 MM pipeline to run 600 metres to the South to d-28-B, where the production enters CNRL's pipeline and is transported to b-17-1 for a total project cost of $1.4 MM shown below:

Drill and Complete 2 wells:	$1,054,400 gross
Equipping of 2 wells:	$ 269,500 gross (b37B tied into a38B)
600-m Line to CNRL	$ 90,000 gross
Total Capital:	$1,413,900

(Exhibit B-7, BCUC IR1, 15.1a)

Marauder submits that Options 1 and 2 were considered uneconomic in December 2005 with Option 1 showing a net present loss to Marauder of $109,000 and Option 2 showing a net present loss to Marauder of $607,000 (Exhibit B-7, BCUC IR1, 15.2c).

Marauder submits that it deemed Option 3 economic in December 2005 but that after drilling, completing and testing the b-37-B well the reserve estimate was revised downward from 1.5 BCF per well (volumetric estimate) to 0.75 BCF per well (material balance estimate) in March 2006, and that its price forecast was revised downward to reflect poorer than expected gas prices in the first quarter of 2006. Marauder submits that the economics were rerun in March 2006 and Option 3 was deemed uneconomic. Marauder's analysis includes a roll-up of the economics of the tie-in to the EnCana gas gathering system and shows a net present loss to Marauder of $281,000 (Exhibit B-7, BCUC IR1, 15.2c).

Marauder submits that it deemed both Options 4 and 5 as economic and proceeded to approach Pioneer as its first choice since it had approached CNRL in the winter of 2004/05 to transport and process its Ladyfern North and Mearon gas in b-17-I but CNRL had shown no interest in transporting or processing Marauder's gas and as a result of which it had to lay pipe to the EnCana hub (T3: 113-4).

3.5.6 Other Criteria

3.5.6.1 Competitive Drainage

Marauder submits that whether an applicant's reserves in the pool are suffering competitive drainage from other production from the pool is a relevant criterion. Marauder does not believe this criterion to

be solely determinative of an application. Marauder believes this criterion is fulfilled with respect to a CC/CP Declaration to both CNRL and Pioneer (Exhibit B-7, BCUC IR1, 4.4).

While agreeing that competitive drainage of the applicant's reserves in the pool is a criterion, Marauder reiterates that competitive drainage is but one criterion to be considered by the Commission and that it is not necessarily a determinative one. Marauder submits that a CC/CP Declaration can be made to the owner/operator(s) of the pipeline and processing facilities that are handling the existing production from the pool, or to some other party on the criteria set out. Marauder submits that each owner should be afforded the opportunity of obtaining its share of the production of oil or gas from any pool and that, in the circumstances, an order made against an owner/operator(s) of a pipeline and processing facilities that are not currently handling the existing production from the subject pool may nevertheless provide for economic, orderly and efficient development of the gas resource in the public interest. Furthermore, Marauder believes that in evaluating the options available to an applicant, the Commission should favour the most technically, environmentally and financially viable option (Exhibit B-7, BCUC IR1, 4.5).

3.5.6.2 Surplus Capacity

Marauder submits that whether there is surplus capacity available in the pipeline and processing facilities is a relevant criterion. Marauder states that if there is no surplus capacity in the pipeline and processing facilities, then the applicant should receive a reserves-based rate allocation from any producing wells in the pool that is the subject of the CC/CP Application (Exhibit B-7, BCUC IR1, 4.6).

3.5.6.3 Quality of Gas

Marauder does not agree that whether the pipeline and processing plant are capable of handling the quality of the applicant's gas, due to H_2S content or other factors, is a relevant criterion. If additional facilities are determined to be required at either site, Marauder submits that the applicant should be required to pay for the associated costs, or cost share if the facilities will be jointly used by the common carrier/common processor and the applicant (Exhibit B-7, BCUC IR1, 4.7).

Marauder submits that it does not believe that the gas production streams from different wells in the Pool are likely to be sufficiently different in quality so as to cause a problem in this regard (Exhibit B-7, BCUC IR1, 4.8).

3.5.6.4 Proliferation of Facilities

Marauder submits that it would be acceptable to use as criteria the effect on the proliferation of facilities in the general area, and the resulting overall environmental impact and economic inefficiency. Marauder submits that applicants must explore, and the Commission must assess, all existing facilities in the area that afford technically, environmentally and financially viable alternatives to building new gas plants. Marauder submits that well owner/operators and owner/operators of pipeline and processing facilities within a common area should be encouraged to implement feasible alternatives to minimize development impacts by sharing information, pooling efforts and resources, and using common roads, pipelines, utility rights-of-way, processing facilities, and other general infrastructure. In the circumstances, Marauder states that it has made such an assessment and has concluded that it would be, among other things, uneconomic for Marauder to construct a new gas plant at Velma (Exhibit B-7, BCUC IR1, 4.8).

4.0 CHRONOLOGY OF EVENTS

Considerable attention was focussed during the hearing on the chronology of events that led up to the Applications and hearing. The following summarizes the relevant events and dates.

On April 12, 2004 CNRL put d-16-B into production (Exhibit C1-12, Marauder IR1, 6.4). In the winter of 2004/05 CNRL completed d-28-B and brought it into production on April 2, 2005 (Exhibit C1-12, Marauder IR1, 1f).

During the fall of 2005 (T3: 140):

- Marauder participated in a business transaction which left Marauder and Talisman each with a 50 percent working interest on certain lands where Talisman's drilling licenses were due to expire if the lands were not drilled that winter.
- Marauder scheduled a-38-B and b-37-B to be part of its well drilling program for the winter of 2005/06.These wells would offset d-28-B.

Applications to the OGC were made as follows: for b-37-B by Talisman on November 22, 2005; and for a-38-B by Marauder on January 30, 2006. Approvals were received on January 3, 2006 and February 28, 2006 respectively (Exhibit B-5, Appendix A). In December, 2005 Marauder retained a survey company to prepare sketches for pipeline segments a-38-B to b-37-B and from b-37-B to b-32-B. Marauder contacted Pioneer by letter on January 28, 2006, requesting that Pioneer carry and process gas from its wells. On February 2, 2006, a Pioneer employee provided an initial response respecting approximate processing fees and pipeline system access points. Marauder requested agreements for review.

Marauder filed Pipeline Surface Rights Application Forms ("PSRAF") through its land agent on February 2, 2006 and February 6, 2006. The land agent was authorized to proceed with the Velma pipeline tie-in to Pioneer b-61-B. The agent filed the referral packages with the OGC on February 3, 2006 for the a-38-B to b-37-B and b-37-B to b-34-B segments and on February 23, 2006 for the b-34-B to b-61-B segment. Between February 3 and 6, 2006 Pioneer's executive management team evaluated

Marauder's request and decided it could not transport or process Marauder's gas. On February 7, 2006, Pioneer informed Marauder of its decision. It did not provide the draft agreements Marauder had requested.

Marauder advises that it had 1,600 metres of pipe in stock and instructed Cub Engineering Ltd. to order on its behalf the 5,000 metres of additional pipe on February 8, 2006. Cub Engineering Ltd., on behalf of Marauder, had retained Macro Industries Inc. in January 2006 to construct a pipeline project in Alberta on a bid basis. Macro Industries Inc. was advised of the additional Velma project in early February 2006 and agreed to complete this project on a force account basis. Its wells, b-37-B and a-38-B, were spud on February 28, 2006 and March 15, 2006 respectively, and were rig released on March 4, 2006 and March 18, 2006 respectively.

On March 10, 2006, Marauder sent a letter to CNRL asking for processing and contract operation of the two Marauder wells. Both wells were tested with extended flow tests ending on March 24, 2006 for a-38-B and ending on March 22, 2006, for b-37-B. On March 20, 2006, material quantities of H_2S were revealed. On March 13, 16 and 24, 2006, Marauder licensed the subject pipelines; further surveying of the pipeline from the wells to Pioneer occurred; and Marauder proceeded shortly thereafter to construct them. Notice of Construction was sent to the OGC on March 24, 2006. On March 29, 2006, CNRL responded by telephone to Marauder's letter of March 10, 2006 indicating that CNRL had no room for third party gas in its gathering system, could not handle the amount of H_2S in Marauder's gas and was unwilling to process Marauder's gas (Exhibit B-5, Appendix B).

On March 30, 2006, Marauder was ready to cross a Pioneer-owned pipeline installed on Marauder's pipeline route from b-37-B to b-61-B. Pioneer was unwilling to give Marauder a pipeline crossing agreement since there was no tie-in agreement in place. Marauder wrote a letter on March 30, 2006, giving Pioneer a 48-hour notice of construction as per Section 9 of the Pipeline Regulation. The pipeline project was completed on April 3, 2006.

On June 5, 2006, Marauder sent letters to both CNRL and Pioneer as a last inquiry on their position regarding this issue. Neither letter received a response. On June 16, 2006 Marauder applied for common carrier/ common processor Orders under Sections 65 and 67 of the Act.

5.0 THE VIEWS OF PIONEER

5.1 History in Chinchaga

Pioneer advises that, through a predecessor company, it commenced exploration in the Chinchaga field area in the winter of 1994/95. Since then it has drilled some 270 wells, constructed a gas plant at c-32-H and invested in the necessary gathering system (Exhibit C2-8, pp. 1-3). Its President states that "Pioneer Canada Limited made considerable investment in these wells, pipelines and facilities at Chinchaga, with capital spending to date reaching $375 million and annual operating expenses of $16 million (T4: 284).

Pioneer advises that it drilled 40 new wells together with 23 recompletions of existing wells during winter 2005/06, and that approximately 820 e^3m^3/d of gas was successfully tested from these new activities; however, only 170 e^3m^3/d of actual production had been realized due to significant facilities issues and down hole equipment well bore configuration issues. Accordingly, Pioneer plans no new wells for winter 2006/07, and will instead focus on delivering the unrealized gas volumes from the previous winter's work (Exhibit C2-8, p. 3).

5.2 Capacity

Pioneer submits that its gathering and processing facilities are not the proper subject of the applied-for orders because it has no available pipeline capacity, sweetening facilities or processing capacity to transport and process Marauder's sour gas production from the Pool into its b-61-B tie-in point. Accommodating Marauder's new production volumes would require it back-out current production volumes and would adversely affect its contractual obligations to deliver sales gas (Exhibit C2-8, p. 4).

Pioneer advises that its gathering system and inlet booster compressors are full, and that while it does have space in its reciprocating compressors and refrigeration plant, it intends to use that capacity for the 650 e^3m^3/d of unrealized production from 2005/06 drilling (830 e^3m^3/d tested, 170 e^3m^3/d realized), through an aggressive facility and well optimization program starting in late 2006. As a result, Pioneer

will drill no new Chinchaga wells until January 2008 or later due to the above capacity constraints (Exhibit C2-8, p. 9).

Pioneer advises that all its Chinchaga gas wells are initially compressed by four booster compressors, designed to reach an ultimate low suction pressure of 14 kPa.

Currently the compression is fully loaded and unable to achieve the low design suction pressure. Pioneer intends to continue to lower the suction pressure as production volumes drop until it reaches that design specification. There will not be spare capacity in these booster compressors until the 14 kPa suction pressure is reached, at which point, its compressors would have spare processing volume available. Pioneer admits that there is space in the main reciprocating compressors at the c-32-H plant, but the gas has to initially flow through these booster compressors and Pioneer is working towards filling the excess capacity at the reciprocating compressors with the 650 e^3m^3/d of unrealized gas.

Pioneer submits the compressors that would handle the Marauder production are the c-32-H booster compressors, which are funning at full capacity for the current operating conditions. At the current suction pressure of 28 kPa, the compressors are processing 225 e^3m^3/d and are operating at the maximum horsepower of 793 bhp each. The horsepower utilized by the compression is related to the suction pressure, discharge pressure (that being the differential pressure created by the compressor) and the volume compressed (Exhibit C2-8, p. 10).

Pioneer submits that the only way to compress additional gas when compressors are operating at maximum capacity is to increase the suction pressure. It calculates that to compress the Marauder gas of approximately 56 e^3m^3/d into its compressors, the suction pressure would need to be increased by 50 percent. The increased suction pressure would cause less gas to be produced at the wells and Pioneer submits that it would have to sacrifice its gas production to process Marauder's gas (Exhibit C2-8, p. 10).

Pioneer advises that it has recently hired a third party engineering firm to develop a simulation of its gathering system. This simulation of the gathering system, which matches current production, can be modified to indicate the effects of additional production at any location.

Pioneer advises that the average increase in wellhead pressure with the introduction of the applied-for Marauder gas is 348 kPag. The gas production drop due to this pressure increase would be 0.5 e^3m^3/d for a typical Chinchaga well and that the wells with the lowest rates would likely cease producing entirely. Pioneer advises that it has 22 wells connected to the pipeline through which Marauder seeks to flow gas and estimates that its production would be reduced by approximately 11-13 e^3m^3/d, causing lost revenue of approximately $1.0-1.2 MM per year (using a plant gate adjusted one year strip price of Cdn $7.09/Mcf) (Exhibit C2-8, pp. 11-12).

5.3 Sour Gas

In relation to H_2S, Pioneer advises that neither its gathering system nor its Chinchaga processing facility at c-32-H have ever handled H_2S. Pioneer emphasizes that it has no capability to handle gas containing H_2S at the subject facilities. Moreover, the blending of sour gas to meet sweet gas requirements entails safety and operational risks, as well as the need for additional equipment and training. Pioneer states that it has never transported gas containing H_2S in that system and Marauder would have to upgrade its pipeline integrity management program to be able to address gas containing H_2S in the pipeline and to meet the Z-662 guidelines (Exhibit C2-8, p. 12-3).

Pioneer submits that its wellsite equipment is not able to handle sour gas and that at a level of 100 ppm H_2S, the wellsites are very close to be considered sour by the Boilers Branch. If Marauder gas was to flow into Pioneer's gathering system without sweetening, potential safety hazards would occur. If wellsites are not producing or are shut in for an extended period of time, the sour and sweet gas would eventually blend (likely even through check valves) and sweet wellsites would then become sour wellsites thereby constituting a safety hazard and potential regulatory breach. In addition to these serious concerns, Pioneer submits that it could be impacted further as follows:

- Corrosion of existing instrumentation designed for sweet service or the need to replace much of this with sour rated equipment. Screwed fittings are generally not acceptable for sour service and the need to replace these on wellsites at extensive cost would have to be reviewed;
- Building heaters currently burn pipeline gas and would need to have an alternate fuel source such as propane or a sweetening system;
- New safety and operating procedures would need to be put in place for entering potential sour wellsites; and
- Helicopters and trucks would need to carry breathing apparatus; operators may need to operate in a buddy system, potentially requiring another operator (Exhibit C2-8, p. 13).

5.4 Deliver or Pay Contract

Pioneer states that it has a long-term gas transportation "deliver or pay" contract in place for the transportation of its sales gas to Chicago via the Alliance Pipeline. The volume committed to flow on Alliance is higher than Pioneer's current gas production in Western Canada. This contract requires that a minimum volume of gas be delivered into the Alliance Pipeline, for which volume Pioneer has agreed to pay a National Energy Board ("NEB") and Federal Energy Regulatory Commission ("FERC") regulated transportation toll. Pioneer states that it is currently short of its minimum volume commitment in the contract and is required to purchase gas on the open market in Western Canada to fulfill the commitment to flow gas to Chicago. Pioneer is exposed to considerable daily pricing risk as gas is purchased in one market for transportation and sale to a geographically distant international market. When the netback price from the Alliance gas (sales price in Chicago minus Alliance transportation) cost is lower than the netback price from other gas markets, Pioneer is losing money on its purchased gas. Pioneer advises that if it were forced to cut back its production to handle Marauder's gas, Pioneer would be forced to buy more gas on the open market to meet its contractual commitments which would entail inherent risk (in the differential gas price) and cost (in the administrative costs associated with purchasing gas on the open market) (Exhibit C2-11, BCUC IR1, 5.1).

5.5 Proliferation of Facilities

Pioneer submits that it is aware of no precedent where proliferation concerns have been used to require an operator of a sweet facility to accept gas that contains H_2S, or may contain H_2S in the event of a failure. The point of a policy against proliferation is to avoid the duplication of underutilized facilities, and often that policy is used to discourage operators from building their own facilities. Even aside from the gathering system capacity constraints, where gas containing H_2S is involved in relation to a request to use an existing sweet facility, the construction of a new facility cannot be said to constitute unwarranted proliferation.

Pioneer submits that unnecessary facility proliferation in the subject circumstances arises from Marauder's decision to prebuild six kilometres of pipeline after Pioneer declared it would not accept Marauder's gas (even before finding out it contained H_2S) but before receipt of regulatory approval in that regard. Pioneer believes the only plausible explanation as to why Marauder would proceed with the construction and laying of the pipeline after Pioneer's response in a timely fashion on February 7, 2006 but before CNRL's response, particularly where the CNRL option involves a much shorter pipeline, is that Marauder had made up its mind to seek CC/CP orders against Pioneer.

Pioneer submits that no weight can be attributed to the fact that the pipeline has been laid in arriving at a final determination, and that if the Commission chooses to give weight to Marauder's attempt to pre-determine the CC/CP application by building the pipeline to Pioneer, Marauder will have effectively usurped the Commission's determination of which party, if any, should be subject to CC/CP orders. This would establish a problematic precedent whereby parties seeking CC/CP orders can simply build to their preferred option (Pioneer Argument, pp. 26-27).

5.6 Willingness to Negotiate

Pioneer rejects the suggestion in Marauder's argument that Marauder's June 5, 2006 letter was a request for clarification regarding capacity considerations and submits that it is clear that the overriding purpose of the letter was to present an ultimatum and to ask Pioneer to respond if it was "interested" in

processing Marauder's gas, not for clarification. It quotes from the letter:

> "If Pioneer is again interested in custom processing our gas, please provide Marauder with an answer. No response to this letter before the end of business on June 8th will be taken as confirmation that Pioneer still does not wish to custom process our gas.
>
> If Pioneer will not custom process Marauder and Talisman's gas then Marauder will be submitting an application under Section 65 of the Utilities Commission Act for an order to have Pioneer declared as a common carrier and processor for our two Velma wells" (Exhibit B-1-2, emphasis added).

5.7 Options available to Marauder

Pioneer submits that Marauder's economic analysis of the Pioneer option is incomplete in that it does not account for the following costs:

- the costs of a sweetening facility to remove H_2S upstream of Pioneer's gathering system;
- the costs of upgrading Pioneer's facilities and operations to properly address the real potential for equipment failure to release H_2S into Pioneer's gathering system;
- the costs of adding compression, or the cost of paying a back-out fee; and
- the cost of selling gas to Pioneer at a reduced rate to keep Pioneer whole in respect of its Alliance Pipeline delivery obligations (Pioneer Argument, para 7(e)).

From the foregoing, it is evident that the Pioneer option is not a viable economic option. Pioneer submits that when Marauder did conduct an economic analysis of the Duke option involving the installation of a compressor/dehydrator for 3 mmcf/d of gas, it "gold plated" that estimate by costing out a larger facility to process 5-7 mmcf/d, without investigating the availability for purchase or lease of a facility larger than 2 mmcf/d, but less than 5-7 mmcf/d (Pioneer Argument, para 7(d)). In particular, Pioneer submits that when more realistic costs of the Duke option are considered, together with the fact that the system already handles H_2S, the Duke option represents a viable option in comparison with the Pioneer option (Pioneer Argument, para 45).

Pioneer submits that both it and CNRL have established that Marauder failed to identify a number of potentially reasonable alternatives. Marauder's argument seeks to dismiss a number of these alternatives as not viable or economic; however, it remains that all were not evaluated fully prior to or after the Applications were submitted. In particular, Pioneer submits that certain options remain economic and viable in comparison with Pioneer when the full costs of sweetening facilities, compression facilities, and facility and operations changes to address potential H_2S have been taken into account.

Pioneer submits that Marauder, as applicant, bore the responsibility of fully investigating all options, including building new facilities, using existing facilities, and any other alternatives to the applied-for order, prior to seeking regulatory intervention into the marketplace. Alternatives have been identified by both CNRL and Pioneer, which Marauder did not include in its application. Moreover, Marauder agreed that the purpose of a CC/CP order is not to give the company the most economic option, but rather to provide it an option in the event there are no other economic options (T3: 132, 133 and 228). Pioneer submits that it should not be required to assume the obligations of an applicant in undertaking an economic analysis of alternatives to justify a CC/CP application that Marauder ought to have investigated prior to filing (Pioneer Argument, para 46).

Pioneer states that Marauder failed to make sufficient inquiries to other parties in the area so as to ascertain whether there was a need for more facilities in the area (Exhibit C2-8, Tabs A, B; T3: 203). Without making such an inquiry, Marauder cannot claim that it canvassed all possible alternatives such that a CC/CP application is justified. Pioneer filed as Exhibit C2-8, Tab A a working interest ownership map showing undrilled spacing units and recent licensing in the immediate area and submits that Marauder has not supplied any information on the viability of building its own plant based on 14 potential additional gas producers and processing gas from other operators. Its only evaluation was for a two well drilling program (Exhibit C2-8, p. 8 Tab A). Further, Pioneer submits that Marauder failed to show economics that involve the drilling of all potential well locations on its acreage, or possible third party processing, but rather requested in its information responses that Pioneer should undertake that detailed economic analysis (Exhibit C2-12, pp. 3-5; Pioneer Argument, para 37).

Pioneer advised operators with interruptible service through the Chinchaga plant that it would be shutting-in their gas volumes due to the plant being full, and that Baytex, one of the affected parties, managed in a short period of time, to redirect its gas to an alternate processing location (Exhibit C2-8, p. 7; T4: 364-5). Pioneer points out, that if Marauder had contacted Baytex, some solution may have been possible that addressed both parties' needs (Pioneer Argument, para 38).

Pioneer submits that Marauder failed to do the following:

- consider Duke, failing to even inquire to determine whether there were any capacity constraints associated with that system, despite being aware that the system transports and processes sour gas (T3: 109). The economic run performed for Duke was costed out based on a plant for 5-7 mmcf/d rather than 3 mmcf/d while the income for the calculation was only based on 3 mmcf/d. Clearly, such a difference will have significant effects on the economics involved (T3: 107; 109). Moreover, Marauder's evidence was that there was not a 2 mmcf/d facility available, but no indication was given by Marauder than a 3-4 mmcf/d facility was not available (T3: 108);
- contact Prime West due to its "understanding" of what was occurring with the EnCana Ladyfern Plant (T3: 103); contact the Alberta numbered company identified in Pioneer's evidence (Exhibit C2-8, Tab B; T3: 99); or contact Penngrowth, Husky, BP or Apache since it considered the facilities to be "out of the scope of the economics of the reserves" (T3: 103, 105);
- consider leasing a refrigeration plant or other facilities as a potential means of dealing with its gas for the short life of the subject pool and wells (T3: 103); and
- provide an economic run for the potential alternative of the c-41-K tie-in point (T3: 177-8; Pioneer Argument, para 42).

6.0 THE VIEWS OF CNRL

6.1 CNRL's Philosophy

CNRL is a major Canadian oil and gas exploration and production company. It owns considerable acreage in the Ladyfern field to the south of the Velma Bluesky pool.

CNRL submits that it has a number of fundamental tenets in conducting its business.

One is that CNRL plans its investment in infrastructure to match its gathering and processing needs. Those who choose to participate in the oil and gas industry should be encouraged to properly plan for their gathering and processing needs. Those who do properly plan should not be penalized for doing so.

CNRL submits that it planned its infrastructure to match its need in order to make the most efficient use of the capital invested. It is not efficient to plan for excess capacity, as over-capacity does not yield the best return on investment and there is nothing obligating third parties to utilize such excess capacity unless agreements are reached prior to building the infrastructure.

CNRL submits that if parties properly plan their investment in drilling and infrastructure, applications for common processor and common carrier orders would not be necessary. Proper planning and arrangements will result in a more efficient outcome for the Province of British Columbia because there is greater likelihood of matching infrastructure to need and realizing a higher return on investment and will result in oil and gas being produced at a lower cost. Owners cannot plan their infrastructure on the basis of what other parties, over whom they have no control, might or might not do. Such attempts to anticipate what others might do, will result in over-investing or under-investing because it is impossible to correctly anticipate such events (CNRL Argument, p. 6).

CNRL's second tenet is that exploration and production of natural gas occurs and should occur in an open and competitive marketplace and it is in such an environment that all natural gas producers operate and make investment decisions. CNRL submits that it was in this environment that both CNRL and

Marauder made their decisions to drill the wells that can produce from the Pool and that CNRL made its decision to build or otherwise acquire the gathering system and processing plant that allows it to gather and process its gas. CNRL submits that the decision to accept Marauder's gas into its system should be left to CNRL and Marauder as producers operating in that marketplace and the Commission should be reluctant to interfere with those market forces unless there are no other economic alternatives for Marauder (Exhibit C1-10, p. 1).

6.2 Back-out

CNRL states that the introduction of Marauder gas into its gathering system would back-out other CNRL gas so that it would be prevented from gathering, processing and selling those volumes of gas. Under current operating conditions there is no compression capacity available for additional Marauder gas from the Pool and the introduction of such gas would upset the blending balance CNRL currently achieves through blending with its own sweet gas (Exhibit C1-10, p. 1).

CNRL states that if it is declared a common carrier and required to transport gas from the Pool on behalf of Marauder, other volumes of its gas that it would otherwise transport will be "backed-out" and displaced in its pipeline by the additional volumes of Marauder gas from the Pool. Consequently, requiring CNRL to transport gas on behalf of Marauder will reduce the volume of gas that it gathers and transports for itself via its own gathering system to b-17-I and, therefore, reduce its ability to produce gas from its own wells presently being gathered into that facility. CNRL submits that requiring it to transport gas for Marauder from the Pool will reduce the production of gas from wells outside the Pool that it can process and sell because of back-out (Exhibit C1-10, p. 4).

CNRL filed evidence demonstrating that bringing new wells on production in April 2006 caused production from existing wells to decline by 20 percent and that this decrease is attributable to the increased volume and pressure in the gathering line. Therefore, CNRL calculates that if it is declared a Common Carrier and forced to transport an additional 1,552 mcf of Marauder gas, approximately 30 percent (24.7/82.2 = 30.0%) or 465.5 mcf/d of CNRL gas would be backed-out and displaced by the Marauder gas. CNRL would not be able to bring that 465.6 mcf/day of CNRL gas to market and

therefore would be prevented from realizing the revenue from that CNRL gas (Exhibit C1-10, p. 4) CNRL states that the operating conditions of the compression facility cannot be changed without impacting upstream well production of CNRL gas and that in order to increase the capacity of the current compressor configuration, suction pressure must be increased, which would cause a back-out of CNRL gas produced from wells that would not flow at current rates against the higher line pressure caused by the increase in suction pressure. This back-out of CNRL gas would be most acute for older wells, where the higher line pressures would have a greater negative impact on production rates. The CNRL gas that would be backed-out in this situation is produced from wells that do not produce from the Pool.

CNRL states that it is not prepared and should not be required to incur the considerable capital expense that additional compression at b-17-I would require (Exhibit C1-10, p. 5)

6.3 Pipeline Specifications

CNRL states that TransCanada's specifications stipulate that gas having only an H_2S concentration of 16 ppm or less and a dew point of minus 10 degrees Celsius can be accepted for transportation via the TransCanada system. While the composition of the CNRL gas produced from d-28-B and gas from other wells producing from the Bluesky pool and other formations currently processed through b-17-I do not meet this specification, CNRL gas is kept within the specification through the blending of gas that does not meet specifications with gas production that meets specifications from other wells and other producing zones (Exhibit C1-10, p. 6).

CNRL states that the actual composition of gas it delivers to TransCanada varies slightly with daily production, and that there is always a risk of exceeding the specifications; the consequences of which would be that CNRL cannot deliver its gas to the TransCanada system. CNRL states that it accepts this risk and the responsibility for blending its own sweet and sour gas to stay within the specifications. Without the necessary processing facilities, it is dependent on its gas that meets specifications for blending with its gas that does not meet specifications. All of the conforming gas required for blending comes from CNRL gas and is a vital and necessary ingredient in the blending operation which requires

that CNRL control non-conforming gas production based on conforming gas deliverability. CNRL submits that the consequences of exceeding the TransCanada restrictions are severe. In the event that CNRL exceeds the specifications, it would be required to shut-in the entire facility until it can demonstrate that the specification would not again be exceeded by either shutting-in the wells from which sour production is obtained or shutting them in until the necessary processing facilities have been installed at b-17-I (Exhibit C1-10, p. 6).

CNRL states that it must meet TransCanada specifications in order to bring its gas to market. This means the gas leaving b-17-I must be within TransCanada specifications for H_2S and hydrocarbon dew point or it will not be able to bring its gas to market via the TransCanada pipeline. Velma Bluesky gas does not meet TransCanada specifications. CNRL makes it clear that both H_2S and hydrocarbon dew point are serious problems, and one is not more serious than the other (T4: 376).

CNRL states that hydrocarbon dew point refers to the temperature at which gas liquids will form and drop out of the vapour state of the gas being transported. This can result in the accumulation of liquids in the gas transmission and distribution system and poses a safety risk to end-users. CNRL considers it "every bit as serious as H_2S" (T4: 377).

CNRL advised that "Our plant is currently having dew point control issues because we exceeded the NOVA specification" (T4: 377).

CNRL states that it is able to control the blending formula at present but is reliant on its own gas that meets specifications so that its gas does not exceed the specification. It requires sweet CNRL gas that meets specifications to maintain this blend and that it should not be required to use that sweet gas to make Marauder gas fall within the specification.

Further, CNRL submits that the addition of gas from the Pool that does not meet specifications into the CNRL pipeline and processing plant, without additional conforming gas for blending, would upset the current blending balance and increase the risk of exceeding the specification. Further, it submits that any additional gas affects all production, both conforming and non-conforming through back-out.

Additional Marauder gas from the Pool will be non-conforming gas and will upset the blending balance, which will increase the risk of exceeding TransCanada's specification, preventing it from transporting gas through the TransCanada system, which, in turn, would have severe financial consequences for CNRL. CNRL submits that the risk of incurring such consequences can be avoided by requiring Marauder to pursue other economically viable options available to it which would enable Marauder to use its own conforming gas to control its blending requirements.

CNRL submits that it must be allowed to protect its assets by maintaining control of the total volume of Velma Bluesky gas which flows into its system (Exhibit C1-10, p. 6).

CNRL submits that, as an owner and as the operator of the b-17-I facility, it strives to keep the plant operating within TransCanada's specification in order to avoid having the plant shut in and it would never knowingly enter into a contractual arrangement for the transportation or processing of another party's gas that would increase the risk of breaching its duties and obligations to keep the plant running. Since the introduction of gas creates risk in this situation, CNRL objects to being declared a common carrier/processor particularly since there are economic alternatives available to Marauder (T4: 379).

CNRL submits that its blending of Velma Bluesky gas with other CNRL sweet/dry gas production should properly be viewed as CNRL bringing that gas to specification prior to the gas entering b-17-I. The sweet/dry gas that is used for blending belongs to CNRL and CNRL submits that this Commission does not have jurisdiction to order CNRL to use captured gas owned by CNRL for the purpose of bringing Marauder's gas to TransCanada's specifications.

CNRL submits that it is an error to view blending as the responsibility of a common carrier or common processor and that the obligation of a common carrier relates to a pipeline used for the transportation of natural gas and the operation of that pipeline and not to the use of gas that has been captured by others. The responsibility of bringing the gas to specification is and should remain the responsibility of the owner or producer of the gas and not of the common carrier or common processor. CNRL submits that this same reasoning must be applied to a common processor. Section 67(4) of the Act prohibits a common processor from unreasonably discriminating from between itself and persons who apply "for

the services offered by the common processor". CNRL submits that the services offered by b-17-I are compression and dehydration and do not include sweetening or hydrocarbon dew point control, and that, if any Marauder Velma Bluesky gas is to be processed at b-17-I, it must be consistent with the capacity and limitations of b-17-I (CNRL Argument, pp. 23-24).

6.4 Criteria to be Used

CNRL sets out its position on the relevance of the practices and principles employed by the AEUB to the applications that are to be decided by this Commission and submits that the relevance and applicability of AEUB Directives, policies and principles must be determined in the context of the legislative framework from which this Commission derives its jurisdiction. CNRL notes that Marauder has focused its evidence almost exclusively on AEUB Directive 065 and urges this Commission to apply the policies, principles and practices of the AEUB as set out therein and submits that to do so in the manner requested by Marauder would be an error for this Commission. While the AEUB derives its jurisdiction from a number of statutes, the AEUB's jurisdiction to issue "rateable take" common carrier and common processor orders is found primarily, if not exclusively, in Alberta's Oil and Gas Conservation Act.

CNRL notes that the legislative framework from which this Commission derives its jurisdiction is very different from the legislative framework from which the AEUB derives its jurisdiction and points out that two of the stated purposes of the Oil and Gas Conservation Act for the Province of Alberta are to provide for the economic, orderly and efficient development in the public interest of the oil and gas resources of Alberta and to afford each owner the opportunity of obtaining the owner's share of the production of oil or gas from any pool. There are no such provisions in any of the statutes from which this Commission derives its jurisdiction. Nor are there any provisions equivalent to the "rateable take" sections of the Oil and Gas Conservation Act for the Province of Alberta applicable to this Commission. CNRL submits that this Commission does not have the jurisdiction to allocate reserves, order production sharing or order CNRL to blend Velma Bluesky gas with other sweet/dry gas as requested by Marauder.

It further submits that consideration of equitable issues such as production allocation and competitive drainage are not one of the stated purposes of the Act or any other statute from which this Commission derives its authority. The Act provides a mandate for this Commission to consider common carrier/processor applications. That statute does not authorize this Commission to consider the equitable allocation of reserves or production. Equitable considerations are specifically provided for in the PNGA and in the Oil and Gas Commission Act for the Province of British Columbia. For example, Section 3 of the Oil and Gas Commission Act expressly states that a purpose of the OGC is "to assist owners of oil and gas reserves to share equitably in the production from shared pools of oil and gas". The PNGA authorizes the Minister of Energy to act under Section 98(e) and distribute production in the manner contemplated so that each owner may receive his or her fair share of the pool. No such authority is provided to this Commission. Accordingly, CNRL submits that equitable matters should be left to those in the legislative framework who are authorized to make such determinations and that the structure of this legislative framework is relevant and must be considered in determining the criteria that should be applied to those applying for CC/CP applications. Accordingly, it submits that ensuring that the issuance of such orders does not impose hardship or risk on the proposed common carrier and maintaining a healthy, competitive marketplace must be given at least as much weight as, for example, competitive drainage.

CNRL submits Marauder's applications be considered in light of the legislative framework in place in British Columbia and that Alberta principles, policies, and practices be viewed in the context of Alberta's legislative framework which is very different from the legislative framework in place in British Columbia (CNRL Argument, pp. 4-5).

CNRL submits that oil and gas will be produced at the lowest cost and that British Columbia will benefit if the marketplace is allowed to function. Further, by issuing CC/CP orders, this Commission will be interfering in the marketplace and potentially impacting the ability of an owner to achieve an efficient outcome from its planned operations.

CNRL submits that the oil and gas business is competitive and subject to the rule of capture. Industry players must plan to have infrastructure available to gather and process the gas and oil produced from drilled wells or they may experience competitive drainage. CNRL submits that it knew that if it did not have proper and sufficient gathering and processing capacity it would not be able to gather and process the gas that could be produced from the wells drilled into the Pool and that such gas might be captured by others. CNRL, however, planned its investment in gathering and processing capacity to match the quantity of gas it anticipated would be produced (CNRL Argument, p. 8).

6.5 Marauder's Communications with CNRL

CNRL reviews the factual backdrop against which these Applications were made by Marauder and submits that Marauder, with its partner Talisman, drilled and completed the a-38-B and b-37-B wells after d-28-Bl was producing with the data from d-28-B being used by Marauder in deciding to drill a-38-B and b-37-B. Marauder advised that it could not have drilled those wells any closer together or any closer to d-28-B, and still have been on target (T3: 179). CNRL submits that Marauder did not complete the Notikewin Zone in those wells and did not run production tubing in either well, but that the wells were completed so as to maximize flow from the Pool for Marauder in an obvious attempt to gain a competitive advantage over CNRL and recover a majority of reserves from the Velma Bluesky pool (CNRL Argument, pp. 12-13)

CNRL submits that the decision to build the pipeline in the face of Pioneer's refusal and the statement that "Pioneer is the way to go" only make sense when viewed in the context of how Marauder located and completed its a-38-B and b-37-B wells and the limited communication with CNRL. CNRL submits that Marauder's plans were to bring its two Velma Bluesky wells on production and competitively "out-produce" CNRL. Marauder's plans were immediately obvious to CNRL as a participant in the competitive oil and gas industry that operates subject to the rule of capture. The plan, however, failed to materialize when Pioneer refused to accept the gas into its system (CNRL Argument, pp.11 and 13).

CNRL submits that Marauder chose one of the more costly options available to it for gathering and processing its Velma Bluesky gas in order to gain a competitive advantage over CNRL and recover a majority of reserves from the Pool.

CNRL submits Marauder's March 10, 2006 letter to CNRL must also be viewed in this context and that, on that date, Marauder was not seriously seeking to have CNRL gather and transport its gas to be produced from the Pool. At that point, Marauder's plans to build a pipeline to Pioneer's facility were well underway; surveyors had been retained and discussions/negotiations held with Pioneer. CNRL submits that Marauder's actions can only be interpreted as a plan to competitively "out-produce" Velma Bluesky gas. This is further confirmed by the fact that Marauder did not wait for a response from CNRL to the March 10, 2006 letter or make any inquires of CNRL prior to deciding to build the pipeline to b-61-B. So intent was Marauder in pursuing this plan that it persisted with the pipeline even after the refusal by Pioneer to accept the gas; such plans having been made by Marauder long before Marauder initiated any communication with CNRL. Notwithstanding its attempts to competitively "out-produce" CNRL from the Pool, Marauder now seeks the issuance of CC/CP orders against CNRL on grounds that include the allegation that CNRL is inequitably draining the Pool (CNRL Argument, p. 13).

6.6 Allocation of Reserves

CNRL makes the following submission on the matter of allocation of reserves in the Pool. CNRL submits that allocation of production should only be done under Section 98 of the PNGA and not by this Commission. However, it also submits that any allocation of the production or reserves of the Pool must be fair and equitable. Such an allocation will be fair and equitable if production and reserves from the Pool are allocated to those parties who hold valid leases under which wells capable of producing from the Pool have been drilled. The formula for allocating production to these leases should be based solely on a determination of the proportion of the HCPV within the boundary of these leases. In other words, production from the Pool should be allocated to only CNRL and Marauder because they are the only operators of wells capable of production from the Pool. The proportion of production allocated to each of CNRL and Marauder should be equivalent to the ratio of the HCPV within the lands controlled by

that operator, to the total HCPV within the lands controlled by both operators. CNRL submits that any method of allocation based on the area or number of the gas spacing units controlled by the two parties would not be fair and equitable because it would not be an accurate representation of the gas in place within the lands controlled by each party. There are sufficient wells, petrophysical, production and pressure data, to delineate the Pool and accurately show the distribution of HCPV.

For the purpose of assigning an HCPV ratio to each of Marauder and CNRL, CNRL submits that its phi-h map illustrates the most plausible distribution of the HCPV and gas in place. HCPV within the Marauder controlled lands was calculated to be 348.84 acre-ft and the HCPV within CNRL controlled lands was calculated to be 2,159.61 acre-ft for a production allocation of 14 percent and 86 percent respectively (Exhibit C 1-10, p. 7).

6.7 Competitive Drainage

CNRL submits that the Commission should have no regard for Marauder's allegations of drainage and production by CNRL during the period this matter has been proceeding. First, CNRL submits that the mandate of this Commission is not to address equitable issues such as competitive drainage. Second, Marauder made the decision to build a pipeline to Pioneer knowing that Pioneer had refused to accept the gas and knowing that CNRL was producing from the Pool. CNRL submits that the fact that Pioneer was Marauder's first choice can only mean that Marauder accepts the competitive nature of the oil and gas industry subject to the rule of capture and that only after Marauder's initial plan to obtain a competitive advantage failed did inequitable drainage become an issue and sought to have this Commission make CC/CP orders against CNRL. Marauder did not make any provisions to build a pipeline to CNRL's facility and should bear the consequences of that decision. Accordingly, CNRL submits that any production by CNRL from the Pool during this period is not inequitable in these circumstances (CNRL Argument, pp. 17-18).

6.8 Proliferation of Facilities

CNRL submits that British Columbia appears to have no policy on the proliferation of facilities and that, in any event, the position of Marauder on this point is disingenuous. If Marauder had true concerns about the proliferation of facilities, it would have ensured an agreement was in place before installing the pipeline to b-61-B. In light of the compression constraints on CNRL's system, the H_2S and hydrocarbon dew point issues, further infrastructure is required in either case. Marauder would have to address those constraints in order to make the CNRL tie-in viable. Therefore, requiring Marauder to pursue options other than CNRL will not result in a proliferation of facilities. CNRL also notes that the articles marked by Marauder as Exhibit B-21 clearly state that compression limitations should be addressed by the party seeking to have its gas processed (CNRL Argument, pp. 18-19).

6.9 Options Available to Marauder

CNRL submits that Marauder's first preference is not the least cost option for gathering and processing its gas, and that Marauder has brought two applications, one against CNRL and one against Pioneer, each having different economic parameters. Marauder confirms that the purpose of a common carrier order is to give Marauder an option; but not necessarily the most economic option (T3: 133). CNRL submits that after having to concede that Pioneer was selected by Marauder even though it was not the least expensive, Marauder cannot say otherwise (CNRL Argument, p. 19).

CNRL questions Marauder's assertion that tying into EnCana is not an economic option because refrigeration would be required at the EnCana facility. The fact that the introduction of Marauder's gas into CNRL's system would also require a refrigeration plant that CNRL does not currently need is ignored by Marauder as are the compression constraint, back-out and H_2S issues. CNRL points out that Marauder has been inconsistent in its treatment of the cost of refrigeration; when calculating the cost of refrigeration at EnCana's facility it attributes the entire cost to itself but only attributes a portion of the cost of refrigeration to itself when evaluating the CNRL option. In CNRL's submission, the delivery of Marauder's Velma Bluesky gas to either site would require refrigeration at that site (CNRL Argument,

p. 20).

CNRL performed its own economic evaluation of Marauder's option to connect with EnCana at c-41-K and at d-87-H and concluded that both are economic if the only capital cost to Marauder would be the cost of procuring and laying pipe of $1,230,000 and $ 2,850,000 respectively. CNRL calculates that the value of Marauder's gas in the Pool is approximately $4 million when discounted at 5 percent (Exhibit C1-10, Appendices II(a) and (b)).

CNRL also points out the following shortcomings in Marauder's economic evaluation:

- The capital used by Marauder in its economic runs appears to be overstated because Marauder failed to consider any royalty incentive programs;
- The capital outlay required to build a new plant would result in surplus capacity that will be available for future needs or current custom processing by Marauder;
- Marauder could use the available sweet/dry gas currently being processed by EnCana's Ladyfern facility at any hydrocarbon dew point control facility it constructs;
- Marauder does not appear to have considered that the plant/capital could have been sold after use;
- Marauder did not account for, or consider leasing, compression and other facilities in order to reduce the initial capital outlay; and
- Since Marauder now concedes CNRL's d-16-B well is in the Pool, it has underestimated pool size in its economic runs, and should have started from a pool size of 4.5 BCF. The recoverable reserves for the two Marauder wells are then in the range of 2 BCF as opposed to the 1.5 BCF used by Marauder in its economic calculations. This change has not been accounted for by Marauder and significantly improves the economics of transporting and processing the gas to/at facilities other than CNRL's facility (CNRL Argument, pp. 20-21).

CNRL submits that it demonstrated that the option to tie into (12 kilometres) Marauder's own gathering system at 41-K for processing through the EnCana operated facility is economic (Exhibit C1-10, Appendix IIa). Furthermore, CNRL submits that Marauder acknowledges that a similar EnCana option,

albeit with a longer pipeline (19 kilometres) than the c-41-K line, was considered economic prior to drilling the wells. Despite having two economically viable routes to the EnCana plant, where Marauder is currently producing sweet dry gas that can be used for blending and where Marauder plans to add significantly more sweet dry gas production from new drilling on the EnCana farm-in lands and other lands in Alberta, Marauder did not survey a pipeline right-of-way to the Marauder gas gathering system as either a preferred option or a backup to the Pioneer tie-in where it had not secured capacity for its gas (CNRL Argument, p. 7).

So far as Marauder's return on investment is concerned, CNRL submits:

> "Therefore, to the extent Marauder's return on investment is a relevant criterion the question is whether Marauder has options available to it, other than CNRL, which will allow it to bring its gas to market and realize some return on its investment. CNRL is not the party who made the decision to drill Marauder's wells. The evidence submitted by both CNRL and Pioneer shows clearly that such options are available to Marauder. Those options should be pursued by Marauder" (CNRL Argument, p. 19)

and

> "Accordingly, CNRL submits that Marauder has other economic options that it has chosen not to pursue. While those options may not be as economic as CNRL, the evidence is clear that Marauder made its choices on the basis of factors other than economics. If Marauder is free to exercise choice based on factors other than economics, then this Commission should certainly have regard for options that may be less economic than tying into CNRL" (CNRL Argument, p. 21).

7.0 COMMISSION FINDINGS

7.1 General

In the absence of previously defined criteria from prior Commission decisions for determining whether to make common carrier and common processor declarations against persons in British Columbia, the Commission Panel will, for the purposes of rendering its decision, adopt seven of the criteria set out by the AEUB in Directive 065 and reproduced below.

In evaluating an application for a common carrier order, the AEUB considers whether the applicant has demonstrated that:

- producible reserves are available for transportation through an existing pipeline,
- there is a reasonable expectation of a market for the substance that is proposed to be transported by the common carrier operation,
- the applicant could not make reasonable arrangements to use the existing pipeline, and
- the proposed common carrier operation is the only economically feasible way, the most practical way to transport the substance in question, or clearly superior environmentally.

In evaluating an application for a common processor order, the AEUB considers whether the applicant has demonstrated that:

- producible reserves are available for processing and processing facilities are needed,
- reasonable arrangements for use of processing capacity in the subject processing plant could not be agreed upon by the parties,
- the proposed common processor operation is either the only economically feasible or most practical way to process the gas in question or is clearly superior environmentally.

The Commission Panel will also consider the following criteria:

- Competitive Drainage;
- Surplus Capacity;
- Quality of Gas; and
- Proliferation of Facilities.

7.2 Applications Against CNRL and Pioneer

Criterion 1

Has the applicant demonstrated that producible reserves are available for transportation through an existing pipeline and are available for processing and processing facilities are needed?

The Commission Panel finds in relation to the Marauder CNRL Application that producible reserves exist in the Pool and are available for transportation through an existing pipeline from d-28-B to b-17-I and that producible reserves are available for processing at b-17-I and that processing facilities are needed.

The Commission Panel finds in relation to the Marauder Pioneer Application that producible reserves exist in the Pool and are available for transportation through an existing pipeline from b-61-B to c-32-H and that producible reserves are available for processing, and that processing facilities are needed.

Criterion 2

Has the applicant demonstrated that there is a reasonable expectation of a market for the gas that is to be transported through the common carrier operation?

The Commission Panel finds in relation to both the Marauder CNRL Application and the Marauder Pioneer Application that three major transmission systems (TransCanada, Duke and Alliance) operate in the area and can take the gas to market.

Criterion 3

Has the applicant demonstrated that it could not make reasonable arrangements to use the existing pipeline or agree upon reasonable arrangements for use of processing capacity in the subject processing plant?

The Commission Panel notes the following extract from AEUB Directive 065 at page 42:

> "You should have made substantial efforts to negotiate a resolution to the matter prior to filing an application with the EUB. The application should be a last resort. You should also continue your efforts to resolve the matter on a voluntary basis (including consideration of a third-party mediator) after you have filed the application with the EUB.
>
> Your discussion must include why the negotiations did not lead to a settlement and what dispute resolution efforts were conducted. Matters of confidentiality and disclosure should be addressed and determined by the parties prior to submission of the application.
>
> The documentation should illustrate your case that you have been unable to obtain reasonable arrangements. Matters of dispute may include access on terms that would allow you to obtain your share of production from the pool at reasonable tariffs" (Exhibit B-7, BCUC IR 1 Appendix B, p. 42).

The Commission Panel finds in relation to the Marauder Pioneer Application that Marauder made its first approach to Pioneer in late January 2006 before it commenced drilling. Marauder received a final response from Pioneer less than three weeks later which was once again before drilling had commenced. Notwithstanding Pioneer's refusal to carry and process Marauder's gas, Marauder laid pipe to Pioneer's wellsite and had no further communication with Pioneer until delivery of its ultimatum of June 6, 2006. At no time did Marauder inform Pioneer of the H_2S content of its gas.

The Commission Panel finds that Marauder did not make substantial efforts to negotiate a resolution with Pioneer prior to filing an Application with the Commission.

The Commission Panel finds in relation to the Marauder CNRL Application that it was not until March 10, 2006, while Marauder was testing its two wells and preparing to lay pipe to Pioneer that Marauder approached CNRL. Marauder continued to lay the pipe to Pioneer before receiving a telephone call from CNRL. Following this telephone conversation between Marauder and CNRL, Marauder had no further communication with CNRL until June 5, 2006 when it issued a letter stating that unless CNRL responded before June 8, 2006 indicating an interest in transporting, operating and processing Marauder's gas, Marauder would apply to the Commission for common carrier relief.

The Commission Panel finds that Marauder was not particularly interested in negotiating reasonable arrangements with CNRL, but rather Marauder's strategy was to use the Commission to make a CC/CP Declaration against either Pioneer or CNRL. The Commission Panel is persuaded by CNRL's submission that Marauder's actions including the location of the two wells it drilled, the choice of Pioneer as "the way to go" and the construction of 6 km of pipeline to b-61-B, all suggest that Marauder's intention was to gain a competitive advantage over CNRL and competitively "out-produce" the Pool.

The Commission Panel finds that Marauder has not demonstrated substantial efforts to negotiate a resolution with either CNRL or Pioneer.

Criterion 4

Has the applicant demonstrated that the proposed common carrier and processor operations are either the only economically feasible way; the most practical way to transport and process the gas in question; or are clearly superior environmentally?

It appears that, prior to drilling its two wells, Marauder carried out an examination of five options for transporting and processing the gas it hoped to discover in the Pool.

1) Duke	a-17-A
2) CNRL Sales	a-89-D
3) EnCana	d-17-H/94-H-I to b-47-H/94-H-I
4) Pioneer	c-32-H to b-61-B
5) CNRL	d-28-B to b-17-I

The Commission Panel finds that Marauder did not communicate with Duke or EnCana or with a number of owners in the neighbourhood who may have been able to accommodate Marauder's requirements, or who may have been able to have provided guidance to Marauder in transporting and processing its volume, including Prime West, Penngrowth, BP, Husky, Apache or Baytex.

The Commission Panel finds that Marauder's economic evaluations failed to consider the following:

- the costs of sweetening and refrigerating its Velma Bluesky gas to bring it to pipeline specification;
- the cost of an appropriately sized gas plant in the Duke option;
- the impact of the BC Royalty Credit Program; and
- the updated volumes in the Pool.

The Commission Panel has considered the economic evaluations of Option 3, and of its variant to EnCana c-41-K, prepared by Marauder and by CNRL and finds that the gas in the Pool could support capital expenditures in the $3.5 million to $4.0 million range and still allow Marauder to make a return on its investment.

The Commission Panel accepts Pioneer's argument that Marauder's economic evaluation of its Pioneer option was incomplete and omitted various items of capital and operating and maintenance expense.

The Commission Panel is not persuaded that the rate or the amount of positive return Marauder may earn on its investment is a determining factor in making a CC/CP declaration. Marauder made its decision to drill its wells and it must live by the results of that decision.

Accordingly, the Commission Panel finds that neither the Marauder CNRL nor the Marauder Pioneer options represent the only feasible economic way for Marauder to transport and process the gas in question.

The Marauder CNRL option may be the most practical way for Marauder to transport its gas, however this factor must be balanced against other criteria to arrive a determination as to whether a CC/CP declaration should be made.

The Commission Panel heard no evidence on the issue of environmental superiority and makes no findings in this regard.

Other Criteria

Competitive Drainage

The Commission Panel finds that there is competitive drainage of the Pool by CNRL to the detriment of Marauder. However, the Commission Panel does not consider the competitive drainage to be inequitable in the circumstances of these Applications. CNRL was the first entity to drill into the Pool. CNRL has managed to blend production at its b-17-I gas plant to meet the TransCanada specifications at its own considerable risk. For the reasons referred to earlier, the Commission Panel is not persuaded that Marauder is or was unable to alleviate the competitive drainage by accessing other options either at this stage or earlier stages of its planning and development.

Surplus Capacity

The Commission Panel finds that the compression cylinders of both Pioneer and CNRL's gathering systems into which Marauder proposes to transport its gas from the Pool are at their full capacity. The introduction of Velma volumes without additional cylinder capacity would cause suction pressures to increase both Pioneer and CNRL's volumes to be backed-out.

The Commission Panel is of the view that it should not compel an owner to invest in additional cylinder capacity which it does not require to transport its own gas so that it would be able to transport third party volumes.

Quality of Gas

The Commission Panel finds that the gas reserves in the Pool contain at least 300 ppm H_2S and have hydrocarbon dew point problems.

In relation to the Marauder Pioneer Application, the pipeline from b-61-B to c-32-H could accept gas from the Pool. However, the Commission Panel accepts the evidence of Pioneer that its gathering system has not handled gas containing such high levels of H_2S and that its plant at c-32-H does not have facilities to sweeten the gas.

In relation to the Marauder CNRL Application, the Commission Panel finds that CNRL has been able to blend its production from the Pool with other sweet and dry production available to it from its own sources of production. As a result of this blending, CNRL has been able to deliver gas that meets TransCanada's pipeline specifications at b-17-I. Marauder has no sweet or dry gas of its own to blend at b-17-I.

The Commission Panel is of the view that it should not declare an owner to be a common carrier processor if that compels the owner to install sweetening or refrigeration facilities which it does not require to process its own gas merely so it can process the gas of a third party. Further, the Commission Panel is of the view that it should not declare an owner to be a common carrier or processor and thereby compel that owner to accept gas from third parties that does not meet pipeline specifications. The Commission Panel is of the view that an owner should not be required to blend its own sweet and dry gas with gas from a third party to bring the non-conforming gas up to pipeline specifications nor to compel an owner to assume the associated risk on behalf of a third party.

Proliferation of Facilities

The Commission Panel notes that the construction of plants to sweeten and/or refrigerate gas would not constitute proliferation in these circumstances, as those facilities do not exist in the vicinity of Marauder's well site. However, the Commission Panel notes that Marauder laid 6.1 km of 4 inch pipe before having an agreement in place with Pioneer. That action may well be viewed as an undue proliferation of facilities.

Discussion

The Commission Panel agrees with Marauder that in applying the criteria to decide if an CC/CP declaration should be made, no one criterion is determinative. Further, the Commission Panel is of the view that it has a discretion to vary the weight attached to each of the criteria in the circumstances of each particular case.

Marauder has established that producible reserves are available for transportation through an existing pipeline and are available for processing and processing facilities are needed. Marauder has also established that there is a reasonable expectation of a market for the gas that is to be transported through the common carrier operation.

However, in this decision, the Commission Panel has placed considerably more weight in its finding that Marauder has not made reasonable arrangements to use the existing facilities and has not demonstrated that granting the CC/CP declarations against either Pioneer or Marauder are the only economically feasible ways to get the gas to market.

Furthermore, the Commission Panel finds that the quality of gas in the Pool would compel either Pioneer or CNRL to upgrade existing facilities when those entities do not need to make the upgrades for their own purposes. In coming to its determination, the Commission Panel balanced the weight to be given to the criteria which were met by Marauder against the criteria which were not. In this decision, the Commission has placed much greater weight on the criteria which have not been met by Marauder as the applicant. Therefore, the Commission denies the applications by Marauder for common carrier / common processor declarations against both Pioneer and CNRL under Sections 65 and 67 of the Act.

Summary

The Applications by Marauder for common carrier and common processor declarations against CNRL and Pioneer are dismissed.

On the basis of this decision, the following issues become moot:

- allocation of reserves in the Pool and the Commission's jurisdiction;
- the effective date of any declaration; and
- the fees to be paid for transportation, processing, back-out, blending or any other service being sought in the Applications.

Accordingly, the Commission Panel will not make any findings on those issues.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of February 2007.

Original signed by

ANTHONY J. PULLMAN
PANEL CHAIR AND COMMISSIONER

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BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-15-07

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Applications by Marauder Resources West Coast Inc.
for common carrier/common processor Orders
to Canadian Natural Resources Limited and Pioneer Natural Resources Canada Inc.
Velma Bluesky (2600) Pool

BEFORE: A.J. Pullman, Commissioner February 14, 2007

O R D E R

WHEREAS:

A. By an Application dated June 16, 2006, Marauder Resources West Coast Inc. ("Marauder") applied (the "Marauder CNRL Application") pursuant to Section 65 of the Utilities Commission Act (the "Act") for an Order declaring Canadian Natural Resources Limited ("CNRL") to be a common carrier and common processor of natural gas produced from the Velma Bluesky (2600) Pool (the "Pool"); and

B. By an Application dated June 16, 2006, Marauder also applied pursuant to Section 65 of the Act for an Order declaring Pioneer Natural Resources Canada Inc. ("Pioneer") to be a common carrier and common processor of natural gas produced from the Velma Bluesky (2600) Pool (the "Marauder Pioneer Application"); and

C. In each of Marauder CNRL Application and the Marauder Pioneer Application (collectively, the "Applications"), Marauder requests that an order made by the Commission in response to the Applications be effective as of the date of the Applications and that, in the event it is necessary to share production from the Pool, the Commission direct the proportion of production to be taken by the common carrier from each producer or owner; and

D. By Order No. G-85-06, the Commission established a Workshop regarding the Applications on August 1, 2006 and a Procedural Conference to hear submissions on the regulatory process for the review of the Application on August 2, 2006; and

E. The Commission considered the submissions that it received at the August 2, 2006 Procedural Conference, and by Order No. G-93-06 determined that the Marauder CNRL Application and the Marauder Pioneer Application should be reviewed in the same proceeding, and that an oral hearing process should be established for the review of the Applications; and

F. By letter dated September 11, 2006 Marauder confirmed that it sought common processor declarations pursuant to Section 67 of the Act against both CNRL and Pioneer, as well as common carrier declarations under Section 65 of the Act; and

G. An oral public hearing was held in Vancouver on November 6 and 7, 2006.

. . ./2

NOW THEREFORE the Commission orders as follows:

1. The Application by Marauder for common carrier and common processor declarations against CNRL is dismissed.

2. The Application by Marauder for common carrier and common processor declarations against Pioneer is dismissed.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of February 2007.

BY ORDER

Original signed by

A.J. Pullman
Commissioner

LIST OF APPEARANCES

P.R. MILLER	Commission Counsel
R. WILLIAMS	Marauder Resources West Coast Inc.
S. MUNRO L. HEIDINGER	Pioneer Natural Resources Canada Inc.
P. McGOVERN	Canadian Natural Resources Limited
M. D'ANTONI	Ministry of Energy Mines and Petroleum Resources

ALLWEST REPORTING LTD.	Court Reporters

LIST OF WITNESSES

BLAIR ROY VERNON LONGDO GERARD O'REILLY JOHN HITCHENER, PRESIDENT HITCHENER EXPLORATION SERVICES LTD.	Marauder Resources Westcoast Inc.
JERRY WAYNE HARVEY KONSTANTINOS PETRAKOS GEOFFREY ANTHONY POTH ROD CHARLES MCDOUGALL	Canadian Natural Resources Limited
TODD ANTHONY DILLABOUGH GREGOR L. KAISER JEFFREY W. WALLACE ROBERT DALE BANKHEAD IB KARL MOLLER, PRESIDENT MOLLER & ASSOCIATES LTD.	Pioneer Natural Resources Canada Inc.

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Marauder Resources West Coast Inc.
for Common Carrier / Common Processor Orders
to Canadian Natural Resources Ltd. and Pioneer Natural Resources Canada Inc.
Velma Field, Bluesky Pool

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter dated July 11, 2006 issuing Order No. G-85-06 and Notice of Procedural Conference
A-2	Letter dated July 13, 2006 to Shawn Munro of Bennett Jones confirming all communications to date and that Counsel has been added to distribution lists for future communications
A-3	Letter dated July 21, 2006 issuing the Workshop Agenda and draft Regulatory Timetable
A-4	Letter dated August 2, 2006 issuing Order G-93-06 and establishing the Regulatory Timetable
A-5	Letter dated August 22, 2006, issuing Information Request No. 1 to Marauder Resources West Coast Inc.
A-6	Letter dated September 8, 2006 approving Marauder's application for a delay in filing responses to Commission Information Request No. 1
A-7	Letter No. L-58-06 dated September 21, 2006 response to Pioneer Natural Resources Canada Inc. and issuing amendment to Regulatory Timetable
A-8	Letter No. L-59-06 dated September 29, 2006 issuing a revised Regulatory Timetable
A-9	Letter dated October 13, 2006 issuing Information Request No. 1 to Canadian Natural Resources Limited
A-10	Letter dated October 13, 2006 issuing Information Request No. 1 to Pioneer Natural Resources Canada Inc.

A-11 Letter dated October 27, 2006 to participants confirming the date, time and location of the Pre-hearing Conference

A-12 Letter dated November 2, 2006 providing Commission determination on matter raised at November 1, 2006 Pre-Hearing Conference

A-13 Letter dated November 20, 2006 filing request for Intervenors' to file submissions regarding Canadian Natural Resources Ltd.'s submission for Leave to file evidence

A-14 Letter No. L-74-06 dated November 22, 2006 denying Canadian Natural Resources Ltd.'s request for leave to enter its November 17, 2006 letter into evidence

A-15 Letter No. L-77-06 dated November 28, 2006 accepting request for extension to file Reply Argument

COMMISSION COUNSEL DOCUMENTS

A2-1 Commission Order COM-14-80 dated August 15, 1980, declaring British Columbia Petroleum Corporation (BCPC) a common purchaser of natural gas from Willow Halfway B Pool, in response of an Application from Sabine Canada Ltd.

A2-2 Commission Order COM-13-80 dated August 15, 1980, declaring British Columbia Petroleum Corporation (BCPC) a common purchaser of natural gas from Rigel Dunlevy F Pool with respect to the well Sun E Rigel 11-17-88-16W6, in response of an Application from Suncor Inc.

A2-3 Commission Order COM-7-80 dated April 11, 1980, declaring British Columbia Petroleum Corporation (BCPC) a common purchaser of natural gas from the Buick Creek North Dunlevy A Pool, in response of an Application from Westgrowth Petroleums Ltd.

A2-4 Commission Order COM-6-80 dated April 11, 1980, declaring British Columbia Petroleum Corporation (BCPC) a common purchaser of natural gas from Rigel Dunlevy F Pool, in response of an Application from Orbit Oil & Gas Ltd.

A2-5 Commission Order COM-5-80 dated April 11, 1980, declaring British Columbia Petroleum Corporation (BCPC) a common purchaser of natural gas in the Rigel Dunlevy F Pool, in response of an Application from Westgrowth Petroleums Ltd.

A2-6 Commission Order COM-4-80 dated April 11, 1980, declaring British Columbia Petroleum Corporation (BCPC) a common purchaser of natural gas in the Rigel Dunlevy F Pool, in response of an Application from Westgrowth Petroleums Ltd.

A2-7 Decision dated September 26, 1980 regarding the Application by British Columbia Petroleum Corporation

A2-8 Decision dated October 16, 1980 regarding the Application by Baay Land Consultants Ltd.

A2-9 Decision dated May 28, 1981 regarding the Application by Orbit Oil & Gas Ltd.

A2-10 Decision dated July 6, 1981 regarding the Application by Silverton Resources Ltd.

A2-11 Decision dated October 23, 1981 regarding the Application by Westgrowth Petroleums Ltd.

A2-12 Decision dated October 28, 1982 regarding the Application by Rupertsland Resources Co. Ltd.

A2-13 Decision dated November 19, 1982 regarding the Application by Dome Petroleum Limited

A2-14 Decision dated October 8, 1985 regarding the Application by Wainoco Oil and Gas Limited

APPLICANT DOCUMENTS

B-1-1 Letter dated June 16, 2006 filing Application for a Common Carrier / Processor Order Marauder Resources West Coast Inc. – Velma Field Common Carrier – Canadian Natural Resources Ltd. The data filed June 16, 2006 in support of the Applications is included in this Exhibit.

B-1-2 Letter dated June 16, 2006 filing Application for a Common Carrier / Processor Order Marauder Resources West Coast Inc. – Velma Field Common Carrier – Pioneer Natural Resources Ltd. The data filed June 16, 2006 in support of the Applications is included in this Exhibit.

B-2-1 Letter dated June 16, 2006 referring to Canadian Natural Resources Limited and filing the Applicant's intention for the two applications to proceed as one larger application

B-2-2	Letter dated June 16, 2006 referring to Pioneer Natural Resources Canada Inc. and filing the Applicant's intention for the two applications to proceed as one larger application
B-3	Fax dated July 14, 2006 from Jason Murray of Borden Ladner, Barristers & Solicitors, filing notice of legal counsel
B-4	Letter dated September 8, 2006 filing responses to CNRL Information Request No. 1
B-5	Letter dated September 8, 2006 filing responses to Pioneer Information Request No. 1
B-6	Letter dated September 8, 2006 filing Leave to file responses to Commission Information Request No. 1 on September 11, 2006
B-7	Letter dated September 11, 2006 filing response to Commission's Information Request No. 1
B-8	Letter dated September 20, 2006 filing Evidence from the Procedural Conference of August 2, 2006
B-9	Letter dated September 25, 2006 from Jason Murray, of Borden Ladner Gervais, filing response to request for extension by Pioneer Natural Resources (Exhibit 2-5)
B-10	Letter dated September 27, 2006 requesting that Mr. Rick Williams of Borden Ladner Gervais be added to the proceeding distribution lists
B-11	Letter dated October 13, 2006 filing Information Request No. 1 to Pioneer Natural Resources Canada Inc.
B-12	Letter dated October 13, 2006 filing Information Request No. 1 to Canadian Natural Resources Canada Inc.
B-13	Letter dated October 24, 2006 from Rick Williams of Borden Ladner Gervais filing response to Commission's quantity of gas to be accepted/carried (Exhibit A-8)
B-14	Letter dated November 3, 2006 from Rick Williams of Borden Ladner Gervais filing the Curriculum Vitaes of Blair Longdo, Gerry O'Reilly, and John Hitchner
B-15	Letter dated November 3, 2006 from Rick Williams of Borden Ladner Gervais filing response and comments on tariffs and fees (Exhibit A-12)
B-16	Letter dated November 3, 2006 from Rick Williams of Borden Ladner Gervais filing Opening Statements

B-17 **SUBMITTED AT PUBLIC HEARING** – Letter dated November 3, 2006 filing their letter to BC Ministry of Energy and Mines regarding their Application for a Reserves Allocation Order

B-18 **SUBMITTED AT PUBLIC HEARING** – filing response to Undertaking of November 6, 2006 regarding the Economic Evaluation of a tie-in to Encana d-87-H

B-19 **SUBMITTED AT PUBLIC HEARING** – filing response to Undertaking, "Velma Bluesky Pool"

B-20 **SUBMITTED AT PUBLIC HEARING** – filing two-page "Marauder Corporation Production"

B-21 **SUBMITTED AT PUBLIC HEARING** – Excerpt article from "Energy Processing Canada: May/Jun 2004"

INTERVENOR DOCUMENTS

C1-1 **CANADIAN NATURAL RESOURCES LTD. (CNRL) –** Fax dated June 29, 2006, received from Patrick J. McGovern, Barrister & Solicitor, of Thackray Burgess filing request for Intervenor Status

C1-2 Fax dated June 26, 2006 from Zoltan Nagy-Kovacs advising of intention of retaining Counsel and requesting all future correspondence and filings for both Canadian Natural Resources Ltd. and Pioneer Natural Resources Canada Inc.

C1-3 Fax dated July 18, 2006, received from Patrick J. McGovern, Barrister & Solicitor, of Thackray Burgess filing notice of legal counsel

C1-4 Letter dated August 22, 2006 received from Patrick J. McGovern, Barrister & Solicitor, of Thackray Burgess filing Information Request No. 1 to Marauder Resources West Coast Inc.

C1-5 Letter dated September 15, 2006, received from Patrick J. McGovern, Barrister & Solicitor, of Thackray Burgess filing change of contact information

C1-6 Letter dated September 21, 2006 received from Patrick J. McGovern, Barrister & Solicitor, of Thackray Burgess filing Leave to extend the deadline to submit evidence to September 26, 2006

C1-7 Letter dated September 21, 2006 from Patrick J. McGovern, Barrister & Solicitor, of Thackray Burgess to BC Ministry of Energy and Mines filing comments on Marauder's application for common carrier order for Velma Bluesky Pool production

C1-8 Letter dated September 21, 2006 received from Patrick J. McGovern, Barrister & Solicitor, of Thackray Burgess filing comments on Marauder's Section 98 Application

C1-9 Letter dated September 27, 2006 responding to Marauder's Exhibit B-9 and requesting that the Pre-hearing Conference scheduled for November 1, 2006 be advanced by one week

C1-10 Letter received September 29, 2006 filing Evidence

C1-11 Letter dated October 24, 2006 from Patrick J. McGovern, Barrister & Solicitor, of Thackray Burgess filing response to Commission's quantity of gas to be accepted/carried (Exhibit A-8)

C1-12 Letter received October 27, 2006 filing responses to Commission and Marauder Information Request No. 1

C1-13 Email received October 30, 2006 filing Errata to response to Commission's and Marauder's Information Request No. 1 (Exhibit C1-12)

C1-14 **SUBMITTED AT PUBLIC HEARING** – Letter dated November 3, 2006 filing the Curriculum Vitaes of Jeffery Poth, Konstantinos Petrakos, Rod C. McDougall and Jerome (Jerry) Wayne Harvey

C1-15 **SUBMITTED AT PUBLIC HEARING** – Letter dated November 3, 2006 filing attached Oil and Gas Commission, Bluesky Net Pay Map and Coloured Appendix B-8 to be entered as Evidence

C1-16 **SUBMITTED AT PUBLIC HEARING** – Letter dated November 3, 2006 filing Leave to have attached charts, pictures, et al to be entered as Evidence

C1-17 **SUBMITTED AT PUBLIC HEARING** – Map of Marauder Operated Wells, Marauder/Talisman WI Lands

C1-18 **SUBMITTED AT PUBLIC HEARING** – Opening Statements of Canadian Natural Resources Ltd.

C2-1 **PIONEER NATURAL RESOURCES LTD. (PNRL) –** Fax dated July 10, 2006, received from Shawn M. Munro, Barrister & Solicitor, of Bennett Jones filing comments on procedure and request for all communications to date

C2-2 Fax dated July 19, 2006 filing notice to attend the Workshop and Procedural Conference

C2-3 Fax dated July 20, 2006 filing request for Intervenor Status for Shawn M. Munro, Bennett Jones, as legal counsel and for Brian Stasiuk, Pioneer

C2-4 Received August 22, 2006 filing Information Request No. 1 to Marauder Resources West Coast Inc.

C2-5 Letter dated September 13, 2006 filing comments to address the procedural and timing issues raised by Marauder and request to defer the evidentiary filing deadlines

C2-6 Letter dated September 20, 2006 filing Leave to extend the filing deadline for Pioneer's evidence to Tuesday, September 26, 2006

C2-7 Letter dated September 27, 2006 filing response to Marauder's response to request for extension (Exhibit B-9)

C2-8 Email dated September 29, 2006 filing Written Direct Evidence

C2-9 Email dated October 19, 2006 Notice of Contact Change

C2-10 Letter dated October 24, 2006 from Lyndon Heidinger filing response to Commission's quantity of gas to be accepted/carried (Exhibit A-8)

C2-11 Email dated October 27, 2006 filing responses to Commission Information Request No. 1

C2-12 Email dated October 27, 2006 filing responses to Marauder's Information Request No. 1

C2-13 Letter dated November 2, 2006 from Lyndon Heidinger filing the Curriculum Vitae of witness panel for the Oral Hearing, commencing November 6, 2006

C2-14 **SUBMITTED AT PUBLIC HEARING** – Excerpt from "H_2S Alive"

C2-15 **SUBMITTED AT PUBLIC HEARING** – Excerpt from Oil and Gas Commission – Publications and Documents re: Section 6.2.15.94 on Emergency Response Plan

C2-16 **SUBMITTED AT PUBLIC HEARING** – Opening Statement of Pioneer Natural Resources Canada Inc.

C2-17 **SUBMITTED AT PUBLIC HEARING** – E-Mail from Mr. Bankhead to Mr. Longdo dated October 24, 2006

C3-1 **MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES (MEMPR)** - Letter dated July 24, 2006 from Michael D'Antoni, Senior Regulatory Advisor filing request for Intervenor Status

C3-2 Letter dated September 25, 2006, filing the Ministry's submission of maintaining the concurrent review of the application and comments.

C3-3 **SUBMITTED AT PUBLIC HEARING** – Request for Applications, Royal Credit Program – 'Pilot' Pipeline Initiative

C3-4 **SUBMITTED AT PUBLIC HEARING** – "BC Royalty Programs, June 2006", Ministry of Energy, Mines & Petroleum Resources

C3-5 **SUBMITTED AT PUBLIC HEARING** – Excerpt from Royal Handbook regarding producer cost of service

C4-1 **TALISMAN ENERGY INC.** - Fax received July 25, 2006 from Maureen Saul, P. Eng., Northern Operations filing notice of attendance for the Workshop and Procedural Conference

C4-2 **SUBMITTED AT PUBLIC HEARING** – Letter dated November 3, 2006 filing Letter of Support for Velma Bluesky Pool