

December 13, 2006

Mr. M. Boyd
Regional Environmental Manager
Alberta Environment
1st Floor, Twin Atria Building
4999 – 98 Avenue
Edmonton, Alberta T6B 2X3

Mr. K.F. Schuldhaus
Senior Technical Specialist
Alberta Energy and Utilities Board
640 – 5th Avenue S.W.
Calgary, AB T2P 3G4

Re: Application for Approval of the Carmon Creek Project

Dear Sirs:

Shell Canada Limited (Shell) hereby applies to:

- the Alberta Energy and Utilities Board (EUB), pursuant to the *Energy Resources Conservation Act* and Section 13 of the *Oil Sands Conservation Act* (OSCA) to amend Approval 8143 to construct and operate a proposed oil sands development scheme for recovering crude bitumen and oil sands from the Peace River oil sands deposit in the Bluesky Formation at Shell's oil sands leases located in Twp 84 to 86, Rge 16 to 19, W5M. The development, known as the Peace River Oil Sands Carmon Creek Project (Carmon Creek Project), is planned to be developed in two major phases, using two recovery processes, primary recovery (Primary Development) and thermal recovery (Thermal Development).
- Alberta Environment (AENV) for:
 - an amendment to Approval 1642-01-00 to construct, operate and reclaim the enhanced recovery components of the Carmon Creek Project, including facilities to recover and treat bitumen and produced water, under Division 2 of Part 2 and Section 70 of the *Environmental Protection and Enhancement Act* (EPEA). These facilities include field production facilities, central processing facilities, buildings, structures, process and pollution abatement equipment, vessels, storage facilities, material handling facilities, roadways, pipelines and other installations, including the land located in Twp 84 to 86, Rge 16 to 19, W5M, owned 100% by Shell.
 - Conservation and Reclamation Approval, under Division 2 of Part 2 and Part 6 of the EPEA to construct, operate and reclaim the components of the Project listed under the amendment to Approval 1642-01-00.
 - a surface water diversion of an additional volume of 24,200 m³/d under Division 2 of Part 4 of the *Water Act* to increase the current water allotment from the Peace River to meet the Carmon Creek Project's water needs and for a surface water diversion of 334,950 m³/a associated with the industrial runoff ponds under Division 2 of Part 4 of the *Water Act*

The Carmon Creek Project will be located in Northern Sunrise County and is an expansion of the previously approved Peace River enhanced recovery in situ heavy oil processing plant (the Peace River Complex), which is located within Twp 85, Rge 18, W5M and operated under *Environmental Protection and Enhancement Act* (EPEA) Approval 1642-01-00.

Currently, Shell's Peace River Complex is approved to produce 2,000 m³/d (12,500 bbl/d) of bitumen. The resource within the Principal Development Area (PDA) is capable of supporting 16,000 m³/d (100,000 bbl/d) at peak production, over the development's approximate 40-year life.

Primary Development is proposed in areas throughout the PDA where it is commercially feasible. A primary production battery will be located in Section 29, Twp 84, Rge 17, W5M.

Thermal Development is proposed to occur in two major phases of 8,000 m³/d (50,000 bbl/d) each. Thermal Development will occur in the PDA, initially in those areas that are not producible with primary methods, and as a follow-up method in those areas where primary production has been completed. A central processing facility will be constructed for each phase of Thermal Development. Both central process facilities are planned to be located adjacent to the existing Peace River Complex on lands at 21-85-18 W5M.

In support of these applications, Shell submits the enclosed documentation entitled *Application for Approval of the Carmon Creek Project*. In accordance with the provisions of EPEA Part 2, Division 1 and the Terms of Reference issued by AENV an environmental impact assessment (EIA) has been prepared. The results of the EIA are reported in the enclosed documentation. The application consists of two volumes:

- Volume I: Project Description, which contains the information required for the EUB application under the OSCA
- Volume II, Part A: Environmental Impact Assessment – EIA Introduction, Air Quality, Climate Change, Noise and Human Health Risk Assessment
- Volume II, Part B: Environmental Impact Assessment – Hydrogeology, Hydrology, Surface Water Quality and Aquatic Ecology
- Volume II, Part C: Environmental Impact Assessment – Soils and Terrain, Vegetation, Wildlife, Biodiversity and Conceptual Conservation and Reclamation
- Volume II, Part D: Socio-Economic Impact Assessment, Historical Resources Impact Assessment, Traditional Ecological Knowledge and Land Use and Land and Resource Use

Shell respectfully submits that its proposed Carmon Creek Project is in the public interest, considering the project's social, environmental and economic effects, all of which are described in the enclosed documents.

Shell is also committed to cooperating with stakeholders and other developers in the region to promote orderly and efficient development of the Alberta oil sands resource in an economic and environmentally acceptable manner and will continue to work together with local communities concerning its development plans, in an effort to develop mutually prosperous, long-term relationships with its neighbours.

Please direct all communications regarding this application to:

Mr. Tim Crowe
Manager Sustainable Development
and Regulatory Affairs
Shell Canada Limited
Insitu Development
400 – 4th Avenue S.W.
P.O. Box 100, Station M
Calgary, Alberta T2P 2H5
Telephone: (403) 1-877-347-4355
Fax: (403) 691-4255
e-mail: carmoncreek@shell.com

and to counsel

Mr. Brad Gilmour
Bennett Jones LLP
Barristers and Solicitors
4500 Bankers Hall East
855 – 2nd Street S.W.
Calgary, AB T2P 4K7
Telephone: (403) 298-3382
Fax: (403) 265-7219
email: gilmourb@bennettjones.ca

Respectfully submitted on December 13, 2006.

Yours truly,

(Original signed by)

Timothy Crowe
Manager, Sustainable Development and Regulatory Affairs
Shell Canada Limited
Insitu Development