

# Bulletin 2015-06

February 17, 2015

## Issuance of Subsurface Order No. 1 Regarding the Montney-Lower Doig

On February 10, 2015, the Alberta Energy Regulator (AER) released *AER Bulletin 2015-05: Oil and Gas Conservation Rules Change Introducing Subsurface Orders* announcing changes to the *Oil and Gas Conservation Rules (OGCR)* and the creation of the new subsurface orders regulatory instrument. Subsurface orders allow the AER to adapt subsurface regulatory requirements for specific geological zones over specified areas to better suit the resource development practices being employed.

The AER has completed an internal review of the Montney-Lower Doig zone and has issued Subsurface Order No. 1 (SO1), effective March 1, 2015.

SO1 sets out specific AER subsurface rules and regulatory processes for well spacing, production rate limitation, well testing and deliverability, and drill-cutting controls for designated areas of the Montney-Lower Doig zone.

Where a conflict arises between SO1 and a term or condition of an approval or licence, the term or condition of an approval or licence prevails. For example, SO1 spacing provisions will only apply to lands that are not subject to other previously issued special well spacing approvals. Existing special oil and gas well spacing approvals for the Montney-Lower Doig zone within the area of SO1 will remain in effect. Should operators wish to take advantage of the terms of SO1, they will need to apply to have existing special well spacing (holdings, units, and special drilling spacing units [DSUs]) approvals within the area of SO1 rescinded. Existing enhanced oil recovery approvals previously issued within the Montney-Lower Doig zone of SO1 will remain in effect. Licensees may apply to vary or rescind related approvals if they wish to take advantage of SO1 terms. The applications must be filed in accordance with unit 7 of *Directive 065: Resources Applications for Oil and Gas Reservoirs*.

## Overview of Subsurface Order No. 1

SO1 establishes the following subsurface rules in the area defined by the order for wells producing from the Montney-Lower Doig zone:

- There are no well density restrictions for both oil and gas DSUs.
- The target area for wells drilled within the standard drilling spacing unit for a gas or oil well must be the central area within the drilling spacing unit having sides 100 metres (m) from the

sides of the drilling spacing unit and parallel to them, and wells may be drilled across the boundaries of contiguous DSUs of common ownership.

- Defined pools within the SO1 area will be subject to good production practice as reflected in the AER's current MRL order, provided that optimal depletion strategies are employed and wasteful operations are avoided.
- Initial pressure tests in accordance with *Directive 040: Pressure and Deliverability Testing Oil and Gas Wells* are required to be taken at a minimum of one well per three section by three section area (square nine section area) measured from the wellhead location.
- Annual pressure tests in accordance with *Directive 040* are not required.
- Initial deliverability testing in accordance with *Directive 040* is not required.
- Drill cutting samples within the target zone may be taken every 10 m, beginning 30 m above the target zone in horizontal wells.

Existing rules and requirements that are not specified in SO1 continue in effect as prescribed in the *OGCR* and other AER directives. The above variances apply only when operators avoid wasteful operations as defined in section 1(1)(ddd) of the *Oil and Gas Conservation Act*.

Subsurface orders do not provide exemptions from data submission requirements. Under *OGCR* section 11.005, the AER may request the submission of any well data collected by the licensee, and the AER may require the licensee to conduct tests, analysis, surveys, or logs and submit related information.

Within Petrinex, the Montney-Lower Doig zone (code 5235) is available for operators to report their production to the AER when completion of the Upper Montney may extend into the Lower Doig siltstone via hydraulic fracturing. When reporting production in the Montney-Lower Doig, it is expected that mineral rights are held for both the Doig and Montney.

### **Scope of Subsurface Orders**

SO1 only addresses resource regulatory matters that are under the AER's jurisdiction. SO1 does not in any way predetermine regulatory approval of wells, pipelines, other production facilities, access roads, and other surface disturbances that may be associated with energy resource development of the strata defined in the order. Surface energy resource activities and related land access are regulated separately under Alberta legislation administered by the AER and other provincial departments and municipal governments and must comply with the *Alberta Land Stewardship Act* and regional plans.

Similarly, SO1 does not vary or alter mineral rights, tenure rules, or royalty matters under the authority of Alberta Energy.

## Assessment of Performance in SO1

inquiries 1-855-297-8311  
24-hour  
emergency 1-800-222-6514

The AER will assess performance and monitor activity within the zone defined in SO1.

Submission of resource management performance reports, including performance presentations and meetings with participating operators, may be required at the discretion of the AER.

This assessment is required in order to

- ensure that the approvals and conditions on the subsurface order are still appropriate and are performing adequately in the regulatory system,
- ensure that the specified conditions and limitations are being met by operators,
- obtain relevant data to measure performance and for internal knowledge,
- monitor reservoir information to ensure that resource recovery is being optimized by participants, and
- ensure appropriate response to unintended consequences, such as wasteful operations.

The AER may call upon operators participating in SO1 at any time to provide data and interpretations in accordance with *OGCR* section 11.005. If necessary the AER may, under *OGCR* section 11.006, require an operator to conduct additional tests or analyses.

SO1 is available on the AER order system at <http://mapview.aer.ca/bos>.

Questions about this bulletin may be directed to Industry Relations, Oil and Gas Branch, at 403-662-3981, or to [Oil&GasIndustryRelations@er.ca](mailto:Oil&GasIndustryRelations@er.ca).

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**Attachment 1 –Subsurface Order No. 1: Montney-Lower Doig Outline  
Effective March 1, 2015**

