

Bulletin 2015-12

March 17, 2015

Issuance of Subsurface Order No. 3 Regarding the Duvernay Zone

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 Duvernay zone and has issued Subsurface Order No. 3, effective April 1, 2015. The order sets out specific AER subsurface rules and regulatory processes for well spacing, production rate limitation, well testing and deliverability, drill-cutting controls, and control well requirements for designated areas of the Duvernay zone.

Where a conflict arises between the order and a term or condition of an approval or licence, the term or condition of an approval or licence prevails. For example, the order's spacing provisions will only apply to lands that are not subject to other previously issued special well spacing approvals. Licensees may apply to vary or rescind related approvals if they wish to take advantage of the order terms. The applications must be filed in accordance with *Directive 065: Resources Applications for Oil and Gas Reservoirs*.

Overview of Subsurface Order No. 3

The order establishes the following subsurface rules in the area defined by the order for wells producing from the Duvernay zone:

- There are no well density restrictions for both oil and gas drilling spacing units (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 DSU and parallel to them. Wells may be drilled across the boundaries of contiguous DSUs of common ownership.

- Defined pools within the order area will be subject to good production practice as reflected in the AER's 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.
- The requirements relating to the designation of a control well for production of gas from shale pursuant to section 7.025(2) and the requirements for conducting and reporting information pursuant to section 11.145(4) and section 11.145(5) of the *OGCR* are suspended.
- When required to take drill cutting samples within the zone pursuant to section 11.010 of the *OGCR* and *Directive 056: Energy Development Applications and Schedules*, a licensee must take the samples at an interval frequency no greater than 30 metres within the zone.

Existing rules and requirements that are not specified in the order 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*.

Licensees subject to this order may be required at any time to conduct and provide data, reports, tests, interpretations, or other information, including performance reports, to enable sufficient review of the licensee's activity, resource characterization, and reservoir management pursuant to sections 11.005 and 11.006 of the *OGCR*.

Scope of Subsurface Orders

The order only addresses regulatory matters that are under the AER's jurisdiction. The order 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, the order does not vary or alter mineral rights, tenure rules, or royalty matters under the authority of Alberta Energy.

Assessment of Performance

The AER will assess performance and monitor activity within the zone defined in the order. 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,
- 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 affected by the order 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.

The order is available on the AER order system at <http://mapview.aer.ca/bos>. The order and FAQs are available at <http://www.aer.ca/data-and-publications/orders/subsurface-orders>.

Questions about this bulletin may be directed to the Industry Relations Group of the Oil and Gas Branch by phone, at 403-662-3981, or by e-mail, to IndustryRelations@er.ca.

<original signed by>

Kirk Bailey
Executive Vice President
Operations Division

