

# Bulletin 2015-23

July 23, 2015

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

On February 10, 2015, the Alberta Energy Regulator (AER) released *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.

Subsequently, on February 17, 2015, the AER released *Bulletin 2015-06: Issuance of Subsurface Order No. 1 Regarding the Montney-Lower Doig*, which was effective March 1, 2015. As part of ongoing regulatory performance evaluation, the AER has rescinded Subsurface Order No. 1 and has issued Subsurface Order No. 1A (order), effective August 1, 2015. The order expands the area originally set out in Subsurface Order No. 1 and continues to set 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 geological zone.

The order includes the area originally defined within Subsurface Order No. 1 and an expanded area to the southwest, as well as an update to the drill-cuttings regulatory variance. Specifically, where drill cuttings are required within the Montney-Lower Doig pursuant to section 11.010 of the *OGCR* and *Directive 056: Energy Development Applications and Schedules*, licensees must take the samples at an interval frequency no greater than 20 metres within the 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*.

Existing rules and requirements that are not specified in the order continue in effect as prescribed in the *OGCR* and other AER directives. Under the order, production may be subject to rate restrictions should an operator fail to avoid wasteful operations as defined in the *Oil and Gas Conservation Act*.

Licensees are reminded that the Montney-Lower Doig zone (code 5235) is available within Petrinex for reporting 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 Montney and Lower Doig.

### **Scope of Subsurface Orders**

Subsurface orders only address regulatory matters that are under the AER's jurisdiction. Subsurface orders do 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, subsurface orders do not vary or alter mineral rights, tenure rules, or royalty matters, which are under the jurisdiction 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 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.

Under the order, the AER may call upon a licensee of a well completed in the zone within the area designated by the order to conduct tests and provide additional data, reports, and interpretations, 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*.

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The order and FAQs are available at <http://www.aer.ca/data-and-publications/orders/subsurface-orders>.

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

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@aer.ca](mailto:IndustryRelations@aer.ca).

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