

Bulletin 2015-29

September 28, 2015

Administration of Good Production Practice for Conventional Crude Oil Pools

The Alberta Energy Regulator (AER) is changing how it administers good production practice (GPP).

Currently, licensees that discover a new oil pool, drill outside of existing pool boundaries, or produce from a confidential pool are required to submit AER Form O-38: Application for a New Well Base MRL (O-38) within 30 days of initial production to obtain an AER pool designation and a base maximum rate limitation (MRL) to which applicable production penalties may apply. GPP removes the rate restrictions imposed by MRLs. The AER may grant GPP under section 10.060 of *the Oil and Gas Conservation Rules (OGCR)* by its own discretion or after reviewing and approving an application filed in accordance with *Directive 065: Resources Applications for Oil and Gas Reservoirs (Directive 065)*.

On October 1, 2015, the AER will begin using the O-38 application to assign GPP to a well in a newly defined oil pool where gas is being conserved in accordance with *Directive 060: Upstream Petroleum Industry Flaring, Incinerating, and Venting*. GPP will become effective when the O-38 application is approved and will be specified in the next AER monthly MRL order.

The AER will grant GPP where a well drilled outside of a pool boundary is determined to be producing from an existing defined pool that has GPP status or where a well is in a pool that has a gas cap and approval for concurrent production (CCP).

In the following circumstances, GPP will not be administered through the O-38 application process, and wells will be subject to MRL administration:

- wells within a primary depletion area of a pool with enhanced oil recovery approvals
- wells in a pool with a gas cap but no approval for CCP

Licensees that wish to operate under GPP in the above circumstances must apply in accordance with *Directive 065*.

Licensees must continue to adhere to conditions of AER approvals or those specified in the AER's monthly MRL order. The new oil well production period remains as prescribed in section 6 of *Directive 007-1: Allowable Handbook-Guidelines for the Calculation of Monthly Production Allowables*.

Assessing GPP

The AER will monitor and assess pools operating under GPP administration to ensure resource recovery is optimized and wasteful operations, as defined in the *Oil and Gas Conservation Act*, are avoided. As part of its review and assessment, the AER may

- remove GPP and establish rate controls where necessary;
- require licensees to provide data, reports, and interpretations, including performance reports, to characterize the resource and ensure optimum resource recovery under sections 11.005 and 11.006 of the *OGCR*; and
- review pools on MRL administration and propose GPP if appropriate.

The AER is reviewing existing pools under MRL administration and, beginning October 1, 2015, will grant GPP to pools based on the criteria specified in this bulletin. The AER will continue its review over the next several months and will post GPP status for qualifying pools in the monthly MRL order.

Any licensees that would like GPP rescinded and MRLs established for a pool should apply to the AER using the *Directive 065* process.

Questions about this bulletin may be directed to the Subsurface Oil & Gas Group of the Authorizations Branch by phone, at 403-476-4967, or by e-mail, to Resources.Applications@aer.ca.

<original signed by>

Kirk Bailey
Executive Vice President
Operations Division