

Frequently Asked Questions

Rules and Procedures for Wells in Buffer Zones, Off-Target Wells in DSUs, and Special Well Spacing Applications

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Q1. What is the definition of common mineral ownership?

A1. For a drilling spacing unit (DSU), common ownership (see section 1.020[2][4](b) of the *Oil and Gas Conservation Rules* [OGCR]) means the owners of the lessee's interests within a DSU are the same. Common ownership would also be deemed to be in place where tract owners within a DSU have agreed to pool their interest or where the regulator has, by issuing a compulsory pooling order, ordered that all tracts be operated as a unit.

For a holding, mineral interests at the lessor level must be the same. At the lessee level, all working interests must be the same throughout the entire holding area to be deemed of common ownership. Common ownership would also be met where both the lessors and lessees within the entire holding area have voluntarily agreed to pool their mineral interests, or where all mineral owners have an agreement on how to operate within the holding area (e.g., a joint operating agreement).

Q2. Can I drill a horizontal well that will cross two drilling spacing units?

A2. A horizontal well may be drilled across adjacent (and laterally adjoining) standard DSUs where the mineral ownership in both DSUs is common. A spacing application is not required as long as the well density does not exceed the standard well density specified in the *OGCR*.

Q3. Can I drill a horizontal well that will traverse from a holding to a DSU? Do I need to file a special well spacing application to add the DSU to the holding because the well will be in the buffer zone of the holding?

A3. A horizontal well may be drilled from a holding into an adjacent DSU (or vice versa) only if common mineral ownership exists between all lands within the holding entity and the DSU. In this situation, a spacing application is not required in order to add the DSU to the holding to eliminate the buffer zone.

Q4. I currently have two separate holdings that are of common mineral ownership. Is a spacing application required to realign the holding boundaries to reflect common ownership?

A4. A spacing application is not required. Spacing applications to realign holding boundaries should only be filed when the ownership within a holding is no longer common.

Q5. I currently have two separate holdings that are of common mineral ownership. Can I drill a horizontal well from one holding to the other and produce from the buffer zone of each of these holdings?

A5. As long as common ownership exists and is maintained between the two holdings, a horizontal well may be drilled from one holding to the other and may produce from the buffer zones of each of these holdings with no risk of being shut in. However, should ownership change in either holding, the well will be shut in if a successful complaint is filed with the AER.

Q6. Will the AER conduct audits and enforce on wells producing from a buffer zone?

A6. The AER will not conduct surveillance on wells drilled and producing from a buffer zone. A well producing from a buffer zone will only be shut in upon receipt of a successful complaint from an offsetting licensee.

Q7. If I have a well producing from a buffer zone, am I required to submit a voluntary self-disclosure (VSD)?

A7. A VSD should not be submitted for a well producing from a buffer zone of a holding.

Q8. How will the AER determine a successful complaint to shut in a well producing from a buffer zone? How does the AER determine that a penalty be applied to an off-target well producing from a DSU?

A8. A successful complaint to have a well producing from a buffer zone shut in, or a successful application to apply a penalty to an off-target well in a DSU, have similar criteria where the following must be met:

- The complaint or off-target penalty application must be filed by the licensee of the encroached-on well. The licensee of the encroached-on well must be directly and adversely impacted by the well producing in the buffer zone or by the off-target well in a DSU (i.e., the offending well).
- The offending well was not drilled in accordance with the well spacing that existed at the time of drilling and remains off target under current spacing rules or is in breach of the buffer zone terms of the holding or unit with special spacing.

- The offending well in the buffer zone of a holding or unit with special spacing was spud after October 6, 2011.
- The well drilled in the buffer zone or the off-target well in the DSU must be producing.
- The licensee filing the complaint must have a well completed in and shown to be capable of production from the same pool as the offending well.

To demonstrate that the wells are in the same pool, the licensee submitting the complaint must submit a geological interpretation, including a net pay isopach map. If the offending well is confidential, the licensee may say that it is unable to confirm that the offending well is in the same pool as the encroached-on well. However, the licensee must identify the pool involved in its own well and demonstrate to the AER's satisfaction that it is likely the offending well is in communication and producing from the same pool as the encroached-on well.

A well capable of production is one that is completed in the pool involved and for which a suitable test has demonstrated to the AER's satisfaction that the well has the ability to produce at commercial rates on a sustained basis. If a test on the well was not previously filed with the AER, one must be included in the complaint materials. If the encroached-on well is producing from the pool involved, a test is not required unless requested by the AER.

The AER may request other information in addition to the above if it considers that there is a need for the material.

Q9. Does the first-well-in-the-pool rule described in *Interim Directive (ID) 94-2: Revisions to Oil and Gas Well Spacing Administration* apply to a well drilled into the buffer zone of a holding?

A9. The first-well-in-the-pool rule does not apply to a well drilled in a buffer zone of a holding because spacing provisions in part 4 of the *OGCR*, including the first-well-in-the-pool rule, are suspended when a holding is established.

Q10. How does the AER apply off-target rules or require shut in of wells in holdings that have been drilled in a play-based development where the pool concept does not apply?

A10. The same rules, principles, and requirements for wells in pools apply in a play-based development. For a play-based development, rather than presenting evidence that the encroached-on and offending wells are in the same pool, the licensee filing a request for a penalty to be applied to an off-target well in a DSU or for the shut in of a well producing from a buffer zone of a holding or unit must demonstrate that the encroached-on and offending wells are in communication. Evidence of this would include geological interpretations and other evidence, such as pressure information.