

Bulletin 2016-28

September 29, 2016

Issuance of Subsurface Order No. 4 Regarding Coalbed Methane Within the Edmonton and Belly River Groups

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 used.

In July 2014 and July 2015, the AER issued *Bulletin 2014-21: Control Well Requirements for Horseshoe Canyon and Belly River Coalbed Methane Development* and *Bulletin 2015-22: Relief from Control Well Requirements for Horseshoe Canyon and Belly River Coalbed Methane Development*. These bulletins announced relief from certain coalbed methane (CBM) control well requirements prescribed in sections 7.025 and 11.145 of the *OGCR* for the 2014, 2015, and 2016 calendar years, while the AER reviewed its CBM control well requirements.

The AER has completed this review and in response is issuing Subsurface Order No. 4 (the order), effective October 7, 2016. The order applies to the Edmonton and Belly River CBM zones within the area outlined in the order (see map below) and sets out specific subsurface rules and regulatory processes for

- designating and testing CBM pressure and flow control wells and desorption control wells, and
- pressure and deliverability testing.

Where there is a conflict between the order and a term or condition of an approval or licence, the term or condition of the approval or licence prevails.

Overview of Subsurface Order No. 4

The order establishes the following exemptions for the subsurface zones in the area defined by the order for wells producing CBM from the Edmonton and Belly River Groups:

- Exemption from CBM control well designation requirements as specified in section 7.025 of the *OGCR*.

- Exemption from CBM control well testing and reporting requirements as specified in section 11.145 of the *OGCR*.
- Exemption from standard well testing requirements set out in *Directive 040: Pressure and Deliverability Testing Oil and Gas Wells*, including annual flow meter logging tests, initial segregated pressure tests, and gas analysis tests.

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

Licenses subject to this order may be required by the AER 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*.

All current applications to designate pressure and flow control wells and desorption control wells and applications to waive the requirements for designated control well coverage (exception applications) for the zones outlined in the order will be closed.

For designated control wells, the relief from certain requirements under sections 7.025 and 11.145 of the *OGCR* and the requirement for initial and end-of-life pressure tests announced in *Bulletin 2015-22* remain in effect until December 31, 2016.

Revision to Development Entity Order No. DE 2006-1

Clause 4 of Development Entity Order No. DE 2006-1 (DE 1) stipulates that all CBM and shale control wells testing requirements under section 11.045 of the *OGCR* must be met in order to qualify for commingling under DE 1. Given that the order grants exemption from these requirements, clause 4 of DE 1 has been amended through the issuance of Development Entity Order No. DE 2006-1B, effective October 7, 2016.

Order No. DE 2006-1B is available on the AER website under Data & Publications > [Commingling Order](#).

Submission of Applications to Rescind Control Well Designations

Designated control wells within the Edmonton and Belly River Groups remain subject to testing and data submission requirements as per section 11.145 of the *OGCR* unless *Bulletin 2015-22* applies. Licensees

need to apply to have their control well designations rescinded if they wish to take advantage of the terms of the order.

The applicant must be the licensee of the designated control wells, and the application must contain the information set out in *Directive 062*, section 8.1(1) and (2). The AER will consider a single application for multiple wells. The application, therefore, must also include an attachment that lists the UWI for each well whose designation is to be rescinded along with the associated CBM zone according to the chart below. (List pressure and flow control wells and desorption control wells separately.)

Groups	Formations	Coal zones	Combinations / alternatives		
EDMONTON	PASKAPOO				
	SCOLLARD / COALSPUR	UPPER ARDLEY (UARD)			
		LOWER ARDLEY (LARD)			
	BATTLE & WHITEMUD				
	HORSESHOE CANYON	CARBON-THOMPSON (CARB)			
		UPPER HORSESHOE CANYON (UHSC)	(CENTRAL ALBERTA)		
		WAYNE (WAYN)	WNRS	WAYN	WRSB
		ROCKYFORD (RS)		RBSL	
		BASAL DRUMHELLER (DBSL)	DBSL		
	BEARPAW				
BELLY RIVER	DINOSAUR PARK	LETHBRIDGE (LETH)			
	OLDMAN	TABER (TABR)			
	FOREMOST	MACKAY (MCKY)			

Applicants are not required to notify licensees within the radius of the control well coverage before filing the application. The AER will provide public notification of the application, in accordance with the *Responsible Energy Development Act*, through the Public Notice of Application tool on the AER’s website.

Applications are to be submitted using the Electronic Application Submission system under the category CW CBM Pressure and Flow Rescission. (This category is also to be used to rescind desorption control well designations.)

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 zone 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* 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. Participating operators may be required to submit resource management performance reports and meet with the AER, which could include providing a presentation on performance.

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,
- monitor reservoir information to ensure that resource recovery is being optimized by operators, and
- ensure appropriate response to unintended consequences, such as wasteful operations.

The order, as well as additional information, is available on the AER website, www.aer.ca, under Data & Publication > Orders > [Subsurface Orders](#). It is also available on the AER order system at <http://mapview.aer.ca/bos>.

Questions about this bulletin may be directed to Industry Relations by phone at 403-662-3981 or by email to IndustryRelations@er.ca.

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