

# ALBERTA ENERGY AND UTILITIES BOARD

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Calgary Alberta

## GULF CANADA RESOURCES LIMITED AMENDMENT OF APPROVAL NO. 8063 EXPERIMENTAL SCHEME SURMONT AREA

Decision 2001-1  
Application No. 1061141

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### 1 DECISION

Having considered all the evidence, the Alberta Energy and Utilities Board (EUB/Board) is prepared to approve Application No. 1061141. The Board will issue the appropriate approval in due course.

### 2 INTRODUCTION

#### 2.1 Background

In October 1996, Gulf Canada Resources Limited (Gulf) applied to the EUB to construct and operate an experimental scheme on its Surmont leases involving two steam-assisted gravity drainage (SAGD) well pairs (i.e., A and B well pairs). The Board subsequently approved the application subject to scheme expiry and confidentiality terms of three years.

On April 3, 2000, the Board issued *Decision 2000-22*<sup>1</sup> regarding a request by Gulf that the Board order the shut-in of associated gas production from 183 wells in the Surmont area. Gulf's request was considered at an EUB hearing held from April to September 1999. The Board concluded that continued production of associated gas at Surmont presented a significant risk to future bitumen recovery. Therefore, the Board approved Gulf's request in part and ordered the shut-in of gas production from 146 wells specified in *Decision 2000-22*, effective May 1, 2000.

*Decision 2000-22* further required that Gulf submit annual reports on the management of the resources on its Surmont leases, including the continued assessment of the effect that the pressure of the overlying gas zone has on the recovery of the bitumen by SAGD. The Board stated that it would work with Gulf and other interested parties to determine the details of this process, including the information requirements.

#### 2.2 Application

On March 3, 2000, Gulf applied to the EUB to amend its Surmont experimental scheme approval (i.e., Approval No. 8063) by adding a third SAGD well pair (i.e., C well pair) and associated facilities and extending the scheme expiry and confidentiality terms by three years. The Board approved operation of the C well pair on September 29, 2000, without a hearing, but

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<sup>1</sup> *EUB Decision 2000-22: Gulf Canada Resources Limited, Request for the Shut-in of Associated Gas, Surmont Area, March 2000.*

decided to convene a hearing regarding Gulf's request for an extension of the scheme expiry and confidentiality terms for its experimental scheme.

### 2.3 Hearing

A public hearing regarding the extension of the scheme expiry and confidentiality terms for Gulf's Surmont experimental scheme was held on December 7, 2000, in Calgary, Alberta, before J. D. Dilay, P.Eng., R. N. Houlihan, Ph.D., P.Eng., and W. J. Schnitzler, P.Eng. A list of those who appeared at the hearing is provided in the following table.

#### **THOSE WHO APPEARED AT THE HEARING**

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Principals and Representatives  
(Abbreviations Used in Report)

Witnesses

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Gulf Canada Resources Limited (Gulf)  
R. W. Block  
F. R. Foran, Q.C.

R. Penny, P.Eng.  
D. Theriault, P.Eng.

Northstar Energy Corporation, Paramount  
Resources Ltd., and Rio Alto Exploration Ltd.  
A. L. McLarty, Q.C.

Petro-Canada Oil and Gas  
J. Fong, P.Eng.

Alberta Energy and Utilities Board staff  
G. Bentivegna  
Z. Buss, P.Eng.  
M. E. Connelly, P.Geol.  
K. F. Schuldhuis, P.Eng.

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NAL Resources Ltd. and BP Canada Energy Company submitted interventions but did not appear at the hearing.

Shortly before the hearing, Giant Grosmont Petroleums Ltd. advised the Board that it was withdrawing its objection to the extension of the scheme expiry and confidentiality terms for Gulf's experimental scheme. At the commencement of the hearing, the Board was also advised that Northstar Energy Corporation, Paramount Resources Ltd., and Rio Alto Exploration Ltd. (i.e., operators of gas wells shut in as a result of *Decision 2000-22*) had entered into an agreement with Gulf regarding the availability of information that might impact their interest in the gas/bitumen issue at Surmont. As a result, the objections filed by these companies regarding the extension of the scheme expiry and confidentiality terms for Gulf's experimental scheme were withdrawn.

At the conclusion of the hearing, after having considered all the evidence, the Board stated that it was prepared to approve the subject application and that it would issue the reasons for the decision in due course.

### **3 ISSUE**

The Board considers the issue regarding the subject application to be whether extension of the confidentiality term for Gulf's Surmont experimental scheme is warranted.

### **4 VIEWS OF GULF**

Gulf submitted that confidentiality of pilot data for competitive advantage is a very important principle for Alberta. If companies cannot keep pilot data confidential, this would reduce the incentive for companies to invest significant amounts of private funds into pilot operations and severely reduce the number of privately funded research projects. The resultant reduction in research and development would not serve the public interest.

Gulf submitted that the Board must consider the balance between timely release of proprietary data, which encourages deployment of technological advancement, and a developer's right to a competitive advantage. Gulf stated that it had invested over \$100 million to date for the initial development and operation of its Surmont pilot and that the premature release of information from its pilot would severely impact Gulf's competitive advantage. Gulf contended that its competitors should not have access to its pilot data without having to incur the significant investment in piloting and research necessary to obtain the data until Gulf has had a period of confidentiality to obtain the benefits.

Gulf stated that it was seeking an extension of experimental status since the experiment at its Surmont pilot was not yet complete. For some pilot operations, a three-year confidentiality period might allow sufficient time for a developer to acquire conclusive data and still have a couple of years of competitive advantage. However, for Gulf's Surmont pilot, the initial three-year confidentiality period was insufficient for Gulf to acquire all the necessary data and analyze the effect of the overlying low-pressure thief zone on SAGD bitumen recovery. This is the most critical and fundamental objective of the pilot, but as of yet, there has not been any evidence of communication with the overlying thief zone, and, therefore, no field data on the effect of the thief zone on SAGD bitumen recovery were available from the pilot. Gulf indicated that it had expected this objective to be achieved within the initial three-year approval period but stated that it was now apparent that it would take somewhat longer. Therefore, the release of the pilot data at this time would be premature.

Furthermore, Gulf submitted that Section 15(2) of the Oil Sands Conservation Regulations (the Regulations) should be read as conferring confidentiality on an experimental scheme until the completion of the experimental operation or, under Section 15(3) of the Regulations, until one year after the commencement of a commercial operation.

Gulf contended that the public-interest issues at Surmont would be addressed by the requirement for Gulf to submit annual reports on the management of the resources on its Surmont leases. These reports would include confidential data to allow the EUB to assess the effect the overlying gas zone pressure has on bitumen recovery in the SAGD process. Gulf stated that it was prepared and willing to commence the process of establishing the content of the annual report with the EUB and other directly affected parties (i.e., the owners of the gas shut in by *Decision 2000-22*). Gulf pointed out that the EUB had undertaken to work out the details of the annual reports with the parties but that the objections to the subject application had delayed this process.

## 5 VIEWS OF THE BOARD

The Board does not accept Gulf's submission on the interpretation of Sections 15(2) and (3) of the Regulations. These sections do not confer confidentiality on an experimental scheme until an experimental operation is complete or for up to one year after a commercial scheme has commenced. Section 15(2) provides that the Board may determine the period of confidentiality, up to a maximum period of ten years, that it will grant to an experimental scheme, commercial scheme, reports, or studies. In this case, the Board previously determined that the data were to be held confidential for a three-year period, as specified in the original approval. If the Board were to adopt the submissions of Gulf, the confidentiality period would only expire once the experimental operation was completed. Such an interpretation would mean that this application for a continuation of the confidentiality period would not be needed. Also, to adopt such an interpretation would render clause 15(2)(c) meaningless in cases where an experimental operation was not completed. Furthermore, Section 15(3) does not apply to this application. Section 15(3) applies only in cases where the Board is considering the release of confidential information prior to the expiry of the confidentiality period.

The Board accepts Gulf's submissions that experimental operations at its Surmont pilot are not yet complete and that the data being collected at its Surmont pilot have significant proprietary value. However, the Board is cognizant of its decision to shut in 146 gas wells at Surmont. Therefore, the Board is of the view that it must balance the need for publicly available SAGD field data at Surmont with the commercial sensitivity and proprietary value of the data being collected in determining whether to extend the confidentiality term for the subject experimental scheme. In this regard, the Board is of the view that the parties directly affected by *Decision 2000-22* are the owners of the gas wells that were shut in at Surmont and notes that Gulf and several of the gas producers in the Surmont area have entered into an agreement regarding the availability of information at Surmont. The Board further notes that Gulf must submit annual reports on the management of the resources on its Surmont leases to the EUB.

In summary, the Board is of the view that

- the experimental operations at Gulf's Surmont pilot are not yet complete,
- the data being collected at Gulf's Surmont pilot have significant proprietary value, and
- the parties directly affected by *Decision 2000-22* have access to data from Gulf's Surmont pilot.

Therefore, the Board believes that an extension of the confidentiality term for Gulf's Surmont experimental scheme is warranted.

DATED at Calgary, Alberta, on January 8, 2001.

**ALBERTA ENERGY AND UTILITIES BOARD**

*(Original signed by)*

J. D. Dilay, P.Eng.  
Board Member

*(Original signed by)*

R. N. Houlihan, Ph.D., P.Eng.  
Acting Board Member

*(Original signed by)*

W. J. Schnitzler, P.Eng.  
Acting Board Member