

ENERGY RESOURCES CONSERVATION BOARD

Calgary Alberta

**CROCOTTA ENERGY INC.
APPLICATION FOR SPECIAL GAS WELL SPACING
EDSON FIELD**

**2011 ABERCB 017
Application No. 1659767**

DECISION

The Energy Resources Conservation Board (ERCB/Board) has considered the recommendation made by the examiners, adopts the recommendation, and directs that Application No. 1659767 be approved in part.

Dated in Calgary, Alberta, on May 30, 2011.

ENERGY RESOURCES CONSERVATION BOARD

<original signed by>

Dan McFadyen
Chairman

ENERGY RESOURCES CONSERVATION BOARD

Calgary Alberta

**CROCOTTA ENERGY INC.
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1 RECOMMENDATION

Having considered Application No. 1659767, and noting the receipt of a confirmation of nonobjection from the only intervening party, the examiners recommend that Application No. 1659767 (Application) be approved in part, without the holding of a hearing, for the reasons set out below.

2 APPLICATION

Crocotta Energy Inc. (Crocotta) applied to the ERCB for a holding for the production of gas from the Smoky River Group, Dunvegan Formation, Fort St John Group, Gething Formation, and Cadomin Formation in Sections 8, 9, 17, 18 and 19 of Township 54, Range 18 West of the 5th Meridian. The requested terms of the holding are 4 wells per pool per section and a buffer distance of 300 meters from the south and west boundaries of the holding.

An objection to the Application was filed by Crew Energy Inc. (Crew). Crew is the licensee of the 00/01-29-54-18W5/0 well and holds the rights to petroleum and natural gas in the formations from the top of the Smoky River Group to the base of the Bullhead Group in Section 29-54-18W5, offset to the applied-for holding area. Crew objected to the Application on the basis that the requested holding would have no buffer offsetting Section 29-54-18W5 and could cause inequitable drainage of gas from Crew's land.

3 DISCUSSION

The Board appointed examiners B. C. Hubbard, P.Eng., J. R. MacGillivray, P.Geol., and R. M. Graves, P.Eng., to consider the Application at a public hearing. On March 24, 2011, prior to a hearing being scheduled, Crew notified the ERCB that it was withdrawing its objection. As there are no outstanding objections to the Application, the examiners recommend that the Board decide the Application without holding a public hearing.

The examiners note that the requested well density of 4 wells per pool per section is the default well spacing allowed for the requested formations in the applied-for area, as set out in ERCB *Bulletin 2010-07: Changes to Well Spacing Within Development Entities No. 1 and No. 2 and Spacing Notification Requirements*. The requested holding buffer zone of 300 meters from the south and west boundaries however, is at variance with the default well spacing standard buffer zone of 200 meters on all sides.

Crocotta's Application indicates the planned drilling of a number of horizontal wells to produce gas from the Bluesky Formation (part of the Fort St. John Group) within the holding. The

examiners note that previously approved special spacing for gas from the Bluesky Formation on land offsetting the applied-for area established a 300 meter buffer zone on the south and west holding boundaries, the same as requested in this Application. Given this, the examiners accept the position put forth by Crocotta that a buffer provision for the proposed holding consistent with offsetting holdings would enable the placement of new horizontal wells relative to offsetting wells that will result in superior recovery of gas from the Bluesky Formation in comparison to a mixture of standard and nonstandard buffer zones on adjoining holdings. The examiners therefore recommend approval of the applied-for holding for gas production from the Bluesky Formation with a well density of 4 wells per pool per section and a nonstandard buffer zone of 300 meters on the south and west holding boundaries.

In the Application, Crocotta acknowledges that its primary development plans are focused on the horizontal development of the Bluesky Formation. Reference is also made to proposed vertical wells, separate from the horizontal Bluesky development, that are expected to encounter additional gas bearing zones uphole of the Bluesky Formation. In order to provide a common target area for all zones, Crocotta requested the nonstandard buffer be applied to all the zones applied for. As noted previously, the examiners accept Crocotta's technical justification for a nonstandard buffer for the Bluesky Formation. However, the examiners do not find that the technical justification extends to the other requested formations, and do not find that the need for a common target area for the applied-for formations is supported, given the planned development. With respect to the requested nonstandard buffer for the formations other than the Bluesky, the examiners note *ERCB Bulletin 2007-27: Special Well Spacing Applications: Guidance on Determining Appropriate Buffer Zones for Holdings and Units* provides;

“Applications that request buffers that differ from the above standards will be considered nonroutine and must include substantive reasons with supporting technical arguments to justify the nonstandard buffers. Applicants should be aware that failure to provide such technical justification will significantly delay the processing of an application and may result in denial of the application.”

Also, the examiners note there is no special spacing currently approved for the formations other than the Bluesky in the immediate area of the applied-for holding. Further, future development of these formations in the area should reasonably be expected to be guided by *ERCB Bulletin 2010-07: Changes to Well Spacing Within Development Entities No. 1 and No. 2 and Spacing Notification Requirements*, and *ERCB Bulletin 2007-27*, both of which specify central target areas and buffer zones on all boundaries of holdings as standard for the area.

The examiners conclude that the approval of a nonstandard buffer for the formations other than the Bluesky would potentially result in a mixture of standard and nonstandard buffer zones and target areas with possible negative impacts on both conservation and equity. The examiners therefore do not recommend approval of the requested holdings for the Smoky River Group, Dunvegan Formation, Fort St. John Group (excepting the Bluesky Formation), Gething Formation, and Cadomin Formation. The examiners note that development of these formations can proceed as allowed by the default spacing of 4 wells per pool per section with a standard target area of 200 metres from all sides of the section, without requesting approval for special spacing.

Dated in Calgary, Alberta, on May 30, 2011.

ENERGY RESOURCES CONSERVATION BOARD

<original signed by>

B. C. Hubbard, P.Eng.
Presiding Member