

Via Email

March 28, 2016

Calgary Head Office
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Canadawww.aer.ca

Advantage Oil & Gas Ltd.

Attention: Tallis Dent

Madam:

**RE: Request for Regulatory Appeal by Advantage Oil and Gas Ltd (Advantage)
Rescinded Field Order 0390
Regulatory Appeal No. 1853203 (Regulatory Appeal)**

The Alberta Energy Regulator (AER) has considered Advantage's request under section 38 of the *Responsible Energy Development Act (REDA)* for a regulatory appeal of the AER's decision to merge the Glacier field into the Pouce Coupe South field. The AER has reviewed Advantage's submissions and has determined that Advantage is not eligible to request a regulatory appeal in this matter. Therefore, the request for a Regulatory Appeal is dismissed for the reasons set out below.

Reasons for Decision

The applicable provision of *REDA* in regard to regulatory appeals, section 38, states:

38(1) An eligible person may request a regulatory appeal of an appealable decision by filing a request for regulatory appeal with the Regulator in accordance with the rules. [emphasis added]

The term "eligible person" is defined in section 36(b)(ii) of *REDA* to include:

a person who is directly and adversely affected by a decision [made under an energy resource enactment]...

The AER's authority to designate fields is set out in section 33(1)(a) of the *Oil and Gas Conservation Act*, which reads:

Regulation of production

33(1) The Regulator may, by order,

- (a) designate a field by describing the surface area of the field;
- (b) designate a pool by describing the surface area vertically above the pool and by naming the geological formation, member or zone in which the pool occurs or by some other method of identification that the Regulator in any case considers suitable;
- (c) designate the area that is to be allocated to a well in connection with fixing allowable production;
- (d) designate any stratum or sequence of strata as a zone, either generally or in respect of any designated area or any specified well or wells.

The issue for the AER in determining Advantage's eligibility to request a regulatory appeal is whether it is directly and adversely affected by the decision to include the Glacier field into the designation of the Pouce Coupe South field.

Advantage filed submissions dated January 6, 2016 and March 15, 2016, which can be summarized as:

- Advantage has concerns that the rescission of the Glacier field order and merging it into the Pouce Coupe South field has consequences both field and administrative, as well as recognition with the finance and investment community.
- Glacier field has become synonymous with Advantage Oil and Gas Ltd.
- There are several communities and area residents that have become familiar with the Glacier field name which will also impact those relationships alongside effectiveness of emergency response plans and programs
- The consequences include the recognition of the Glacier field name that has been historically associated to the area with surrounding landowners, communities, industry peers, vendors, financial markets and the investment community.
- Advantage states they have developed over 200 mmscf/d of gas production from the Glacier field and plans to continue growth. There are over 1,000 future drill locations and a resource of 18 T cfe of natural gas and liquids in place and they have been operating in the area for nearly a decade and the Glacier field and name has been synonymous with Advantage and the Montney formation.
- Costs to make retroactive changes to field operations and safety, as well as to administrative and regulatory processes.
- The Montney production at Glacier is also differentiated by distinct well productivity and reservoir characteristics compared to the Pouce Coupe South.
- Advantage suggests that specific parcels could be rationalized into surrounding fields, but that the entire Glacier field should not be consolidated and the field name sterilized, or those adjacent parcels could be rationalized into the Glacier field.
- Advantage offers to meet with AER to discuss in further detail.

As identified by Advantage, the AER merged the Glacier field into the Pouce Coupe South field in order to permit, track, and regulate, in the AER system, commingled production from the two pools in a single wellbore. The designation of fields, including merging of fields as in this case, is an administrative function that the AER routinely performs. No application process exists for such a process and changes are made at the sole discretion of the AER. The function is an administrative one, in order to have a common and consistent naming of fields. On average, between 20 and 25 field merges occur each year. The AER's system permits the designation and merging of fields, but has no retroactive ability and merges are not reversible.

The AER does not consider the administrative change of updating the field name as adversely affecting Advantage. Advantage has not provided evidence that it would be required under AER requirements to undertake work or incur costs or that Advantage would be in noncompliance with AER requirements, as a result of the change. Advantage raises concerns with possible business matters, such as brand recognition, that are not adverse affects caused by the AER's decision to merge the fields, but are voluntary decisions made by Advantage. In regards to Advantage's safety concerns, there is no evidence demonstrating that updating the field name would result in Advantage not being able to meet its safety obligations, and it seems remote that a person responding to a safety concern would be relying on the field name to be able to respond appropriately. Also, drilling locations are made as a result of the potential to produce hydrocarbons and not on field names, therefore, Advantage's future drilling plans are not likely to be impacted by this administrative change.

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Based on the foregoing, the AER has dismissed your request for regulatory appeal as Advantage is not an eligible person as defined under *REDA*.

Sincerely,



Doug Boyler, P.Eng.
Chief Operations Engineer



Tom Byrnes, P.Eng.
Senior Advisor, Industry Operations