

Summary of Stakeholder Input on Proposed Changes to Province-wide Framework for Well Spacing

On November 25, 2010, the Energy Resources Conservation Board (ERCB) issued *Bulletin 2010-39: Invitation for Feedback on Province-Wide Framework for Well Spacing for Conventional and Unconventional Oil and Gas Reservoirs*. During the feedback period from November 25, 2010, to January 21, 2011, the ERCB received over 60 submissions from companies, individuals, and associations on the four proposed changes to the well spacing framework set out in the bulletin (21 public submissions, 9 special interest group submissions, and more than 30 industry submissions).

ERCB staff reviewed all the stakeholder feedback received. The following sections highlight the proposed changes and provide a summary of the input received.

1 Remove Well Density Controls for Low Quality Reservoirs

Original Proposal

Remove well density controls for coalbed methane (CBM) (including coal seams with interbedded thin sands) and shale gas reservoirs throughout the province and for all gas zones to the base of the Colorado Group in the area outlined in Schedule 13A of the *Oil and Gas Conservation Regulations (OGCR)* (for guidance on the designation of shale reservoirs for the purpose of well spacing, refer to *Bulletin 2010-28: Zones Eligible for Shale Gas Fluid Codes*).

2 Increase Baseline Well Densities for Conventional Gas Reservoirs

Original Proposal

Increase baseline well densities from one well per pool per standard drilling spacing unit (DSU) to two wells per pool per standard DSU province-wide for conventional gas reservoirs.

Stakeholder Feedback on (1) and (2)

Feedback from industry indicated strong support for the proposed change to baseline well densities, with some industry stakeholders suggesting that the proposal to remove well density controls should be broadened to include Schedule 13B (deep basin gas) and the Mannville Group in Schedule 13A. A few industry stakeholders felt that increasing well densities for CBM and some conventional gas reservoirs may result in acceleration of resource recovery and competitive drainage. There were some stakeholders that preferred the current application process to increase well densities as they liked receiving notification of a spacing application to track possible activity.

Many questions were raised by the industry stakeholders with respect to

- the administration of off-target penalties for wells drilled on target to the current standard DSUs, and
- the impact on wells drilled within holdings that could potentially be rescinded in favour of the new well density regulation.

Several industry stakeholders commented that the proposed change to well density regulations would provide the appropriate flexibility in drilling, particularly horizontal wells, and would enhance the effective management of Alberta's energy resources while streamlining operations.

Public stakeholders expressed concern about the removal of well density controls, particularly with respect to increased surface impacts, environmental issues, and impacts on urban planning. Many public stakeholders expressed the view that using new drilling technology, drilling multiple wells from a common pad site, and locating pads on the periphery of a section should be taken into consideration to reduce impacts on farming. Some public stakeholders were not concerned with increased well densities on cultivated land, including one who stated that surface impacts were minimal.

3 Standardize Province-Wide Target Areas for Standard DSUs

Original Proposal

Standardize province-wide target areas for standard DSUs. All target areas will be centered 150 metres (m) from the boundaries of the DSU for gas and 100 m from the boundaries of the DSU for oil.

Stakeholder Feedback

Many industry stakeholders submitted that a change to the target area orientation from “corners” to “central” for the production of CBM and shallow gas in the area of the province outlined in Schedule 13A could have a negative impact on conservation. They also noted that such a change would affect access to shallow gas reserves when directionally drilling wells and would also remove the opportunity to recomplete existing wellbores drilled on corner target areas. Of these stakeholders, many recommended that the corner target area concept be maintained in the Schedule 13A area and suggested that a target area of 200 m on the south and west boundaries of a DSU would be more appropriate. Some stakeholders felt that either a target area of 100 m on the south and west boundaries or 100 m all around a DSU may also be sufficient for CBM and shallow gas development. One group supported the elimination of corner target areas and another stakeholder was in support of standardizing, simplifying, and increasing target areas for both oil and gas. Most stakeholders did not specifically comment on the proposed central target area for oil.

4 Amend the Regulations

Original Proposal

Amend the regulations. This will include amending legislation on fractional DSUs along meridian lines and eliminating legislation and related applications regarding changing a target area and reducing the size of a DSU. Approval holder designation will also be removed from holdings established by well spacing applications.

Stakeholder Feedback

Most industry stakeholders did not provide feedback on this aspect of the framework. However, some stakeholders submitted that retaining the approval holder designation for holdings would provide useful information in planning development programs and reviewing development by other industry parties.

One industry stakeholder felt that amending the regulations such that they would no longer allow for reduced spacing applications would strand reserves, while another stakeholder was in agreement with removing legislation to reduce the size of the DSU and to change the target area.

Some questions seeking clarity around fractional DSUs were received.

No public feedback was received on this aspect of the framework.