

General Bulletin

GB 2003-12

April 3, 2003

To: All Oil, Gas, and Oil Sands Operators

GAS PRODUCTION IN OIL SANDS AREAS

The Alberta Energy and Utilities Board (EUB/Board) continues to be concerned about the conservation of bitumen in oil sands areas of the province where the bitumen is associated with an overlying gas zone. Over the past several years there have been a number of activities aimed at understanding this issue and further developing EUB policy:

- The Board held an inquiry into the matter of gas production from oil sands strata (*EUB Inquiry, Gas/Bitumen Production in Oil Sands Areas*, March 25, 1998).
- The EUB received and considered recommendations from the gas/bitumen committee on related issues (*Recommendations on Gas/Bitumen Issues*, July 10, 1998).
- The EUB received and considered recommendations from the industry/EUB committee on gas production application areas (*Report of the Industry/EUB Committee, Gas Production Applications in Oil Sands Areas*, November 24, 1998).
- The EUB issued an interim directive respecting gas/bitumen production in oil sands areas (*Interim Directive (ID) 99-1: Gas/Bitumen Production in Oil Sands Areas: Application, Notification and Drilling Requirements*).
- The Board initiated a Government-Industry Advisory Group on Gas and Bitumen Conservation in Oil Sands Areas, which prepared draft recommendations on the subject (published on the EUB Web site <www.eub.gov.ab.ca>).

In addition, the Board has conducted two public hearings during which it received and considered extensive evidence related to the production of gas from oil sands strata. These hearings considered

- an application by Gulf Canada Resources Limited for the shut-in of gas production from the Wabiskaw-McMurray Formation in the Surmont Area (*EUB Decision 2000-22*, March 30, 2000), and
- a number of applications related to the production and shut-in of gas from the Wabiskaw-McMurray Formation in the Chard/Leismer Area (*EUB Decision 2003-023*, March 18, 2003).

While substantial regulatory steps have been taken regarding the gas/bitumen issues, the Board is concerned that steps taken to date have not adequately addressed the impact of existing or “grandfathered” gas production and believes that this presents a significant risk to bitumen conservation.

The EUB therefore invites interested parties to provide written submissions that comment on

- a) whether existing gas production from the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area should be shut in, and/or
- b) any alternative measures that might be taken to ensure the conservation of bitumen in the Wabiskaw-McMurray Formation in the Athabasca Oil Sands Area.

After further consideration of already received evidence and views and consideration of any further submissions in response to this general bulletin, the Board intends to take such steps as it believes necessary to effect the conservation of bitumen in the Wabiskaw-McMurray Formation within the Athabasca Oil Sands Area.

Short-Term Regulatory Implications

Decisions regarding some applications for gas production or shut-in from the Wabiskaw-McMurray Formation within the Athabasca Oil Sands Area may be deferred until such time as the Board has completed its deliberations on this matter and has released its decision respecting an appropriate strategy to ensure the conservation of bitumen.

To File a Submission

Any person intending to make a submission with respect to the above should send two copies, along with an electronic version, on or before 4:00 p.m., Monday, May 12, 2003, to

Attention: Terry Abel, P.Eng.
Applications Branch
Alberta Energy and Utilities Board
640 – 5 Avenue SW
Calgary, Alberta T2P 3G4
E-mail: <terry.abel@gov.ab.ca>

Questions regarding this general bulletin may be directed to Terry Abel at (403) 297-3382.

<original signed by>

A. Warren, P.Eng.
Executive Manager
Applications Branch