

March 26, 2001

TO: All In Situ Oil Sands Operators

**TRIAL EVALUATION OF ANNUAL PERFORMANCE PRESENTATIONS FOR
IN SITU OIL SANDS SCHEMES**

In August 2000, the Alberta Energy and Utilities Board (EUB) approached the Canadian Association of Petroleum Producers (CAPP) to help coordinate input from the oil sands industry on a proposal to implement annual performance presentations for in situ oil sands schemes. The result of this consultation is enclosed in the form of a draft interim directive (ID). Rather than formally implementing the new requirements, the EUB and CAPP have agreed to conduct a one-year trial evaluation. In this way, any new requirements would be fine tuned or adjusted to incorporate the experience gained with one full cycle of presentations.

STRATEGY

The EUB is implementing a trial evaluation of annual performance presentations for all in situ oil sands schemes. This trial evaluation will continue for a period of one year commencing April 2, 2001.

As summarized in the attachment, the new process involves the implementation of annual performance presentations for all commercial, experimental, and primary recovery schemes and addresses fundamental issues of scheme performance, approval, and regulatory compliance, as well as future plans.

Before finalizing and issuing the new ID, the EUB commits to

- convening a roundtable discussion with CAPP and industry representatives in October 2001 to determine whether any interim adjustments to the process are desirable (content, format, etc.), and
- presenting its final findings and recommendations to CAPP and industry representatives at the conclusion of the one-year trial period.

Questions on the new process should be directed to Barry Christensen, of the EUB's Resources Applications Group, at (403) 297-4102.

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Enclosure

ID 2001-X

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ANNUAL PERFORMANCE PRESENTATIONS FOR IN SITU OIL SANDS SCHEMES

With the issuance of EUB *Informational Letter (IL) 94-10* in April 1994, the EUB reduced the progress report requirements for most in situ oil sands schemes. Recent developments, including the approval of several new in situ commercial schemes, suggest that the practical application of oil sands technology is evolving quickly. In addition, there has been a rise in equity-related issues resulting from split ownership of the gas and bitumen resources in the oil sands areas and conservation/regulatory issues related to production of gas over bitumen. Accordingly, the EUB must

- keep up to date on developments and depletion strategies within all approved in situ oil sand schemes—to do so, the EUB needs to be aware of the success/failure of each scheme, the reason(s) for success or failure, and the potential to extrapolate the success or failure of each scheme to other situations in the province;
- ensure that sufficient and reliable data are being gathered on in situ oil sands schemes and submitted to the EUB (e.g., pressures, fluid analysis, production rates); and
- monitor ongoing compliance with approval and regulatory requirements.

Accomplishing the above will ensure that informed decisions are being made by the EUB while it carries out its mandates of conservation and the orderly and efficient development of Alberta's in situ oil sands resources.

Therefore, the EUB is implementing a new process (albeit still streamlined compared to traditional progress reports) for industry to assist the EUB in achieving the above objectives.

PREVIOUS REQUIREMENTS

IL 94-10 was intended to reduce both the burden on industry for reporting and the amount of surveillance required on the part of EUB. The following specific changes were made at the time:

- For commercial schemes, the requirement for regular reporting was eliminated. In lieu of annual progress reports, the EUB proposed that meetings would be held with operators to exchange information on an as-needed basis.
- For experimental schemes, the requirement for semi-annual progress reports for the first two years of operation was reduced to only annual reports and a final scheme report. Note that the new requirements (see next section) would replace this requirement.
- No requirements were specified for primary schemes. Historically, the only reporting required for these schemes has been specified as conditions of the approval or on an ad hoc basis.

NEW REQUIREMENTS

The EUB requires annual performance presentations (as opposed to formal progress reports), which would initially include all commercial, experimental (replacing the existing annual progress report requirement), and primary recovery schemes. This requirement is modelled after a similar requirement for miscible flood schemes in conventional oil reservoirs, as described in EUB *IL 96-2*. The features of these presentations are as follows:

- The required content of each performance presentation is summarized in the attached table and includes fundamental issues of scheme performance (in most cases, the majority of the presentation), approval and regulatory compliance, and future plans.
- Two copies of the slides/overheads used in the presentation (in paper form) are to be submitted to the EUB. No separate supplemental reporting is required.
- The information presented and submitted to the EUB should be current (i.e., based on the scheme performance over the past year up to the time of the presentation). The information for commercial and primary schemes will be made available publicly, while that for experimental schemes will be retained as confidential, pending future release.
- Given the wide diversity of existing scheme types and sizes and the issues involved, it is difficult for the EUB to prescribe an average length of time for a presentation. However, for noncomplex primary or experimental schemes with few conditions of approval or compliance issues, the presentations (including discussions throughout them) should take about two hours. Larger and more complicated commercial schemes may require longer meetings to deal with all relevant issues effectively.
- The EUB is responsible for deciding the timing and location of the annual presentations. Noncompliance on the part of the operator would be dealt with as a Level 1 minor noncompliance event, in accordance with EUB *IL 99-4*.
- Operators with multiple schemes will be given the opportunity for a combined presentation if appropriate.
- Operators will have the opportunity to request exemption from future reporting for those schemes for which annual presentations are no longer considered to be useful to either the

operator or the EUB (e.g., schemes at an advanced stage of depletion). Also, the EUB may propose to eliminate reporting requirements in any scheme if the collection of this information is no longer considered useful.

- Attendance will be restricted to only the individual operator and EUB staff, unless additional parties are suggested and agreed to by mutual consent.

Attachment to ID 2001-X

Content Requirements for In Situ Oil Sands Scheme Presentations

Subject	Required content ¹	Excluded content ²
Overall Performance (an ongoing interpretive assessment of the technical success or failure of the scheme/process)	<ol style="list-style-type: none"> 1) Brief background of the scheme and description of the bitumen recovery process (e.g., SAGD), including a map of the scheme with the existing development highlighted 2) Actual versus predicted performance, including, where appropriate: <ul style="list-style-type: none"> • original forecast (details or identify source) • actual production/injection rates (bitumen, gas, water, and steam) • recovery levels (percentage of bitumen in-place) • steam-oil ratio or other critical parameters used to evaluate the recovery process <p>This comparison should be in the form of descriptive text and supporting graphs and tables.</p> 3) Reasons for major differences between actual and predicted performance 4) Learnings about key reservoir and operational factors that have an impact on the success of the scheme 5) Follow-up on any issues identified during application processing or in previous presentations 	To avoid duplication of effort, any raw data already forwarded to the EUB (e.g., individual well production data and/or graphs, pressure data)
Compliance Issues (Is the operation of the scheme consistent with all conditions of the approval and existing regulations?)	<ol style="list-style-type: none"> 1) A statement confirming compliance with all conditions of the approval (provide specific list) and regulatory requirements (e.g., measurement, venting, flaring, data collection/reporting, water use/recycling, gas/bitumen) (<i>ID 99-1</i>) 2) If full compliance does not exist, specific issues of noncompliance and specific remedial plans for restoring compliance 	
Future Plans	<ol style="list-style-type: none"> 1) Major activities and target dates 2) New initiatives of interest 3) Major plans that will require future applications to the EUB 4) Any changes in the overall strategy for the scheme, and their relation to the key learnings above 	Minor activities, such as planned well work-overs

¹ Sufficient information must be provided to support and justify conclusions in the text. Composite summaries, tables, and graphs should be used as necessary to support or justify appropriate conclusions.

² This information is available to the EUB elsewhere or is outside the intended scope of the presentation.