EUB Alberta Energy and Utilities Board

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To: All Gas and In Situ Oil Sands Operators

APPLICATIONS FOR APPROVAL TO PRODUCE GAS IN OIL SANDS AREAS; DEPOSITIONAL ENVIRONMENT CONSIDERATIONS

On December 22, 1998, staff from the Alberta Energy and Utilities Board (EUB/Board) issued a letter to all gas and in situ oil sands operators entitled *Applications for Approval to Produce Gas in Oil Sands Areas, Interim Approval Criteria and Conditions*. Its purpose was to help companies assess the risk of their drilling and tie-in decisions for gas wells in oil sands areas. The criteria and conditions outlined in the letter continue to apply.

On March 30, 2000, the Board issued *Decision 2000-22: Gulf Canada Resources Limited, Request for the Shut-in of Associated Gas, Surmont Area*. The decision resulted in the shut-in of Wabiskaw-McMurray gas production from 146 wells, based in part on the Board's interpretation of the Surmont area's depositional environment, as described below. The impact of depositional environment was not considered at the time EUB staff issued the December 22, 1998, letter, but it is now a consideration in the evaluation of gas production applications. The purpose of this letter is to make companies aware of the impact that depositional environment may have on applications for approval to produce gas.

Decision 2000-22 was based, in part, on the Board's view that "notwithstanding the presence of interbedded sands and muds, the geological evidence indicates that the occurrence of thick bitumen-saturated sands in direct communication with overlying gas and water zones is extensive and randomly distributed." This view was based on the Board's conclusion that the "Middle McMurray was deposited in a fluvial estuarine environment, resulting in heterogeneous sediment distribution." The Board also stated that "other gas wells in Surmont and geologically similar areas could be associated with and present a risk to underlying bitumen."

Since *Decision 2000-22* was issued, the Board has denied several gas production applications for wells in similar depositional environments. Therefore, where a fluvial estuarine (channel) environment is interpreted to exist, companies should be aware that applications for gas production will be considered nonroutine.

Yours truly,

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