

Contact Us

Jason Benoit, C.E.T.,
Manager
Dir: 403.874.6768



Robyn Swanson,
P.Eng., C.E.T.,
Technical Advisor
Dir: 507.426.4250

Current Regulations[O&G Conservation Rules](#)[Directive 005](#)[Directive 004](#)[Directive 007-1](#)[AER Subson 2014-27](#)[AER Well Spacing Map](#)[Saskatchewan Guidelines](#)[B.C. Guidelines](#)[Manitoba Guidelines](#)[B.C. Water Service Wells](#)**Supplement to Last Week's Newsletter.....**

My apologies for the additional newsletter, but there are two items that have been identified recently we would like to inform you about:

Tubing Declarations

The 'tubing declaration' to reduce your liabilities in the LLR calculation. This is an important change you can do regardless of whether your LLR is above or below 1.0. The benefit is two fold:

It may reduce your liabilities, thereby increasing your LLR which may reduce your security requirement. This reduction may qualify you for a security refund which you can apply for or at the very least, improve your LLR. The second benefit is that it may reduce the levy you are required to pay to the orphan well association. That levy is based on:

$$\text{Levy} = \text{AR} * \$15,000,000$$

A is the licensee's or approval holder's deemed liabilities on February 6, 2016, for all facilities, wells, and unreclaimed sites included within the LLR and O&G programs, as calculated in accordance with Directive 005, Directive 011, and Directive 075; and

B is the sum of the industry's deemed liabilities on February 6, 2016, for all facilities, wells, and unreclaimed sites included within the LLR and O&G programs, as calculated in accordance with Directive 006, Directive 011, and Directive 075.

If using the tubing declaration reduces your deemed liabilities, then your share of the levy is also reduced. **The deadline for the next LLR calculation is February 5, 2016, hence to see the potential reduction in your deemed liabilities (due to the tubing declaration) you MUST get the declaration in by Friday February 5, 2016.**

A copy of the instructions for submitting this declaration can be found [here](#), but please let us know if we can help you in this regard.

AER Request for Information

The AER is looking for ways to reduce the regulatory burden and associated costs without compromising public safety, environmental integrity and conservation, while maintaining compliance with the Oil and Gas Act and Rules as well as any pertinent approvals. In your day to day operations you likely identify dozens of small things you do that do not add value to your operation but are a requirement that you have always fulfilled, without question, because it's the regulatory requirement and the way you've always done things. The AER is looking for industry to share those ideas along with an explanation of the impact it would have and the approximate potential cost saving. Some examples are:

1. Restore granting GPP to new Heavy Oil wells as long as the wells are compliant with D-60. Changes the AER has made over the past two years has not guaranteed GPP for heavy oil wells especially those not conserving gas. Recent changes to the allowables automatically granted GPP to many pools conserving gas. As the volumes of gas associated with heavy oil wells/pools are often small (900 m3/day or less) and uneconomic to tie in, D60 allows for those wells to flare or vent without special approval. Restoring GPP to heavy oil pools as long as they are conserving gas OR are compliant with D-60 regulations (venting & Flaring) would reduce operator costs associated with shutting in wells on MFL to avoid overproduction penalties.
2. Consider relaxing pressure testing to reduce the number of wells that need to be tested annually or initially. We understand the need for initial pressures but in resource play type developments, initial pressure measurements require long shut ins that are often not achieved, hence an accurate initial pressure is not obtained. In such instances requiring initial pressures on all new wells in a pool may not be necessary or useful. Ongoing annual pressure survey information is still useful and should continue to be collected on a different formula (currently 25% of wells in a pool per year) or frequency, especially in established pools.
3. The AER could consider revisiting Self Declared rules for commingling oil. At present it is very difficult to qualify for oil commingling using the Self Declared commingling rules. The maximum rate of 3m3/day for any well in the pool often disqualifies a well for oil commingling according to the Decision Tree. If the 3 m3/day was increased a bit, it could help with low rate pools or consider the 3 m3/day for a specified radius; this would help in pools of large areal extent.
4. Relax AER vigilance on VRR requirements. It is time consuming and hence costs money for operators to monitor and respond to the AER on compliance concerns with VRR conditions in enhanced recovery schemes. If the operator is not exceeding the VRR and there are no concerns with damage to the reservoir, it is likely the approval holder is operating the scheme to the best of their ability.
5. The automatic rollover of suspended wells from low to medium risk after 10 years can result in additional suspension costs. Consider leaving wells as low risk, even after 10 years or revising the suspension requirements when such wells rollover from low to medium risk. A medium risk well incurs additional downhole and testing requirements.
6. Further changes to the LLR calculation, the 'no tubing declaration' is very helpful and any other similar changes or reduction on the liability side of the equation would be helpful. Consider allowing operators to amend facility licenses to reflect actual historical usage rather than initial expected usage.
7. Consider revisions to the inactive well compliance program to enable operators to revise their abandonment program. Example revisions could be 10% of the wells for the next 2 years then the remainder of the wells for the last 3 years of the program; the 5 year goal would still be met. Another example would be to extend the program to 7 or more years to retire wells in the program.
8. Discontinue the requirement to submit ongoing annual pressures on self declared commingled gas wells that initially produced more than 50 100 m3/day operating day whose total well rate has dropped to or below 50 100 m3/day operating day. A commingled pressure in a well that is producing at a low rate gives very little, if any meaningful data.
9. Revisit the requirement to set the packer within 15 meters TVD of a proposed disposal or injection zone in horizontal wells, this can be very risky and costly to do. If there are no exposed (ie. Openhole) potentially porous zones then a packer set at an accessible depth should be considered.
10. Consider sending out a warning letter with a 1-2 day deadline, instead of a fine when a welltest submission