



## Surge Energy Inc.

Application for Special Oil Well Spacing and a Review  
of Well Licenses and Compliance of Production  
Restrictions

Valhalla Field

June 10, 2013

**ENERGY RESOURCES CONSERVATION BOARD**

Decision 2013 ABERCB 010: Surge Energy Inc., Application for Special Oil Well Spacing and a Review of Well Licenses and Compliance of Production Restrictions, Valhalla Field

June 10, 2013

Published by

Energy Resources Conservation Board  
Suite 1000, 250 – 5 Street SW  
Calgary, Alberta  
T2P 0R4

Telephone: 403-297-8311  
Toll free: 1-855-297-8311  
E-mail: [infoservices@ercb.ca](mailto:infoservices@ercb.ca)  
Website: [www.ercb.ca](http://www.ercb.ca)

## CONTENTS

Decision .....	1
Introduction.....	1
Applications .....	1
Proceedings.....	1
Interventions .....	2
Hearing.....	2
Conclusion .....	3



# ENERGY RESOURCES CONSERVATION BOARD

---

Calgary Alberta

## **SURGE ENERGY INC.**

### **APPLICATION FOR SPECIAL OIL WELL SPACING AND PROCEEDINGS FOR REVIEW OF WELL LICENCES AND COMPLIANCE OF**

**2013 ABERCB 010**

**PRODUCTION RESTRICTIONS Application(s) No. 1696915, 1700028, 1700029, 1700127  
VALHALLA FIELD Proceeding(s) No. 1736970, 1757463, 1757464, 1757465, 1757466**

---

## **DECISION**

[1] Having received requests for the withdrawal of all objections and review requests from the interveners and review applicants, the Energy Resources Conservation Board (ERCB/Board) hereby accepts these requests and closes Proceedings No. 1736970, 1757463, 1757464, 1757465, and 1747466, remitting Applications No. 1696915, 1700028, 1700029, and 1700127 and the compliance matters relating to Well Licenses No. 0426658, 0434493, 0427529, and 0376398 to ERCB staff.

## **INTRODUCTION**

### **Applications**

[2] Surge Energy Inc. (Surge) applied to the ERCB, pursuant to Section 79(4) of the *Oil and Gas Conservation Act* and Section 5.190 of the *Oil and Gas Conservation Regulations*, to suspend drilling spacing units and target areas and establish holdings for the production of oil from the Doig Formation in the north half of Section 29, the east half of Section 31, and all of Section 32, in Township 73, Range 8, West of the 6th Meridian; the west half of Section 5, the east half of Section 6, all of Sections 7, 8, 18, and 19, the west half of Section 30, and the west half of Section 31, in Township 74, Range 8, West of the 6th Meridian; and the northeast quarter of Section 25 and the east half of Section 36, in Township 74, Range 9, West of the 6th Meridian.

[3] Surge proposes that a producing well must be at least 100 metres from the boundaries of each holding and that the well density be four wells per pool per quarter section; the west half of Section 30, Township 74, Range 8, West of the 6th Meridian would be an exception to this and would have a well density of two wells per pool per quarter section.

[4] Surge registered Application No. 1696915 with the ERCB on August 25, 2011, Applications No. 1700028 and 1700029 on September 23, 2011, and Application No. 1700127 on September 26, 2011.

### **Proceedings**

[5] Canadian Natural Resources Limited (CNRL) applied to the ERCB requesting that the Board conduct a review hearing relating to Surge's Well Licenses No. 0444964, 0448799, and 0450169 pursuant to Section 40 of the *Energy Resources Conservation Act (ERCA)*. The Board

granted the review applications and registered the review hearings as Proceedings No. 1736970, 1757463, and 1757464 respectively.

[6] CNRL also applied to the ERCB requesting that the Board conduct a review hearing relating to Surge's Well Licenses No. 0449699 and 0447178 pursuant to Section 39 of the *ERCA*. The Board granted the review applications and registered the review hearings as Proceedings No. 1757465 and 1757466 respectively.

[7] In a letter dated July 17, 2012, ConocoPhillips Canada Operations Ltd. (Conoco) requested that the Board review the compliance of the production restrictions on Surge's Well Licenses No. 0426658, 0434493, 0427529, and 0376392. Pursuant to Section 39 of the *ERCA*, the Board decided to initiate a review of the relevant well licenses in conjunction with the compliance matters.

### **Interventions**

[8] The ERCB received an objection to the applications from CNRL, a mineral owner of the overlying Halfway Formation. The Board determined that CNRL met the test set out in Section 26(2) of the *ERCA* and a hearing was scheduled.

[9] The ERCB received an objection to the applications from Conoco, a mineral owner and unit operator of the overlying Halfway Formation. The Board determined that Conoco also met the test set out in Section 26(2) of the *ERCA*.

### **Hearing**

[10] Initially, the hearing into the applications and review proceedings was scheduled to commence on February 26, 2013. However, on January 25, 2013, the Board decided to broaden the scope of the hearing to include all issues that relate to the development and management of the reservoirs involved and reschedule the hearing to May 21, 2013. The Board received a request from Conoco, which was agreed to by the other parties, to adjourn the hearing until May 23, 2013. The Board granted the request.

[11] On May 23, 2013, the Board opened the public hearing in Calgary, Alberta, before Board Member G. Eynon, P.Geo. (Presiding Member), Board Member T. L. Watson, P.Eng., and Acting Board Member G. W. Dilay, P.Eng.

[12] After the opening of the hearing and during the discussion of preliminary matters, CNRL stated that it had reached a settlement with Surge and withdrew all objections to Surge's spacing applications and its objections in review Proceedings No. 1736970, 1757463, 1757464, 1757465, and 1757466. Furthermore, CNRL stated that it would not be participating in the hearing.

[13] Conoco also stated that it had reached a settlement with Surge and that it was withdrawing all objections to the spacing applications. Conoco was also withdrawing its request for review of the well licences in relation to the compliance matters and would not be participating in the hearing.

[14] After hearing from CNRL, Conoco, and Surge, the Board adjourned briefly to consider the withdrawals of CNRL and Conoco, and whether it should continue to consider any of the matters before the hearing or use an alternative process.

[15] After the adjournment and deliberation, the Board decided to

- accept the withdrawal of objections by CNRL and Conoco;
- remit the holding applications back to ERCB staff for processing in the normal course of business;
- close the review applications initiated by CNRL, given CNRL's withdrawal of its applications; and
- remit the compliance matters to ERCB staff to continue its review. The Board acknowledged that the review contemplated in the hearing would require information from the operators regarding the interaction of the Doig and Halfway reservoirs, but that the operators of the Halfway wells (i.e., CNRL and Conoco) would not be available for examination at the hearing. Therefore, the Board finds that the most appropriate action is for ERCB staff to investigate any potential compliance issues as it would normally do.

[16] Further, the Board expects that any applications that may arise as a result of the settlement between the parties will be filed with the ERCB in a timely manner.

[17] Given that the evidentiary portion of the hearing had not commenced, the Board decided to cancel the hearing.

## **CONCLUSION**

[18] The Board accepts the withdrawal of objections by CNRL and Conoco, the interveners who met the Section 26(2) of the *ERCA*, and accepts the withdrawal of CNRL's objections in the review proceedings. The Board has decided to close the review applications that were originally initiated by CNRL.

[19] The Board remits the holding applications and the compliance matters to ERCB staff to continue with its usual processes.

Dated in Calgary, Alberta, on June 10, 2013.

## **ENERGY RESOURCES CONSERVATION BOARD**

*<original signed by>*

G. Eynon, P.Geol.  
Presiding Member

*<original signed by>*

T. L. Watson, P.Eng.  
Board Member

*<original signed by>*

G. W. Dilay, P.Eng.  
Acting Board Member