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OIL SANDS INFORMATION BULLETIN 2023 - 01

Subject: Clarification of delineation requirements for operators with AER lifecycle scheme approvals

Section 10(1)(a) of the *Oil Sands Royalty Regulation, 2009* requires an operator to first obtain a scheme approval from the Regulator (AER) before applying for approval of an oil sands royalty Project. For an oil sands royalty application to be properly evaluated, it is necessary for an operator to demonstrate they have conducted sufficient delineation to understand the bitumen resource that is potentially recoverable and thus be able to finalize well, pad and facility locations for the project. Only with this information can an application for an oil sands royalty approval be properly defined and evaluated against the criteria of the Oil Sands Royalty Regulation. This understanding of the bitumen resource has traditionally been demonstrated to the satisfaction of Alberta Energy when an operator has met the delineation requirements specified in the 2013 AER Draft Directive 023 (Directive 023) and obtained an AER scheme approval.

It is now possible for applicants to receive an AER lifecycle approval that includes development areas that have not fully met the delineation requirements as described under Directive 023. The shift to lifecycle approvals has shifted the timing of some of the delineation work, impacting how Alberta Energy assesses OSR Project applications.

For further clarification, it remains a requirement of Alberta Energy that an operator must demonstrate sufficient understanding of the underlying bitumen resource when submitting an application for an oil sands royalty approval. If an operator applies for a royalty approval or expansion that is based on an AER lifecycle scheme approval, then the operator must demonstrate their understanding of the resource. The general standard that Alberta Energy will apply in terms of data supporting technical reservoir determinations is outlined below, consistent with Directive 023:

Deposit / Formation	Delineation Wells Per Section
Athabasca Grand Rapids	8
Athabasca Wabiskaw-McMurray	16
Peace River Bluesky-Gething	8
Cold Lake Grand Rapids	8
Cold Lake Clearwater	6
Cold Lake Wabiskaw-McMurray	16
Carbonate Deposits (e.g. Grosmont and Leduc)	8

When an operator applies for inclusion of an AER lifecycle approval in a royalty project, the operator must provide evidence of their understanding of the reservoir. Only lands within the AER approved development area which show the technical understanding of the reservoir will be considered. Wells must be drilled through the relevant oil sands zone(s) and be integrated into the mapping of the subject reservoir. Where an operator has conducted seismic evaluation, the delineation requirements may be reduced. This information must be specifically noted in the application package. Certain other data types not listed may be considered to show understanding of the reservoir, but should be addressed in terms of suitability in the application.

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