



September 10, 2003

INFORMATION LETTER #OGC 03-19

SUBJECT: **Coalbed Methane Plan (CBM) Approvals Under Section 100 of the *Petroleum and Natural Gas Act***

To Industry Clients:

The *Petroleum and Natural Gas Act* (PNG Act) has been amended to facilitate the decision-making process for coalbed methane projects.

A full cycle CBM project lends itself to staged approvals consisting of an initial evaluation plan approval; followed by a development plan approval and then a full-scale production plan approval.

Effective July 21, 2003, the OGC will use the following classifications for CBM developments:

- i) **CBM Evaluation Plan** consists of the drilling, completion and testing of the initial small group of wells. Typically, this comprises of three to six wells, intended to demonstrate the technical feasibility of a particular CBM operation, with respect to drilling, completion, dewatering and recovery of natural gas from one or more coal-bearing formations. CBM Evaluation Plans will be approved under Section 100(1)(b) of the *PNG Act*.
- ii) **CBM Development Plan** consists of the drilling, completion, testing and production of a limited number of wells. This is typically in the order of 20 to 40 wells to demonstrate the commercial viability of CBM production in an area and from the formation(s) from which the technical recovery of natural gas has been demonstrated, or is otherwise considered with reasonable certainty to exist. CBM Development Plans will be approved under Section 100(1)(a) of the *PNG Act*.
- iii) **CBM Production Plan** consists of drilling, completion and production of wells for a full-scale commercial natural gas recovery operation in an area and from the formation(s) which commercial recovery of CBM has been demonstrated. CBM Production Plans will be approved under Section 100(1)(a) of the *PNG Act*.

The new classifications will enable appropriate conditions for the particular CBM plan and the stage of exploitation to be established in the approvals. Experimental scheme approval will no longer be applied to full-cycle commercial exploitation of CBM.

The OGC will continue to work closely with the proponents, stakeholders and First Nations, to implement plans that are acceptable to the concerned parties. Proponents may benefit by matching public consultation requirements to each type of plan, and as a result, be able to respond appropriately to stakeholder and First Nations' concerns.

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Specifically, some of the changes are as follows:

- Well spacing for CBM Production Plans will be one well per quarter section on private or leased agricultural Crown land.
- The CBM Evaluation Plan and the CBM Development Plan approval will each convey a three-year confidentiality period for well data under section 57(4) of the Drilling and Production Regulation. Confidentiality of data from wells within approved CBM Production Plans will be determined by the individual classification of each well.
- Flaring, once a well has been completed, will normally be approved only within a CBM Evaluation Plan and will be limited to a maximum of $1.5 \times 10^3 \text{ m}^3/\text{d}$ per well for no longer than three months. Flaring will be minimized and specifically approved in a CBM Development Plan. Flaring will not normally be allowed in a CBM Production Plan.

For further information, please contact:

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