



Province of Alberta
Order in Council

O.C. 375 /2018

DEC 03 2018

ORDER IN COUNCIL

Approved and ordered:

Lieutenant Governor

or

Administrator

The Lieutenant Governor in Council makes the Curtailment Rules set out in the attached Appendix.

CHAIR

FILED UNDER
THE REGULATIONS ACT
as ALBERTA REGULATION 214/2018
ON December 3 20 18

REGISTRAR OF REGULATIONS

For Information only

Recommended by:
Authority:

Minister of Energy
Oil and Gas Conservation Act (section 10)
Oil Sands Conservation Act (section 20)
Responsible Energy Development Act (sections 68 and 70)

APPENDIX

Oil and Gas Conservation Act Oil Sands Conservation Act Responsible Energy Development Act

CURTAILMENT RULES

Table of Contents

- 1 Definitions
- 2 Purpose
- 3 Application
- 4 Combined provincial production allocation
- 5 Curtailment order
- 6 Joint ventures and partnerships
- 7 Consolidation and transfer of allocations
- 8 Exemptions
- 9 Amends AR 90/2013
- 10 Repeal

Schedule

Definitions

- 1 In these Rules,
 - (a) “crude bitumen” means crude bitumen as defined in the *Oil Sands Conservation Act*;
 - (b) “crude oil” means crude oil as defined in the *Oil and Gas Conservation Act*;
 - (c) “curtailment order” means an order of the Minister under section 5(1);
 - (d) “Minister” means the Minister of Energy;
 - (e) “operator” means
 - (i) in respect of crude bitumen, an operator as defined in the *Oil Sands Conservation Act*, and
 - (ii) in respect of crude oil, a licensee or approval holder as defined in the *Oil and Gas Conservation Act*.

Purpose

- 2 The purpose of these Rules is to
 - (a) effect conservation and prevent wasteful operations,



- (b) prevent improvident disposition, and
- (c) ensure the economical development in the public interest of the crude bitumen and crude oil resources of Alberta.

Application

3(1) These Rules apply notwithstanding any production rates or limits set out in

- (a) any approvals, directives or orders issued by the Alberta Energy Regulator, or
- (b) any agreements or approvals under the *Mines and Minerals Act* that require or permit production at a rate greater than is permitted under a curtailment order.

(2) Where an operator does not begin producing crude oil or crude bitumen until after August 31, 2018, these Rules do not apply to the operator until the end of the 3-month period commencing when the operator begins to produce crude oil or crude bitumen.

Combined provincial production allocation

4 Commencing for January 2019, the Minister may, by order, fix the combined provincial production allocation for a calendar month for crude oil and crude bitumen produced in Alberta.

Curtailment order

5(1) Subject to section 8, the Minister may, by order, in accordance with the Schedule, pro-rate the combined provincial production allocation for crude oil and crude bitumen for a calendar month among operators by fixing the combined amount of crude oil and crude bitumen that may be produced by each operator.

(2) An operator shall not produce more than the combined amount of crude oil and crude bitumen that the operator is permitted to produce under a curtailment order.

(3) A copy of the orders made under subsection (1) and section 4 must be provided to the Alberta Energy Regulator, who shall on receipt provide the information to each operator to whom a curtailment order applies.

Joint ventures and partnerships

6 Where an operator to whom a curtailment order applies comprises 2 or more persons carrying on business as a joint venture or partnership, the persons may enter into an agreement respecting the allocation of the combined production of crude oil and crude bitumen among themselves to comply with the curtailment order.

Consolidation and transfer of allocations

7(1) Two or more operators to whom curtailment orders apply may apply to the Minister for an order permitting the consolidation of the maximum amounts imposed under those curtailment orders.

(2) Where an order has been issued under subsection (1), the operators subject to the order may collectively produce an amount of crude oil and crude bitumen not greater than the consolidated maximum amount.

(3) The operators who are subject to an order under subsection (1) shall not collectively produce a combined amount of crude oil and crude bitumen greater than the consolidated maximum amount permitted under subsection (2).

(4) Two or more operators to whom curtailment orders apply may apply to the Minister for an order amending those curtailment orders to redistribute among those operators the amounts fixed under those curtailment orders.

(5) A copy of an order made under subsection (1) or (4) must be provided to the Alberta Energy Regulator, who shall on receipt provide the information to the operators to whom the order applies.

(6) An order made under subsection (1) or (4) may be subject to any terms or conditions imposed by the Minister, which must be complied with by the operators who are subject to the order.

Exemptions

8 The Minister shall not make a curtailment order in respect of an operator whose adjusted baseline production, as determined by the Minister in accordance with the Schedule, is not greater than zero.

Amends AR 90/2013

9(1) The *Responsible Energy Development Act General Regulation* (AR 90/2013) is amended by this section.

(2) Section 8.1 is amended by adding the following after clause (j):

(k) sections 5(2) and 7(3) and (6) of the *Curtailment Rules*.

(3) Section 8.1(k) is repealed on December 31, 2022.

Repeal

10 These Rules are repealed on December 31, 2019.

Schedule

**Baseline production and adjusted
baseline production**

1(1) For every operator, the Minister shall determine the following for every calendar month during which an order made under section 4 of these Rules applies:

(a) the baseline production;

(b) the adjusted baseline production.

(2) Subject to subsections (3), (4) and (5), the baseline production for an operator is the average number of barrels of crude oil and crude bitumen produced per calendar month by the operator for the 6 calendar months during which the operator's production was greatest in the one-year period commencing November 1, 2017.

(3) The baseline production for an operator who did not begin to produce crude oil or crude bitumen until after April 30, 2018 and before September 1, 2018 is the average number of barrels of crude oil and crude bitumen produced by the operator per month for the period commencing when the operator began to produce crude oil or crude bitumen and ending on October 31, 2018.

(4) The baseline production for an operator who did not begin to produce crude oil or crude bitumen until after August 31, 2018 is the average number of barrels of crude oil and crude bitumen produced by the operator per month for the 3-month period commencing when the operator begins to produce crude oil or crude bitumen.

(5) The baseline production for an operator who did not, in any month, produce crude oil and crude bitumen at an average combined rate in excess of 10 000 barrels per day until a month commencing after November 2018 is the number of barrels of crude oil and crude bitumen produced by the operator during the month in which the operator first exceeded that average combined rate.

(6) The adjusted baseline production for an operator is the amount determined in accordance the following formula:

$$A - (B \times C)$$

where

- A is the baseline production for the operator;
- B is 10 000 barrels of combined production of crude oil and crude bitumen per day;
- C is the number of days in the month.

Percentage of the aggregate adjusted baseline production allowable

2 For every calendar month during which an order made under section 4 of these Rules applies, the Minister shall determine the percentage of the adjusted baseline production allowable in accordance with the following formula:

D / E
where

- D is the combined provincial production allocation determined by the Minister under section 4 of these Rules for the month;
- E is the aggregate of the adjusted baseline production for all operators.

Amount specified in a curtailment order

3 For every operator, the Minister shall determine the combined amount of crude oil and crude bitumen that may be produced by the operator in accordance with the following formula for every calendar month during which an order under section 4 of these Rules applies:

$(F \times G) + (H \times I)$
where

- F is the adjusted baseline production for the operator as determined in section 1(6);
- G is the percentage of the adjusted baseline production allowable as determined under section 2;
- H is 10 000 barrels of combined production of crude oil and crude bitumen per day;
- I is the number of days in the month.