



Summary Information

Sept. 9, 2011

Application for Discovery Well Designation

Background

A discovery well is a well from which, in the opinion of a designated BC Oil and Gas Commission (Commission) official, sufficient information has been obtained to determine that the well has encountered a previously undiscovered pool. The Drilling and Production Regulation Section 2(5), states:

An official may designate a well or portion of a well as a discovery well if a new oil or gas pool has been designated as a result of data obtained from the well.

In respect of an exploratory wildcat well (EW) Section 2(3) of the Drilling and Production Regulation states:

A well is classified as an exploratory wildcat well if the well has been designated as a discovery well.

Section 17 of the Oil and Gas Activities Act General Regulation (General Regulation) states:

Subject to subsections (2) to (9) of this section and sections 18 to 20, 22 and 23, the commission must release well reports and well data, recorded with or submitted to the commission, from confidential status:

- c) one year after the date of release of the drilling rig for a well or portion of a well classified as an exploratory wildcat well under the Drilling and Production Regulation
- d) one year after the date of release of the drilling or service rig for a well that has been re-entered and the well or a portion of the well has been designated as a discovery well under the Drilling and Production Regulation.

When to Make This Application

1. To obtain relief from off-target production penalties: An off-target production penalty does not apply to the discovery well of a gas or oil pool, for production from that specific pool, pursuant to Sections 6(5) and 7(4) of the Drilling and Production Regulation. If a well is already classified as EW, a “discovery well” application and approval is still required in order for an off-target penalty to be waived.
2. To extend data confidentiality: Data from a well classified as EW is held confidential for a period of one year from rig release date. Note: An operator may apply to the Commission to hold confidential all subsequent wells in a new pool until the release date of the pool discovery well or the release date of the subsequent well, whichever is later (General Regulation Section 22).



3. To extend recompletion information confidentiality: Re-completion information can be held confidential if an application for a discovery well has been received by the Commission pursuant to General Regulation Section 17(1) (d). An application may be made based on existing well information, prior to submission of re-completion results. If approved, the re-completion information will be held confidential for a period of one year from the release of the drilling or service rig.
4. To obtain a royalty exemption for a new oil pool discovery: Production from the discovery well of an oil pool is royalty exempt for the first 36 producing months, subject to production allowable restrictions and a maximum oil volume limit of 11,450 cubic metres (m³) (Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation, Section 5).
5. To obtain consideration for federal tax credits: A well designated as a discovery well and, therefore, classified as EW may be eligible for a federal tax credit.

An application may be made at any time following drilling to designate a well as a “discovery well”. However, in order to hold well information and reports confidential, the application must be received before information has been released from confidential status. There is no specified application form.

Applications can be submitted in hard copy to the attention of:

Supervisor, Petroleum Geology
300 398 Harbour Road
Victoria, B.C. V9A 0B7

Or as an e-mail attachment to:

OGC.ResourceConservation@bcogc.ca

Application Requirements

An application should include information and interpretation to support the notion that a previously unknown pool of hydrocarbons is discovered (for example, relevant pressure data, log data, cross-sections, mapping interpretation). Data submitted with an application that is not a normal well information submission requirement under the Drilling and Production Regulation (such as geological interpretation and seismic data) will be not be released from confidential status.

Considerations

If a well currently classified as development or exploratory outpost is approaching its confidential release date, and an application for discovery designation is pending based on new data in the process of being obtained, the applicant should notify the Commission and the well data may be held confidential beyond the normal release data until a decision on the designation is rendered.



The discovery well is not necessarily the first well to produce from a pool. It is the well that has obtained “sufficient information” to substantiate the existence of a new pool. An older well with a DST or characteristic log signature indicative of hydrocarbons, even though that well may not have been completed in the zone, may be declared the discovery well of the pool. An operator planning to “twin” an existing wellbore, with the intent of applying to have the well designated as a discovery well, should first consult with Commission staff to ensure that the older well would not qualify as the discovery well.

Normally, a test (completion or DST) is required to substantiate the presence of hydrocarbons and confirm a new pool. In rare instances where a zone exhibits excellent reservoir characteristics in an area with clear analogues, discovery designation can occur with log data only. A well may be designated as a discovery well (and therefore classified as EW) even though the confidentiality period has expired; however, well data that has already been released will remain in the public domain (that is, the well data will not revert to confidential status).