



Dover Operating Corp.

**Application for a Bitumen Recovery Scheme
Athabasca Oil Sands Area**

August 6, 2013

ALBERTA ENERGY REGULATOR

Decision 2013 ABAER 014: Dover Operating Corp., Application for a Bitumen Recovery Scheme,
Athabasca Oil Sands Area

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[37] The Panel also recognizes that the Project represents an economic opportunity, not only for Dover but also for Alberta, and will have a positive impact on the Province's economy.

[38] The Panel concludes that there is sufficient information to support the purpose of and need for the project.

LOWER ATHABASCA REGIONAL PLAN

Evidence

[39] The Project is in an area that is subject to LARP, which has recently been approved by the Government of Alberta. LARP has prescribed what the land-use priorities are for each area of the Lower Athabasca Region. The Dover Project is in an area that has been selected by the government to include oil sands development. The Project is not in and does not overlap any of the conservation areas to be established under LARP.

[40] LARP was developed through consultations with industry, aboriginal groups, and other stakeholders. Fort McKay participated in this consultation process. Fort McKay stated that LARP did not address its concerns about protecting its land use interests on its reserve lands and traditional territory. During development of LARP, Fort McKay requested that buffers be established to restrict oil sands development near its IR174A and IR174B lands. This recommendation for a buffer zone was not incorporated into LARP, although some additional conservation lands were established (Birch Mountains Wildland Park [expansion]) immediately adjacent to IR174A and IR174B. Under LARP, a new biodiversity management framework will set targets for selected biodiversity indicators and address caribou habitat needs in alignment with Alberta's caribou policy. LARP disturbance limits and a biodiversity framework are anticipated. Fort McKay also noted that access management was to be incorporated into subregional plans prepared under LARP.

[41] Dover argued that the AER is bound by LARP and cannot reverse government policy by designating new areas where development is prohibited. It was Dover's position that the AER must determine whether the Project is in the public interest, taking into account that this area has been identified for potential oil sands development by the Government of Alberta after extensive consultation with all stakeholders, including Fort McKay.

[42] The AER is required under section 20 of *REDA* to act in accordance with any applicable *Alberta Land Stewardship Act (ALSA)* regional plan. The applicable regional plan for this subject application is LARP. LARP was approved by the Government of Alberta on August 22, 2012, and became effective September 1, 2012.

Findings

[43] The Panel accepts that broad-scale land use decisions are directed by LARP. While LARP is still a work in progress, the Panel believes that through mechanisms being developed—such as the proposed biodiversity management framework and the Alberta wetlands policy—LARP is the appropriate mechanism for identifying and addressing the regional cumulative effects of resource development activities.

[44] In addition to considering social, economic, and environmental factors and the public interest in making its determination on the subject application, the AER must also act in accordance with LARP as it exists today. The Panel heard evidence that Fort McKay had requested a protected buffer area around its reserves during development of LARP. The Panel notes that such an area was not included in LARP, reflecting the province's overall land-use intent for the lands where the Project is located. The Panel notes that proper application of LARP is based on regional limits, not project-specific effects. It is expected that as subregional plans and management frameworks continue to be developed they will influence project-specific land use decisions.

[45] The Panel accepts Dover's submission that the Project is located in an area that is designated for oil sands development under LARP, and that developing its subsurface rights under the terms of its leases issued by the province of Alberta is not contrary to LARP.

[46] The Panel notes that Dover's Project is not in, and does not overlap, any of the conservation areas to be established under LARP, and that development of oil sands resources is permitted in the Project area. The Panel finds that Dover's application is compliant with LARP.

RESOURCE RECOVERY

Evidence

[47] The main geological target horizon in the Project area is the Upper McMurray bitumen-bearing sand, which extends over the Project area and exhibits on average 33 per cent porosity and 72 per cent bitumen saturation. The bitumen net pay varies from 7 to 27 metres (m). The thickest sands are associated with structural lows, while the thin sands are associated with structural highs. Future delineation drilling will improve the geological interpretation for the Project area for net pay distribution and reservoir characterization.

[48] The bitumen-bearing sands in the northern part of the Project area occur at depths of about 360 m and are relatively clean with low clay content (less than 3 per cent). The net pay varies from 15 to 20 m. No gas caps were identified in the initial development area.

[49] The bitumen-bearing sands in the southern area of the Project area occur at depths of about 270 m and appear to have higher clay content. The net pay thickness varies from 15 to 27 m. A depleted gas cap, up to 5 m thick, is overlying the bitumen in parts of the Project area.

[50] Based on a 50 per cent recovery factor, the Project would recover 654 million m³ (4.1 billion barrels) of bitumen over its projected 65-year life. The northern part of the Project area, Townships 95 and 96, would recover 222 million m³ (1.4 billion barrels).

[51] Dover proposed to begin development, which would include commissioning of the DNP, in the northern parts of the Project area. Dover argued that the northern area of its leases has the highest reservoir quality in terms of bitumen saturation, net pay, porosity, and permeability, and has lower clay content. The reservoir occurs at an average depth of 360 m, which allows for higher operating pressures and higher initial production rates than in other parts of the Dover lease area. The absence of any significant depleted gas zones is also beneficial for SAGD development in this area.