

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

APPLICATIONS BY ANDERSON OIL AND GAS INC. FOR PERMIT TO CONSTRUCT NATURAL GAS PIPELINES AND FUEL GAS PIPELINES IN THE PUSKWASKAU AREA

**Addendum to Decision D 96-8
Applications No. 960586 and 960587**

1 INTRODUCTION

1.1 Applications

Pursuant to Part 4 of the Pipeline Act, Anderson Oil and Gas Inc. (Anderson) applied to the Alberta Energy and Utilities Board (EUB) for a permit to construct approximately 5.3 kilometres (km) of steel pipeline varying in outside diameter from 88.9 to 219.1 millimetres (mm). The pipeline is to transport natural gas from a dually completed well located at Legal Subdivision 16 of Section 10, Township 74, Range 1, West of the 6th Meridian (Lsd 16-10-74-1 W6M), to a gas satellite facility located at Lsd 10-10-74-1 W6M and on to the Anderson Puskwaskau gas plant located at Lsd 3-26-74-1 W6M (3-26 gas plant) for processing. The pipeline would transport natural gas containing 3.0 moles per kilomole of hydrogen sulphide (H₂S).

An associated fuel gas system would consist of a 60.3 mm outside diameter steel pipeline approximately 5.1 km in length that would transport fuel gas from the Anderson 3-26 gas plant to the gas satellite and dually completed well noted above. The fuel gas pipeline would be laid alongside the proposed natural gas pipeline in a common ditch.

1.2 Interventions

Mr. David Holinaty submitted an intervention to the applications. Mr. Holinaty expressed a concern with impacts caused by past seismic activities and objected to the issuance of a pipeline permit until Anderson Oil and Gas Inc. addressed damages as a result of these activities. Mr. Holinaty also raised safety concerns associated with the proposed pipelines.

1.3 Hearing

A public hearing to consider the applications was held in Grande Prairie, Alberta on 21 August 1996 before Board Members B. F. Bietz, P.Biol., G. Miller, and acting Board Member K. G. Sharp, P.Eng. At the hearing, following receipt of all evidence concerning the pipeline route and its associated impacts, the applicant and the intervener requested that the hearing be adjourned until 20 September 1996, to consider matters related to a constitutional challenge raised by the intervener. The Board agreed to the adjournment.

Mr. Holinaty informed the Board on 4 September 1996 that the constitutional challenge respecting the applications would be withdrawn and that there would be no need for the Board to reopen the hearing. He also advised that there was no remaining reason to delay issuance of the pipeline permits if that was the decision of the Board as the only outstanding concern related to a general concern regarding ultimate regulatory responsibility for environmental protection. The intervener believed that this issue could be addressed within the Board's Decision Report. On 10 September 1996, the Board issued a notice indicating that the reopening of the hearing scheduled for 20 September 1996 was cancelled. Having considered all of the evidence and argument presented at the hearing, the Board issued Decision D 96-8 (attached) approving the applications, with a detailed report to follow. This Addendum to Decision D 96-8 details the Board's findings and reasons for its decision.

THOSE WHO APPEARED AT THE HEARING

Principals and Representatives (Abbreviations Used in Report)

Witnesses

Anderson Oil and Gas Inc. (Anderson)
B. O'Ferrall

R. W. Masters
G. Petruic
H. Assen

D. Holinaty
J. D. Carter

D. Holinaty
W. Gerwatoski

Alberta Energy and Utilities Board staff
D. Garvin
M. Vandenbeld

2 ISSUES

The Board considers the issues respecting the application to be:

- C the need for the pipeline,
- C the pipeline route, and
- C safety and environmental impacts.

Each issue is addressed in the following sections.

3 NEED FOR THE PIPELINE

3.1 Views of the Applicant

Anderson stated that their initial involvement in the Puskwaskau area developed from a farm-in on Amerada Hess properties. A subsequent drilling program proved sufficient reserves from the Debolt and Elkton formations for Anderson to decide to proceed with further development of the properties. Anderson informed the Board that it drilled three gas wells, one located at Lsd 16-10-74-1 W6M (16-10) and two others located at a common pad at Lsd 10-10-74-1 W6M

(10-10). The wells contained natural gas and liquids with an H₂S content ranging from 0.4 moles per kilomole to 2.5 moles per kilomole. Anderson indicated that it intended to heat the gas for hydrate control during transportation in the pipeline through the use of line heaters located at the 16-10 well site and 10-10 gas satellite. Anderson also proposed to measure the gas from all of the gas wells at the 10-10 gas satellite and would only flare H₂S at this site during required maintenance or during emergency conditions.

Anderson advised the Board that the 88.9 mm insulated pipeline was necessary to transport well effluent from the 16-10 gas well to the 10-10 gas satellite where, after measurement, it would be commingled with the gas from the other metered gas wells within the 219.1 mm insulated pipeline. This 219.1 mm pipeline would transport the gas and associated liquids from the 10-10 satellite to Anderson's 3-26 gas plant. Anderson indicated that the gas and liquids would be processed at their 3-26 gas plant with subsequent sales gas from the plant going into the NOVA system for transportation to market.

Anderson stated that the proposed 60.3 mm fuel gas system was required to supply sweet fuel gas for purging, instrumentation, and line heaters at the 16-10 gas well and the 10-10 gas satellite. This fuel gas system would originate from the Anderson 3-26 gas plant and would share a common ditch with their proposed 88.9 mm and 219.1 mm natural gas pipelines.

Anderson informed the Board that their 3-26 gas plant was entering the final stages of construction with completion expected sometime in September of this year. Anderson stated that a delay in issuing the appropriate pipeline permits would leave Anderson with a new gas plant constructed and no way of getting the raw gas from their wells to the gas plant and sales gas from the gas plant to the NOVA Gas Transmission Ltd. (NOVA) system. Anderson submitted that the need for the pipelines is apparent as they have proven gas reserves from 3 wells and an approved gas plant as well as an acid gas injection system. Anderson also advised that the gas plant has the approval of all the area residents, including Mr. Holinaty, and that to date Anderson has followed all EUB procedures and requirements in obtaining these approvals.

3.2 Views of the Intervener

Mr. Holinaty did not question the need for the proposed gas satellite facility or the proposed pipelines.

3.3 Views of the Board

The Board is satisfied that there is a need to produce the reserves from the subject wells and that a gas satellite facility and pipelines are needed to measure and transport the raw gas to the Anderson 3-26 gas plant for processing.

4 PIPELINE ROUTE

4.1 Views of the Applicant

Anderson stated that the pipeline route that they have proposed is the most direct while still providing appropriate setbacks from Mr. Holinaty's primary residence and a trailer on his property. Anderson stated that it had investigated alternate routes but had rejected them after

finding that the routes greatly increased the pipeline length, crossed unfavourable topographical features and held the potential of creating a greater environmental impact. Anderson submitted that the applied for route would minimize land disturbance and provided an added benefit by paralleling the logical routing for the NOVA sales lateral from the gas plant to the point where NOVA would diverge their pipeline route to tie into the Peete Lake South meter station.

Anderson informed the Board that all landowners along the surveyed route, with the exception of Mr. Holinaty, had agreed to the proposed routing of the pipeline. Anderson estimated construction of the pipelines and associated surface installations would take 4 to 5 weeks.

4.2 Views of the Intervener

Mr. Holinaty informed the Board that a routing change, agreed to, reached with NOVA prior to this hearing placed him in the position of not having a better alternative route for the Anderson pipeline. Mr. Holinaty stated that the change involved NOVA agreeing to place their pipeline adjacent to the proposed Anderson line. Mr. Holinaty said that NOVA's original route created a "Y" at the north-end of his property and that NOVA's change in their route as it enters his land has eliminated this concern. When questioned if any alternative locations for the pipelines would be better from a farming perspective or future planned uses for the land, Mr. Holinaty said he could not think of one.

4.3 Views of the Board

With the evidence submitted at the hearing and the subsequent advice by the intervener in its 4 September 1996 correspondence to not delay issuing the pipeline permits, the Board is satisfied that the routing is appropriate.

5 SAFETY AND ENVIRONMENTAL IMPACTS

5.1 Views of the Applicant

Anderson stated that it had conducted a series of public information meetings dating back to November 1994 in order to inform and receive input from area residents on Anderson's Puskwaskau development plans. Anderson said these meetings discussed issues and concerns that the proposed 3-26 gas plant and associated field facilities could have on the area resident's lifestyles, environment, and their livelihood. Anderson indicated that Mr. Holinaty was a participant at these meetings and had knowledge of its plans for development in the area.

Anderson submitted that attempts to meet with Mr. Holinaty to discuss any concerns related to its pipeline project were rejected. When questioned as to possible reasons for these rejections, Anderson stated an unresolved claim for damages caused by seismic operations on Mr. Holinaty's and Mr. Gerwatoski's lands appeared to be the problem. This impasse, Anderson argued, resulted in its inability to identify and address any safety or environmental concerns Mr. Holinaty may have had with its pipeline project. Anderson submitted, that for overall safety, it had considered the highest H₂S levels detected in the producing zones for the purpose of designing its pipeline and planned a route that met the setbacks required for the proposed pipeline. Anderson added that industry standard pipeline construction practices would be used

for this pipeline project and that its proposed 18 metre pipeline right-of-way would be adequate to contain all construction activities. When questioned whether the pipeline would traverse any terrain that would create problems with erosion, Anderson stated that it would not.

At the hearing, Anderson was unable to confirm whether its pipeline was categorized as a Class 1 or Class 2 or if the regional AEP Conservation and Reclamation officer was contacted prior to submitting its application. Anderson committed to providing this information to the Board and the Intervener.

5.2 Views of the Intervener

Mr. Holinaty submitted that he had not been told that Anderson proposed a common trench for the gathering and fuel gas pipelines. He felt that if not properly handled, damage could occur to one line while repairing the other and with H₂S involved, he could be affected. Mr. Holinaty stated he also had concerns related to the life expectancy of the pipelines, and whether they would be located a safe distance away from his residences. When questioned about Anderson's past attempts to discuss its pipeline application, Mr. Holinaty stated that at the time he was not prepared to sit down and discuss the pipelines with Anderson until the past seismic issue had been corrected. Both Mr. Holinaty and Mr. Gerwatoski stated that their past experience with the seismic issue did not give them any confidence that a similar situation would not develop with the pipelines.

When questioned if he was still open to receiving information from Anderson addressing his concerns on the pipeline and related safety issues, Mr. Holinaty said he was. In closing argument, concerns about inadequate application of the environmental guidelines by the regulatory agencies responsible were also raised by Counsel for Mr. Holinaty.

5.3 Views of the Board

The Board accepts Anderson's view that legal and associated compensation issues concerning the past seismic operation was a factor in its inability to complete its public consultation process. The Board also acknowledges Anderson's willingness to provide additional information to satisfy Mr. Holinaty's safety concerns and Mr. Holinaty's statement that he is willing to receive this information. The Board accepts that industry standard construction practices will be used for the pipelines and accepts that the proposed 18 metre right-of-way should be adequate for the planned construction. The Board does not find that there are any outstanding environmental or safety issues associated with the pipeline.

The Board is concerned with an apparent lack of knowledge by the witnesses for Anderson regarding specific documents outlining environmental requirements for the construction of pipelines, such as AEP's Guide for Pipelines. Anderson personnel were also unable to confirm whether or not the regional Conservation and Reclamation officer had been contacted, even though its application indicated that it had. The Board expects applicants to be familiar with all aspects of the relevant AEP documents when they indicate in their application that the pipeline or facility will be built in accordance with AEP's environmental guidelines. The Board also expects all applicants to be able to demonstrate that they have actually met the requirements for an EUB application, when they claim to have done so. The Board notes in this instance that Anderson, in a submission dated 5 September 1996 to the Board and the intervener, addressed

the outstanding issues concerning the class category of the pipelines and confirmed that the regional Conservation and Reclamation officer was contacted prior to submitting its application.

With respect to the concerns raised about the administration of environmental guidelines, the Board finds that sufficient and clear guidelines and requirements exist, both through the EUB and AEP, to permit an operator to plan and construct a pipeline or facility that will have minimum environmental impact. The Board wishes to emphasize that it is the applicant's responsibility to be fully knowledgeable of these requirements and to incorporate them into its planning and construction of the project.

6 DECISION

Based on the evidence provided, the Board is satisfied that there is a need for Anderson's proposed gas satellite and pipelines, that they meet all of the Board's regulatory requirements, and that they would be in the public interest. The Board notes and expects Anderson to carry out any and all undertakings agreed to at the hearing. The Board is satisfied that the expectations and responsibility for environmental protection in the construction of these pipelines is clear. The Board therefore reaffirms its 23 September 1996 decision to approve the applications and issue the appropriate permits.

DATED at Calgary, Alberta, on 23 December 1996.

ALBERTA ENERGY AND UTILITIES BOARD

(Original signed by)

B. F. Bietz, Ph.D., P.Biol.
Board Member

(Original signed by)

G. Miller
Board Member

(Original signed by)

K. G. Sharp, P.Eng.
Acting Board Member

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Calgary Alberta

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2 HEARING

A public hearing to consider the applications was held in Grande Prairie, Alberta, on 21 August 1996 before Board members, B.F. Bietz, Ph.D., P.Biol., G. Miller, and acting Board member K. G. Sharp, P.Eng. At the request of both the applicant and intervener, the Board adjourned the hearing until 20 September 1996. The intervener informed the Board on 4 September 1996 that they would be withdrawing the constitutional challenge respecting the applications and saw no need for the Board to delay issuance of the pipeline permits. Concerns raised by the intervener regarding overall responsibility for environmental protection were not withdrawn, however, the intervener agrees that this issue can be addressed within the Board's Decision report. A Notice of Cancellation of Hearing was issued by the Board on 10 September 1996.

3 DECISION

Having considered all the evidence presented at the hearing and the request to issue the pipeline permits by both the applicant and intervener, the Board is prepared to approve the Anderson applications as proposed and will issue the permits immediately. A detailed report giving reasons for the Board's decision will be issued in due course.

DATED at Calgary, Alberta, on 20 September 1996.

ALBERTA ENERGY AND UTILITIES BOARD

(Original signed by)

B.F. Bietz, Ph.D., P.Biol.
Presiding Member

(Original signed by)

G. Miller
Board Member

(Original signed by)

K. G. Sharp, P.Eng.
Acting Board Member