

# **ALBERTA ENERGY AND UTILITIES BOARD**

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**Calgary Alberta**

## **RENAISSANCE ENERGY LTD. APPLICATION TO CONSTRUCT AND OPERATE A SWEET NATURAL GAS PIPELINE IN THE BITTERN LAKE AREA**

**Decision D 96-12  
Application No. 1001785**

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### **1 APPLICATION**

Permit/Licence 29393, Lines 1-5 inclusive, was granted by the Alberta Energy and Utilities Board (EUB) to Renaissance Energy Ltd. (Renaissance) on 6 August 1996 to construct and operate 18.60 kilometres of 88.9-millimetre outside diameter pipeline. The pipeline was designed to connect four existing wells located in Lsd 7-6-47-22 W4M, Lsd 10-4-47-22 W4M, Lsd 3-33-46-22 W4M, and 10-23-46-22 W4M to a Canadian Forest Oil Ltd. (CFOL) gas plant at Lsd 11-27-46-21 W4M.

On 26 September 1996, Olympia Energy Inc. (Olympia) applied under Section 43 of the Energy Resources Conservation Act, for an order of the EUB to suspend the Renaissance pipeline permit/licence and to schedule a public hearing of the Renaissance application.

The EUB granted Olympia's request to suspend Renaissance's pipeline permit/licence and on 10 October 1996 ordered Renaissance to discontinue operation of the pipeline.

### **2 HEARING**

A public hearing to consider the application was held in Calgary, Alberta on 6, 7, and 8 November 1996 before Board Members J. D. Dilay, P.Eng., B. F. Bietz, Ph.D., P.Biol., and A. C. Barfett.

Renaissance requested an immediate reinstatement of its approval to operate the pipelines in order that no further loss of production would be incurred. Further, if that request could not be granted, Renaissance requested an expeditious decision be issued, with written reasons to follow.

### **3 DECISION**

Having considered all the evidence, the Board is satisfied that it is appropriate to reinstate the approval to operate the pipelines as a sweet natural gas gathering system pending issuance of the Board's decision with written reasons to follow. A detailed report giving the reasons for the Board's decision will be issued in due course.

DATED at Calgary, Alberta, on 15 November 1996.

**ALBERTA ENERGY AND UTILITIES BOARD**

*[Original signed by]*

J. D. Dilay, P.Eng.  
Presiding Member

*[Original signed by]*

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

A. C. Barfett\*  
Board Member

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\* Ms. Barfett was not available for signature but concurred with the decision.

# **ALBERTA ENERGY AND UTILITIES BOARD**

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Calgary Alberta

## **RENAISSANCE ENERGY LTD. APPLICATION TO CONSTRUCT AND OPERATE A SWEET NATURAL GAS PIPELINE IN THE BITTERN LAKE AREA**

**Addendum to Decision 96-12  
Application No. 1001785**

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### **1 INTRODUCTION**

#### **1.1 Background and Application**

Permit/Licence 29393, Lines 1-5 inclusive, was granted by the Alberta Energy and Utilities Board (Board) to Renaissance Energy Ltd. (Renaissance) on 6 August 1996 to construct and operate 18.60 kilometres of 88.9-millimetre outside diameter pipeline. The pipeline was designed to connect four existing wells located in Lsd 7-6-47-22 W4M, Lsd 10-4-47-22 W4M, Lsd 3-33-46-22 W4M and Lsd 10-23-46-22 W4M to a Canadian Forest Oil Ltd. (CFOL) gas plant at Lsd 11-27-46-21 W4M.

On 26 September 1996, Olympia Energy Inc. (Olympia), applied under Section 43 of the Energy Resources Conservation Act, for an order of the Board to suspend the Renaissance pipeline permit/licence and to schedule a public hearing of the Renaissance application. On the basis of Olympia's estimates of the Renaissance reserves, Olympia believed its existing pipelines and gas processing facility were capable of accommodating Renaissance's production. The Board granted Olympia's request for a hearing, ordered Renaissance to discontinue operation of the pipeline, and scheduled a hearing to consider Renaissance's original pipeline application. Following that hearing the Board, in Decision 96-12, decided that the application was in the public interest and reinstated the approval. This addendum to Decision 96-12 provides the reasons for the Board's decision.

The attached figure shows the applied-for pipeline, existing lines and processing facilities in the area, and certain major features.

#### **1.2 Hearing**

The public hearing of the application was held in Calgary, Alberta, on 6, 7, and 8 November 1996 before Board Members J. D. Dilay, P.Eng., B. F. Bietz, Ph.D., P.Biol., and A. C. Barfett.

Those who appeared at the hearing are listed in the following table.

## THOSE WHO APPEARED AT THE HEARING

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### Principals and Representatives (Abbreviations Used in Report)

### Witnesses

Renaissance Energy Ltd. (Renaissance)  
A. L. McLarty

D. Sakal, P.Eng  
J. Pederson, P.Eng  
A. Bouma

Olympia Energy Inc. (Olympia)  
J. Liteplo

P. Salamon, P.Geol.  
J. Marsh, P.Eng

Canadian Forest Oil Limited (CFOL)  
J. Munro

Northwestern Utilities Limited (NUL)  
R. Armstrong

Alberta Energy and Utilities Board staff  
R. D. Heggie  
P. V. Derbyshire  
S. Smith  
M. P. Vandenbeld, C.E.T.  
T. Walden

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## 2 ISSUES

The Board considers the issues to be:

- the provision of notice, and
- the need for the proposed pipelines.

## 3 PROVISION OF NOTICE

### 3.1 Views of Renaissance

Renaissance stated that some form of pipeline system was needed to transport natural gas from its four wells to a suitable processing facility.

Renaissance stated that it initiated discussions in early March 1995 with NUL, Olympia, Canadian Natural Resources Ltd., ( via Startech Energy Inc. pipeline operator) and CFOL (previously

Atcor Ltd.), regarding Renaissance's gas gathering and processing needs for the Bittern Lake area. Renaissance believed that it had fulfilled all of the Board's requirements for industry notification in Guide 56, Energy Development Application Guide and Schedules, and had also met the EUB's proliferation guidelines when it applied under the new guide process for approval of the pipelines. Renaissance contended that, through numerous letters to Olympia, it had given Olympia sufficient notice of its intended pipeline proposal.

Renaissance further stated that, because CFOL had informed Olympia that there would be minimal restriction of Olympia's gas production as a result of CFOL processing the new Renaissance streams, Olympia was fully aware of the Renaissance proposal.

### **3.2 Views of Olympia**

Olympia said that it was contacted by Renaissance in early March 1995 requesting information on Olympia's area pipeline infrastructure, plant specifications, and processing fees. Olympia stated that it did not at that time receive specific information about Renaissance's proposed pipeline project. Olympia stated that it had responded with the requested information on 1 May 1995 and 4 December 1995.

Olympia stated that at no time was it given notice of the application by Renaissance. Therefore, in its opinion, Renaissance had not met the notification requirements of Guide 56, and so should not have been granted an approval without further notice from the Board.

### **3.3 Views of CFOL**

CFOL stated that it had discussions with Renaissance regarding this project in December 1995 through to September 1996 at which time a contract for processing the Renaissance gas at the CFOL gas plant was finalized. In its opinion it had received notice of the Renaissance application.

CFOL submitted that it had provided written advice to Olympia of the Renaissance project as early as March 1996 as a result of CFOL receiving Board notice that Olympia was intending to reverse flow on its pipeline connecting several wells to CFOL's Bittern Lake Facility. CFOL stated that it had also advised the EUB and Olympia that, despite the loss of process revenue, it would not object to Olympia's proposal provided there was an assurance from Olympia that it would not object to any projects resulting in replacement of process revenue to the CFOL plant.

### **3.4 Views of NUL**

NUL submitted in its intervention that it was not provided any notice by Renaissance of its application notwithstanding that NUL had existing capacity available to transport gas from the Pipestone Meter Station in Lsd 10-23-46-23 W4M to the NUL/NGTL Bittern Lake Meter Station in SW 34-46-21 W4M.

### **3.5 Views of the Board**

In evaluating the need for any new facility, including pipelines, the Board expects an applicant to consider existing infrastructure that might afford a reasonable alternative to new construction in order to preclude unnecessary development and thereby minimize social and environmental impacts. This investigation should include the feasibility of upgrading existing infrastructure and entering into commercial partnership with existing operators.

The applicant should also be prepared to advise other potentially affected companies of its decision to apply to the Board. The Board's intent in Guide 56 is for the applicant to ensure that potentially affected operators have been made aware of the application and do not object. While preliminary discussions should provide potentially affected parties with an indication that an application may be made, they are not an adequate substitute for direct notice. Section 29 of the Energy Resources Conservation (ERC) Act places a clear onus on the Board to ensure that a party whose rights may be directly and adversely affected by a decision of the Board has received notice of the application. Furthermore, where an opportunity to learn about the application has not been provided, an application may be made by an affected party to the Board under Section 43 of the ERC Act for a public hearing.

On the basis of the evidence provided, the Board believes that in this case, while Renaissance may have believed that Olympia had an understanding of its proposal, it did not provide notice to Olympia of its application and did not meet the Board's expectations.

Therefore, the request by Olympia for a public hearing of its concerns was appropriate and consistent with its rights under existing legislation. The Board considers that as a result of the public hearing and associated advertising, notice requirements have now been met.

## **4 NEED FOR THE PROPOSED PIPELINE**

### **4.1 Views of Renaissance**

Renaissance stated that, after completing a general review of the Bittern Lake area, it considered three options for transporting its gas to market, including constructing a 140 10<sup>3</sup>m<sup>3</sup>/d gas plant at Lsd 3-33-46-22 W4M, utilizing either the existing Olympia facility at Lsd 10-14-46-23 W4M, or using CFOL's existing gas plant at Lsd 11-27-46-21 W4M.

Renaissance's evaluation consisted of consideration of environmental and public issues, sour gas, processing facility capacities, and economics.

Renaissance stated that it elected not to construct a sour gas processing facility in the Bittern Lake area primarily because the area has two existing underutilized facilities and because of the environmental impact that would be associated with the construction and operation of a new sour gas plant.

Renaissance also ruled out the existing Olympia facility as a viable option. Renaissance reached this conclusion because: crossing the Pipestone Coulee and Creek where required would result in numerous environmental impacts and an additional capital cost of \$125 000; it was not licensed for sour gas; Olympia could not offer a fixed-fee structure for processing gas; and, Renaissance would be required to deliver gas at higher pressure than it had designed for.

Renaissance concluded that the best option was to construct a new pipeline system to tie in its four wells to a Renaissance sour gas compressor station in Lsd 3-33-46-22 W4M and then to the CFOL gas plant at Lsd 11-27-46-21 W4M. Renaissance noted that no landowners or occupants had raised concerns nor were there any environmental issues. Renaissance accepted that its proposal required approximately 14 kilometres more pipeline than would be required if the wells were tied into the approved Olympia East Lateral Interconnect pipeline (East Lateral) from Lsd 15-30-46-22 W4M to Lsd 8-23-46-23 W4M. However, as noted above, Renaissance submitted that the Olympia plant in Lsd 10-14-46-23 W4M could not process its Basal Quartz production if it were to become sour, which is the nature of this formation.

Renaissance concluded that the CFOL option would be the best for the following reasons: the environmental impact would be less than for the other options; CFOL provided a fixed-fee structure independent of increasing or decreasing gas prices; Renaissance could operate within its licensed maximum operating pressure; and, even though the capital cost to build the pipeline would be \$150 000 higher than the Olympia option, the capital contribution was substantially offset by lower processing fees.

#### **4.2 Views of Olympia**

Olympia did not question Renaissance's need for the gathering and processing of its gas but submitted that the Renaissance proposed pipeline system clearly duplicates existing and approved gas pipelines and processing facilities in the area and therefore is not in the overall public interest.

Olympia said that the gas from the Renaissance wells could have been accommodated by existing and approved facilities, namely the CNRL/Olympia Gathering System, the East Lateral, the Olympia Gathering System, the Bittern Lake Facility, the Olympia Sales Line, and the NUL system. It said the wells could be tied in with fewer interconnecting facilities and at approximately half the capital cost of the Renaissance system. Olympia asserted that the economics to Renaissance of using existing and approved facilities are comparable to those associated with its proposal. Olympia stated that its plant was capable of handling the Basal Quartz production, providing the H<sub>2</sub>S content did not exceed 10 moles per kilomole (mol/kmol) and that since Renaissance applied for a sweet pipeline, there was no reason not to accept the Olympia system as a viable alternative.

Olympia accepted that since there were no objections from landowners, this did not appear to be an issue with the applied-for Renaissance line.

### **4.3 Views of CFOL**

CFOL submitted that it agreed with the Renaissance conclusion that using the existing CNRL/Olympia gas gathering line was not a viable option because it is operated at a lower pressure than the licensed MOP of the proposed Renaissance system, and because Olympia proposed to reverse the flow of that line. CFOL also agreed that the option to utilize the Olympia facility could be ruled out because it is not licensed for sour gas removal, which may be a requirement of Renaissance in the future.

CFOL stated that the only available alternative to Renaissance therefore was the CFOL option involving the applied-for system.

### **4.4 Views of NUL**

NUL considered itself to be an interested party because it owns and operates natural gas pipelines in the area capable of transporting gas to the Nova Gas Transmission Ltd. (NGTL) pipeline system which is the same system that the Renaissance pipeline will provide its sales gas.

At the time Renaissance was proposing a gas plant at Section 3-47-22 W4M, NUL made a written offer to Renaissance for firm transportation service from a new meter station which would have been constructed adjacent to the Renaissance gas plant and to the existing NUL/NGTL Bittern Lake Meter Station. No written response was received from Renaissance.

NUL believed the gas from the Renaissance wells was sweet and it supported Olympia's position on the Renaissance proposed pipeline.

### **4.5 Views of the Board**

As has been stated in previous decisions, the Board considers that it should not intervene into the competitive business decisions made by energy companies unless it is convinced that these decisions place elements of the public interest at risk. Typically, such public interest issues would include ensuring that energy resources are conserved, that public health and safety are not compromised, and that unnecessary environmental impacts are avoided.

In this case, the Board accepts that Renaissance has examined all the feasible options available to it to process its gas. Furthermore, the Board accepts that the option selected likely provides Renaissance with an optimal combination of processing flexibility and economic return on its investment. In particular, the Board accepts Renaissance's contention that the proposed scheme best allows it to hedge against the possibility that its gas may eventually become sour and the operational complexities which could occur with the future reversal of the flow in the CNRL/Olympia pipeline.



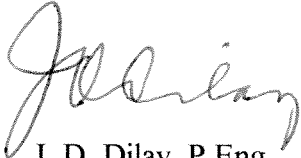
While the Board notes that the Renaissance proposal does require some additional pipeline construction, the lack of overall difference in the environmental impacts of the two competing options and absence of landowner objections lead the Board to conclude that there are no public interest aspects to the two options which would cause the Board to reject the Renaissance application.

## 5 DECISION

Having carefully considered all of the evidence, the Board is prepared to approve the application and to reconfirm the reinstatement of the original approval.

DATED at Calgary, Alberta, on 21 March 1997.

### ALBERTA ENERGY AND UTILITIES BOARD



J. D. Dilay, P.Eng  
Board Member



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

A. C. Barfett\*  
Board Member

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\* Ms. Barfett was not available for signature but concurred with the decision.