

ALBERTA ENERGY AND UTILITIES BOARD**Calgary Alberta****NOVAGAS CANADA LTD.
APPLICATION TO CONSTRUCT AND OPERATE
A SWEET GAS PROCESSING FACILITY AND
ASSOCIATED PIPELINES IN THE
PARKLAND NORTHEAST AREA****Decision 97-12
Application No. 1007021****1 INTRODUCTION****1.1 Application and Background**

The Alberta Energy and Utilities Board (Board) granted approval to Novagas Canada Ltd. (Novagas) on 2 April 1997 to construct and operate a sweet gas processing facility and associated pipelines in the Parkland Northeast Area (Mosquito Creek). The facility, located at LSD 7-5-15-26 W4M, was designed to process 340 thousand cubic metres per day of sweet gas and recover 335 thousand cubic metres per day of sales gas and 24.1 cubic metres per day of condensate. Construction of approximately 9.4 kilometres (km) of 168.3-mm O.D. and 219.1-mm O.D. pipeline was required to provide feedstock for the facility and to transport the sales gas to the Canadian Western Natural Gas (CWNG) pipeline system.

Novagas had earlier applied to the Board for approval of a gas processing and gathering system at East Porcupine (16-32-10-24 W4M, EUB Application No. 1004507 see attached figure). Novagas had, as part of this more comprehensive scheme, originally planned to install only field compression in the Mosquito Creek area. The East Porcupine scheme is currently before the Board awaiting completion of the application. Because of the delays it was experiencing with the East Porcupine project, Novagas applied for the Mosquito Creek facility to process gas from two Mobil wells. The proposed Joule-Thompson (JT) Mosquito Creek facility is located at one of the Mobil well sites, with the site being expanded somewhat to accommodate the plant facilities. The applicant referred to the Mosquito Creek facility as a pre-build of the more extensive East Porcupine project and emphasized the temporary nature of the facility. Novagas intended the Mosquito Creek project to meet a temporary demand for sweet gas processing capacity by Mobil Oil Canada (Mobil) to resolve drainage. It proposed to reclassify this facility as a compressor station once permanent processing capacity became available at East Porcupine sour gas processing facility. Novagas proposed the addition of a sunset clause to its approval to stipulate that the processing portion of the Mosquito Creek facility would be removed if the proposed East Porcupine facility were approved.

1.2 Interventions

The Board received requests from Canadian Hunter Exploration Ltd. (CHEL) on 8 May 1997 and Ranger Oil Limited (Ranger) on 12 May 1997 under section 43 of the Energy Resources Conservation Act for an order of the Board to suspend the approvals and to schedule a public hearing of the Novagas application. CHEL and Ranger contended that appropriate industry notification was not conducted by Novagas and that adequate consideration was not given to the feasibility of using existing alternative gas processing facilities in the area. The Board granted CHEL's and Ranger's request for a hearing, ordered Novagas to discontinue construction of the

facility and pipelines, and scheduled a public hearing to consider Novagas' application.

Prior to the hearing, Novagas advised the Board that an additional 219.1-mm O.D. pipeline had been installed in the same right-of-way as the suspended pipeline. Novagas had not applied for approval of this pipeline and indicated that it was not part of the Mosquito Creek application. Novagas subsequently conducted industry notification and applied to the Board.

Ms. K. Laing intervened to express her concerns with the regional development proposed by Novagas with both its Mosquito Creek and East Porcupine projects.

The attached figure illustrates the applied-for facility and other proposed and existing facilities in the area.

1.3 Hearing

The public hearing of the application was held in Calgary, Alberta on 8, 9, 10, and 14 July 1997 before Board Member J.D. Dilay, P.Eng., Presiding Member and Acting Board Members G.C. Dunn, P.Eng., and W.J. Schnitzler, P.Eng. Those who appeared at the hearing are listed in Table 1.

THOSE WHO APPEARED AT THE HEARING

Principals and Representatives (Abbreviations Used in Report)	Witnesses
Novagas Canada Ltd. (Novagas) ¹	W.J. Rousch, P.Eng.
Mobil Oil Canada A. Hollingworth K. Miller	B. Patterson R.W. McKay, P.Eng. of Novagas R.C. McDougall, P.Eng. G.W. Grand, P.Eng. L.F. Willis, P.Eng. C.S. Fic, P.Geol. of Mobil R.J. Pavan, P.Eng. of Gemini Engineering Ltd.

¹Novagas and Mobil Oil Canada (Mobil) presented joint witnesses and joint evidence at the hearing.

THOSE WHO APPEARED AT THE HEARING (cont'd)

Principals and Representatives (Abbreviations Used in Report)

Witnesses

Canadian Hunter Exploration Ltd. (CHEL)
B.J. Roth

J.H. Anderson, P.Eng.
R.W. Gleasure, P.Eng.
C.S. Popoff, P.Eng.

Ranger Oil Limited (Ranger)
D. Davies
H. Huber

A. Stroich, P.Eng.
D. Drall, P.Eng.
L. Dumaine

K. Laing

K. Laing

Alberta Energy and Utilities Board staff
T. Donnelly
C. Webb
A. Rose

2 ISSUES

The Board believes that the issues raised by the application and interventions are:

- \$** the application and information requirements,
- \$** the need for the facility, and
- \$** the impacts of the proposed facility.

3 APPLICATION AND INFORMATION REQUIREMENTS

The Novagas application and the subsequent interventions raised issues respecting the Board's application and information requirements, the interpretation of them, and whether or not Novagas had met the Board's expectations of applicants. Specifically, application requirements pertaining to avoidance of plant proliferation and industry notification, and public involvement and notification were at issue.

3.1 Avoidance of Plant Proliferation and Notification to Industry

3.1.1 Views of the Applicant

The applicant indicated that it was aware of the Board's new application process and information requirements and that it had filed its application based on its understanding of those requirements as outlined in Guide 56².

² Guide 56, Energy Development Application Guide and Schedules, April 1996 Edition and Appendix.

The applicant indicated that it recognized the role of the Board in protecting the public interest as it related to facility proliferation but argued that there were negligible environmental issues and no social issues at stake in this case.

Novagas stated that, in accordance with the Board's proliferation guidelines, it had determined that no other viable temporary processing option existed. Considering that and the ongoing discussions between Mobil and other area processors concerning processing capacity, Novagas concluded that written notice of its intentions to file an application was not necessary. Novagas said that it was aware of the risk associated with its decision but concluded that it was unlikely that other operators would object. Furthermore, the applicant stated that when it filed its application it firmly believed that it had met the proliferation guidelines and application requirements.

3.1.2 Views of the Interveners

CHEL submitted that it is the responsibility of the applicant to evaluate all options and believed that, in this case, Novagas did not do so prior to applying to the Board. Furthermore, it contended that the proliferation guidelines are still applicable to temporary facilities such that a review of all feasible options should be conducted. CHEL stated that, if Novagas had informed CHEL of its proposed facility, it could have made Novagas aware of its concerns as well as presented alternatives for consideration. CHEL considered the lack of notification by Novagas to be a contravention of Guide 56 and stated that the documentation submitted did not include sufficient data to justify the need for the facility.

Ranger stated that proliferation is still a valid concern even though there is a drainage problem. Ranger believed that Novagas failed to comply with the Board's proliferation policy and that Novagas could have addressed proliferation issues if proper notice had been given to area operators. Additionally, Ranger proposed that the temporary nature of the facility does not justify the lack of notification nor the absence of a complete review of alternative options.

3.1.3 Views of the Board

The Board's approach to facility applications has changed with the issuance of Guide 56 in April 1996. In general, there is more onus on the applicant to know what the requirements are, and to meet them. In its current form, Guide 56 (Appendix, page 5, Proliferation Guidelines) sets out specific industry contact requirements when applying for Category D or E sour gas processing facilities. The guide specifies that the applicant is required to provide these parties with a written overview of the proposed facility, including location, type, and design capacities. The applicant is required to consider all existing facilities in the area, the feasibility of upgrading an existing facility in commercial partnership with existing operators, the area's future production potential, and inactive commercial wells in the area which might require processing capacity.

In contrast, for facilities other than Category D and E plants, the Board had consciously set out the requirements in a way to provide flexibility to applicants to conduct consultation with other companies to suit the circumstances. In a case such as the proposed plant, the Board does not prescribe a specific radius, but directs the applicant to determine reasonable contacts so as to optimize plant usage. The requirement is not mandatory, but the applicant is *strongly*

encouraged to discuss the proposal with operators of similar facilities and/or pipelines that the applicant identified as viable alternatives during its investigation, and with those that may be affected by the application. The guide advises applicants that failure to carry out these steps may result in those affected filing an objection with the Board. That is precisely what occurred in the subject case.

The Board notes Novagas' evidence that it assessed the risk as to whether or not its application would be objected to by Ranger and the other Parkland plant owners, and concluded that, having some regard to the one and one-half years of discussion, it was unlikely. In addition, Mobil said that it was surprised that there were objections, and that it did not expect objections based on the discussions it had with Ranger. The Board also notes that Novagas concluded that the Parkland plant was not a viable alternative for processing the Mobil gas, and that was a further reason that it had not contacted the Parkland plant owners about its application.

The Board accepts Novagas' and Mobil's views, but notes that one of the consequences of their decision not to contact the Parkland plant owners was an extensive hearing before the Board. However, a hearing may have been necessary in any event. In addition, and perhaps more significantly, a further consequence in this case is the uncertainty of a partially-constructed plant and pipelines for which the Board has had to suspend the approvals. This is of concern to the Board for a number of reasons, including that, if it finds that the approvals can not be reinstated, the area will need to be reclaimed, and in that case the disturbance need not have occurred at all. In this case, fortunately, it appears to the Board that, if necessary, the reclamation could be accomplished without significant difficulty.

The Board believes that, having regard for the situation here, and also with other applications recently, it may be appropriate and useful for the Board to review its proliferation guidelines and the application information requirements which pertain to it. If it does so, it would provide an opportunity for interested stakeholders to have input.

In a subsequent section of this report, the Board deals with the substantive issue of whether or not the proposed plant is needed and whether it would result in or contribute to a proliferation of plants.

However, on the topic of whether or not Novagas had met the intent of the notification requirements prescribed by Guide 56, the Board notes that the applicant certainly did not meet the intent to the intervener's satisfaction. The Board further notes that it appears that the Parkland plant owners did not make a concerted effort to satisfy requests for processing capacity advanced by Mobil prior to the Novagas application. In the context of the intent of the proliferation guidelines, the Board is disappointed in the efforts of both parties. Clearly, the Board's intent in implementing such a guideline is to optimize processing capacity within the province. While the Board recognizes the preferences of plant owners to deal with their own resources first, and the competitive nature of producing the resources, the Board also believes that the industry must work hard to accommodate non-owner requests in order to meet the intent of the proliferation policy and to avoid the associated regulatory process that goes with conflict. In addition, proponents of new facilities will need to deal directly, formally and expeditiously with owners of existing capacity to fully meet the intent of consultation in Guide 56.

3.2 Notification to the Public

3.2.1 Views of the Applicant

The applicant stated that notification was initially provided to landowners along the pipeline easements as part of the notification process for the proposed East Porcupine sour gas project. When Novagas recognized that this project would be delayed, it then presented the Mosquito Creek application to the surface and right-of-way landowners as a permanent sweet gas processing facility. Novagas was able to obtain a surface agreement and all necessary pipeline easements. In the East Porcupine communication update (May 1997), Novagas provided information on the Mosquito Creek proposal to parties who had expressed an interest in the East Porcupine project. Novagas stated that this notification was not necessary for purposes of the Mosquito Creek application, but was intended to keep interested parties informed about activities related to the East Porcupine project.

3.2.2 Views of the Interveners

Both CHEL and Ranger indicated that Novagas did not communicate the temporary nature of the proposed facility to affected landowners, and did not indicate the possibility of converting the facility to a sour compressor station in the future.

Ms. Laing suggested that Novagas should have disclosed its entire development plans for the area in order to instill a degree of trust in the public, and that the radius of notification should have included the public near the East Porcupine facility.

3.2.3 Views of the Board

The subject application is unusual in that the applied-for plant would be temporary and initially for sweet service. In addition, once it has completed its temporary function, it would be removed except for the compressor, and the compressor would be converted to sour service. The Board notes that, since Novagas' original plan was a sour project, it had advised the affected landowners accordingly. When it had to change its plans to a sweet facility, it advised the landowners of the change, and applied to the Board on that basis. The Board also notes that Novagas understood that it would need to re-address public contact requirements if it later proposed to convert some of the facility to sour service.

The Board notes that Novagas had obtained the necessary plant site and the pipeline easements by agreement with the landowners, and that they have no objection to the project, whether it is sweet or sour. It appears to the Board that Novagas' public notification in the area of the proposed Mosquito Creek project was satisfactory.

With respect to Ms. Laing's concern that the people in the area of the proposed East Porcupine plant should have been notified earlier than May 1997 of the proposed Mosquito Creek project, the Board believes that earlier notification may have been useful from the point of view of maintaining open communication with those people, however, it is not clear to the Board that such notification was essential in Novagas' circumstances. The Board notes that Novagas has yet to complete the East Porcupine application, and it appears that Novagas will have additional public consultation and notification activities to carry out with people in the area of that proposed plant in any event. The Board believes that would also be an appropriate time to provide them with further information about Mosquito Creek.

4 NEED FOR THE FACILITY

4.1 Drainage

4.1.1 Views of the Applicant

Novagas submitted that it had identified the Mosquito Creek area as having wells which could produce significant volumes of gas and which were being drained by offsetting wells. The applicant, supported by Mobil, indicated that it had strong geological evidence of drainage which was confirmed by pressure tests conducted in April 1997. Specifically, Mobil's wells located in LSDs 7-5 and 1-9-15-26 W4M had shown a five and a half per cent pressure decrease over a ten-month period. While the applicant believed that there was strong evidence indicating that drainage was occurring, it can not be proven conclusively which wells are in communication.

The applicant submitted that it had considered the risk of not notifying CHEL and Ranger of the proposed facilities and that those parties may well voice concerns with the application driven by competitive operations. Novagas considered the possibility of submitting a common processor application to alleviate the drainage situation but stated that incremental plant capacity would be required to process the gas. Its preferred option was to produce the wells at maximum capability as opposed to restricting the rates of all wells in the pool.

4.1.2 Views of the Interveners

CHEL did not dispute that Mobil's wells have suffered drainage from offset production. However, it argued that its wells located in LSDs 4-6 and 7-8-15-26 W4M and LSD 8-1-15-27 W4M are unlikely to be causing drainage because these wells are at a higher reservoir pressure than the Mobil wells. CHEL also agreed that pool delineation and the drainage between particular sets of wells is extremely difficult to ascertain.

4.1.3 Views of the Board

The Board notes that the parties participating in the hearing did not dispute that Mobil's reserves are being drained as a result of production from the area. The Board agrees that drainage of Mobil's lands is occurring and that it needs processing capacity in the area of its wells to alleviate the problem.

4.2 Feasibility of Using Existing Facilities

4.2.1 Views of the Applicant

The applicant stated that Mobil is an owner of large holdings in mineral rights in southern Alberta, and that over the past several years had experienced considerable drilling success. However, that success was tempered by Mobil's limited success in gaining access to processing capacity in the area. These factors contributed to Mobil searching for alternative means of processing its gas, and hence Novagas proposed a comprehensive plan known as East Porcupine for processing gas in this area.

Mobil indicated that, when the time frame for the East Porcupine project began to extend, it began to consider its short-term options for processing of gas at the north end of the East Porcupine area in order to minimize drainage that it believed was occurring, and as well to realize some cash flow to cover expenditures in the region. One of the options actively considered by Mobil was that of routing the gas from the two wells in question to the existing Parkland plant. Discussions with Ranger, the operator of the plant, led Mobil to the conclusion that only $85 \times 10^3 \text{ m}^3/\text{d}$ of capacity could be accessed and that the capacity would not be firm. Mobil viewed this amount of capacity to be insufficient for its needs and the interruptible nature of it to be undesirable. It began to pursue other options which would provide sufficient, firm processing capacity. In the absence of any other nearby existing plants, Mobil and NCL decided to revise the East Porcupine scheme such that Novagas would install, at the site of one of Mobil's wells, a "pre-build" of some of the facilities that could fit into the East Porcupine project when and if it was approved.

The applicant concluded that its conduct and that of Mobil during the search for alternative processing capacity was one of complete willingness to explore all viable options and that, based on their extensive yet unsuccessful efforts to obtain capacity in the Parkland plant, there is a need for new processing facilities. On that basis, the applicant contended that the applied-for facilities meet the gas processing plant guidelines respecting proliferation and that the criteria of economic, orderly, and efficient development have also been met.

4.2.2 Views of the Interveners

Both CHEL and Ranger contended that the onus is on the applicant for a new processing plant to demonstrate that it is not feasible to use existing processing capacity in the area or expand facilities already in existence. They also contended that Novagas and Mobil did not thoroughly investigate all options prior to applying for the Mosquito Creek facility. The interveners stated that the Parkland plant owners had been prepared to cooperate fully, as most recently demonstrated by their initiation of discussions with Novagas and Mobil in an attempt to provide a viable alternative. Included in this most recent round of negotiations was an offer by the plant owners in the week prior to the hearing to accommodate Mobil's needs for both temporary and firm capacity in combination with fast-track expansion of the Parkland facility. The interveners maintained that the most reasonable destination for the gas in question was the Parkland plant and they concluded that there was no need for the Mosquito Creek facility even on a temporary basis. Their view was that approval of even a temporary processing arrangement at Mosquito Creek would be inappropriate given the proliferation guidelines established several years ago by

the Board and reiterated most recently in Interim Directive 96-2³ and Guide 56.

4.2.3 Views of the Board

The Board agrees with the applicant that there is a need to process the Mosquito Creek gas and notes the interveners do not disagree. While the applicant did not provide sufficient details to demonstrate that its proposal was superior to others, the Board notes that the surface owners in the area have agreed to the proposed facilities and that there are no interveners from the immediate area. If the Board had received valid objections from surface land owners or occupants in the area, or if the Board had compelling evidence that there would be significant environmental impacts as a result of the facility, the Board would not be inclined towards approving the facility. In the absence of such concerns, the Board is not convinced that this application constitutes gas plant proliferation, and therefore, the Board is not prepared to rescind the approval.

While the Board believes that the interveners did not demonstrate the Parkland plant is significantly superior to the proposed plant and the Board concedes that the interveners did cast some doubt on the applied-for facility it was not sufficient doubt to convince the Board that it should put the approval into abeyance. If the Board were to do so, it would take such action in order to invite further information with which to judge the merits of one plant over the other.

The Board believes this is one of many cases where unnecessary conflict between industry parties has arisen. To avoid repetition of such conflicts and the associated costs of hearings and production delays, the Board wishes to see a sharing of responsibility by all resource owners and operators for increased coordination of gas processing scheme development. Historically, the onus for communication has initially rested with the owner of the gas for which a processing location is being sought, and the Board does not wish to alter the onus. However, the Board does wish to impress upon the industry that, immediately after such initial contact is made, the onus should rest equally between owners of shut-in gas reserves and owners of gas processing capacity to cooperatively explore all reasonable and expeditious means of including the gas within an existing or new scheme. Formalization of communications is strongly advised because documentation must be available in the application audit package to show industry support for the application. The Board believes that such cooperation between industry parties would make it unnecessary to direct the industry further in this regard. In summary, the Board expects the industry to better coordinate gas processing schemes on an area basis and on an ongoing basis as drilling proceeds and reserves are proven up. The Board sees this as the industry's responsibility, notwithstanding the amount of time and effort involved in resolving conflicts which can arise when developing area gas processing schemes.

³ Interim Directive 96-2, Facility Application Requirements.

4.3 Temporary Approval

4.3.1 Views of the Applicant

Novagas referred to Mobil's need to expeditiously commence production of shut in reserves to minimize ongoing drainage of reserves in the Mosquito Creek area. When it became evident that processing of the gas at East Porcupine would be significantly delayed, a number of temporary processing options were considered. Among these options, Mobil asked Ranger about spare capacity at the Parkland facility. Mobil said that it was informed that only $85 \times 10^3 \text{m}^3/\text{d}$ of interruptible capacity could be offered. Mobil said that it decided to pursue other solutions since this amount fell considerably short of Mobil's immediate needs of $620 \times 10^3 \text{m}^3/\text{d}$ and projected overall requirement of $704 \times 10^3 \text{m}^3/\text{d}$ for the area. Novagas developed a plan to install a temporary processing facility at one of the Mobil well sites. Ultimately, the processing facility would be removed from the site and the gas would be processed at the East Porcupine plant.

In response to objections to its plant, Novagas proposed that approval of the plant be formally identified as temporary by adding a condition to the approval. Novagas proposed a sunset clause be added to the approval which would specify that, if the Board approves the East Porcupine application, the processing portion of the Mosquito Creek facilities would be removed and the only equipment that would remain at the site would be compression facilities. Novagas also proposed that the sunset clause would specify that, should the East Porcupine application not be approved, Novagas would either apply for its own permanent facility or support an application to handle the Mobil gas elsewhere on a permanent basis.

4.3.2 Views of the Interveners

CHEL and Ranger noted that Novagas had applied for and received approval of a permanent processing facility at Mosquito Creek. It was not until construction of the facility was underway and objections filed against the facility that the temporary option was put forward. The interveners contended that identifying the facility as temporary and inserting a sunset clause into an approval does not eliminate the need to consider the issue of plant proliferation. The interveners stated that the proliferation guidelines must apply now because the issuance of a temporary approval would be unfair in that it would result in a situation where an installed facility would likely have superior economics compared to other alternatives such as pipelining the gas to the Parkland plant and installing the necessary equipment at the plant.

The interveners concluded that, had Mobil approached them in a timely manner with a formal request for temporary capacity, such capacity would already be in place, thereby eliminating the need to apply for a temporary facility at a new location.

4.3.3 Views of the Board

The Board notes that the original Mosquito Creek application was not explicitly for a temporary facility. The modified application specifies that the processing portion of the facility should be temporary, and should be subject to a sunset clause. While the Board could issue a temporary and conditional approval, and while the Board has no reason to question whether it could enforce such a condition, the Board must firstly rule on whether there is a need for the plant, and secondly, whether the location chosen is satisfactory. The Board would be prepared to issue a

temporary approval when these tests have been met.

5 IMPACTS OF THE PROPOSED FACILITY

5.1 Soil and Agriculture

5.1.1 Views of the Applicant

Novagas stated that the incremental land required to accommodate the processing and compression equipment would be minimal since the facility would be located on an existing Mobil well site lease. The applicant has obtained an amended lease agreement with the landowner of the site to include the additional land required. The applicant also stated there was little difference in the amount of land required for the permanent compression equipment and that necessary to accommodate the temporary processing facility. From discussion with CWNG, Novagas determined that it could avoid sterilizing additional farmland by locating the meter station at the Mosquito Creek site and not at the proposed CWNG tie-in point.

5.1.2 Views of the Interveners

CHEL suggested that the degree of surface disturbance that has occurred indicates the applicant used an extensive amount of land for a temporary facility. It maintained that the site is larger than that of comparable compressor stations in the area. CHEL was also of the view that the applicant did not give adequate consideration to topsoil conservation in an area of Alberta where topsoil is a precious commodity. It suggested that locating the meter station at the plant site necessitated the installation of the second pipeline which caused additional surface disturbance. CHEL contended that, by locating the meter station at the proposed CWNG tie-in point adjacent to an existing road, the applicant would have alleviated the need for the second pipeline and would have minimized topsoil disturbance since appreciably less new road access would have been necessary.

Ranger contended that the impact of locating the JT refrigeration unit at Mosquito Creek was greater than locating it at the existing Parkland facility, where, it maintained, there was ample usable area within plant site which could be utilized to accommodate the JT unit, and thus reduce the amount of land usage at the Mosquito Creek plant site. Ranger further suggested that the visual and aesthetic impacts would have been lessened by having the combined assembly of JT processing equipment along with the existing equipment on the Parkland plant site.

5.1.3 Views of the Board

The Board recognizes that the development of oil and gas resources will result in surface disturbances and that land use will be restricted by the project being developed. The Board generally agrees that the sterilization of land should be minimized and the impact of industrial development should be considered during the initial planning stages of a project. In this case, the Board notes that the applicant has obtained a lease agreement with the surface landowner of the proposed site as well as the required easements from landowners along the pipeline rights of way. This would indicate that landowners have no objection to the project and there are no concerns with this use of the land. The Board therefore concludes that the impact on land use and the associated surface disturbances are acceptable to the affected landowners. Notwithstanding that there may be some small incremental impacts as a result of the additional

facility, the Board believes these are acceptable.

5.2 Air Emissions

5.2.1 Views of the Applicant

The proposed Mosquito Creek facility is designed to process sweet gas. Any odours from the condensate and water storage tanks would be minimal as the tanks would be equipped with properly sealed thief hatches to minimize fugitive emissions. Any low pressure waste vapours would be released to the flare system where they would be combusted appropriately. The applicant stated that the use of a flare system was environmentally preferable to the vent stack used at most sweet gas compressor stations considering the increasing concerns with volatile organic compound (VOC) emissions.

CO₂ and NO_x were identified as the major emissions, primarily from the natural gas drive compressor with lesser contributions from reboilers and heaters. The applicant stated there would be little difference in total emissions whether the JT unit is located at the proposed Mosquito Creek site or the Parkland facility, and if anything, emissions may actually be slightly higher if located at Parkland as this would require the compressor to work harder to overcome the pipeline losses that would occur in delivering the gas to Parkland.

5.2.2 Views of the Interveners

CHEL agreed that air emissions impacts from a sweet facility would be expected to be minimal, but also cited increased concerns with VOC emissions. CHEL also believed that these impacts would be more significant should the Mosquito Creek facility be converted to a sour facility in the future.

Ranger believed that locating the JT unit at Parkland would lessen emissions since the compressor would not be required to overcome any pipeline pressure losses and the existing condensate stabilization process at Parkland could accommodate the applicant's liquids without the additional heaters or stabilizers identified with the Mosquito Creek proposal. Furthermore, Ranger emphasized that proper discussion between all operators would have alleviated the duplication of facilities and the creation of new sources of emissions.

5.2.3 Views of the Board

The Board notes that the debate around the air emissions issue centered primarily on the comparative respective emissions resulting from the two alternative locations of the JT unit at the proposed Mosquito Creek site or the Parkland plant, respectively. The Board notes that neither the applicant nor the interveners presented estimates for either cases, but in any event, it is not convinced there are significant differences in air emissions between the two locations. Furthermore, the Board concludes that emissions from a sweet facility such as proposed, would be well within provincial air emissions standards and would therefore be acceptable from an emissions point of view.

5.3 Regional Gas Recovery and Conservation

5.3.1 Views of the Applicant

The applicant contended that its application had regard for Section 4 of the Oil and Gas Conservation Act in that it represented orderly, economic development in the public interest in that it afforded each owner of resources the opportunity of obtaining its share of production of gas in the area. In addition, Novagas argued that the application was in the public interest having regard to overall resource conservation and the prevention of waste of gas resources.

Mobil indicated that it was an owner of significant mineral rights in Southern Alberta holding approximately 800 000 acres in its southern grant lands. It commenced development several years ago but its overall progress has been tempered by the lack of processing capacity in the region. Discussions with Novagas led to the development of both the East Porcupine and Mosquito Creek projects to satisfy Mobil's needs for strategic, orderly, efficient and economic development of its lands.

5.3.2 Views of the Interveners

While CHEL indicated support for free and fair competition, it also indicated that the orderly and efficient development of resources as well as the protection of correlative rights and conservation of these resources must be considered by the regulatory system and those using it. CHEL was of the view that unlimited competition would impact ultimate reservoir recoveries and result in needless expenditures on upstream facilities. CHEL also indicated that it had serious concerns with escalating processing costs that would be associated with the proliferation of facilities.

Ranger stated the opinion that the approval of the Mosquito Creek facility contravenes the orderly, economic, and efficient development of Alberta's oil and gas resources. It believes that the existence of two processing facilities could negatively impact conservation as the cost of operating two facilities instead of one would be higher, thereby impacting the economic production limit and the ultimate recovery of reserves. Ranger also expressed the opinion that Mobil's correlative rights would not be negatively impacted by alternative processing options. While Ranger agreed that conservation would not be impacted by a temporary processing facility, it believes that there is not enough gas reserves to support both facilities on a long term basis. Ranger also contended that the operating costs of the Parkland facility could be kept low if new reserves were continually added to the Parkland facility, and this benefit in turn could be shared by the owners of the Parkland facility as well as other processing participants.

5.3.3 Views of the Board

As stated in previous decisions, the Board believes that it should not intervene in areas that may impact competitive business decisions provided there are no outstanding public interest issues, such as the orderly, economic development and conservation of natural resources. The Board generally agrees that processing facilities can be operated more efficiently and operating costs can be kept low if new sources of feedstock are continually added. Having consideration for the degree of activity in this region, and the future development potential as discussed by the hearing participants, it appears the need for processing capacity in this area will increase. The Board concludes that the approval of the Novagas application would not be detrimental to regional gas

recovery or conservation.

5.4 The Board's Jurisdiction Relative to Local Authority Concerns

In closing argument, CHEL said that the Board's disposition of all applications ought to include consideration of issues of concern to municipal authorities. CHEL contended that recent changes to the Municipal Government Act emphasized the Board's clear ultimate adjudicative authority with respect to applications for energy development and that this obliged the Board to consider these matters under its broad public interest mandate. It suggested that to meet this mandate the Board ought to consider matters beyond those brought to it by intervention. In this case, CHEL argued that the Board ought to apply its broader public interest review to assume certain examinations. For example, should there be two plants only a few kilometres apart.

The Board has experienced and recognizes the potential for conflicting land use and planning objectives between itself, other provincial departments, and agencies and municipal authorities. The Board agrees that its broad mandate does carry a significant obligation to hear and consider the positions of affected parties including other agencies and municipal authorities. The Board makes every effort to ensure that the position of affected parties are duly considered at the appropriate time in the application process. For example, in cases of known or suspected interest by a local authority, the Board ensures municipal authorities are notified both informally and formally to establish whether there are concerns. For many types of applications, the Board requires, as part of its application process, that proponents of energy facilities notify and consult with local authorities. However, in the absence of local input, the Board would not draw conclusions with respect to land use. Its decision would be made on the basis of whether or not an application has met requirements defined in regulation or other standards.

In this particular case, the Board believes that there was appropriate informal notification and consultation as well as formal notification and as a result the Board is aware of no specific concerns by the local authorities and hence by the citizens these authorities represent. The Board concludes that it therefore has included appropriate consideration to land use planning issues.

6 CONCLUSIONS

While the Board has already expressed its views on the topic of industry notification and consultation, the primary criteria surrounding the decision in this case must relate to the application at hand. In particular the Board has agreed that additional processing capacity is needed. With regard to the decision as to where the processing should occur, the Board must rely on the evidence presented and it heard little to suggest more than minor differences in both impacts and resource conservation. While the interveners contended there were significant differences, these were not extrapolated to an extent to suggest that the Board should deny the application or defer its decision.

The Board is then left with a couple of areas to apply tests under public interest. Does the facility represent a duplication or an excess of capacity, are the impacts for each alternative significantly different, and do both options allow for reasonable access to processing? In the Board's view, as already expressed, additional capacity is needed and therefore the answer to the first question is no. With regard to the impacts, again the Board sees minimal differences and notes the absence of public objection to the additional facility.

With regard to the issue of access to processing capacity, the Board does see advantages to Mobil and thus perhaps some advantage to the overall public interest of approving the Novagas application. In the Board's view, these advantages would only be offset if it were clear to the Board that resource recovery would be negatively affected by the approval of a new facility as opposed to the expansion of an existing one or the incremental impacts of having two facilities were substantial greater than a single combined processing facility. While the interveners did suggest that there were insufficient reserves in the area to support two gas processing plants, the Board notes that the Parkland plant owners had already expanded plant capacity and this expansion appears insufficient to accommodate Mobil's immediate short term needs and grossly insufficient to accommodate Mobil's longer term production. In addition, the Board heard some evidence to suggest there were reserves other than Mobil's that would likely be produced if there was a home for it. The interveners also suggested that operating costs could be minimized by utilizing only one plant and not overbuilding capacity. While the Board agrees that reasonable limits should be considered, it is of the view that all producers should have reasonable access to processing or a regulatory process to provide solutions. To this end it appears to the Board that additional capacity, in this case, is in the overall public interest to accommodate Mobil in the short term and it therefore does not represent a proliferation of facilities. In conclusion, the Board sees no reason not to grant Novagas approval to process gas on a temporary basis at the applied-for location.

7 DECISION

The Board confirms its approval of Application No. 1007021. Approval No. 1997-971 for the gas processing scheme will be amended by the addition of a clause which will make the scheme temporary and subject to the disposition of the East Porcupine application. Permit No. 30236 for the pipelines associated with the gas processing scheme will remain in good standing.

DATED at Calgary, Alberta, on 26 August 1997.

ALBERTA ENERGY AND UTILITIES BOARD

(Original signed by)

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

(Original signed by)

G. C. Dunn, P.Eng.
Acting Board Member

(Original signed by)

W. J. Schnitzler, P.Eng.
Acting Board Member