



Shell Canada Limited

Applications for Licences for Wells and
Associated Pipelines and Facilities

Waterton Field

March 29, 2005

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2005-024: Shell Canada Limited Applications for Licences for Wells and Associated Pipelines and Facilities, Waterton Field

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

SHELL CANADA LIMITED APPLICATIONS FOR LICENCES FOR WELLS AND ASSOCIATED PIPELINES AND FACILITIES WATERTON FIELD

Decision 2005-024
Applications No. 1334842,
1342988, and 1340345

1 DECISION

Having considered the applications, the Alberta Energy and Utilities Board (EUB/Board) has approved Application No. 1342988 and its associated facility contained in Application No. 1340345. The panel notes Shell Canada Limited's (Shell's) withdrawal of Application No. 1334842 and withdrawal of the remaining portions of Application No. 1340345.

2 INTRODUCTION

2.1 Applications

2.1.1 Nature of Application No. 1334842

Shell submitted an application in accordance with Section 2.020 of the *Oil and Gas Conservation Regulations* (OGCR) for a licence to drill a level-3 sour well from a surface location in Legal Subdivision (LSD) 8 of Section 17, Township 6, Range 3, West of the 5th Meridian to a bottomhole location of LSD 2-9-6-3W5M. The maximum hydrogen sulphide (H₂S) content would be about 356.0 moles per kilomole (mol/kmol) (35.6 per cent) and the cumulative drilling H₂S release rate would be 4.54 cubic metres per second (m³/s). During the completion and servicing of the proposed well, the release rate would be 4.21 m³/s, and the suspended producing release rate would be 3.34 m³/s. The corresponding calculated emergency planning zones (EPZ) would be 6.43 kilometres (km) for the drilling release rate, 6.11 km for the completion/servicing release rate, and 5.22 km for the suspended/producing release rate. The purpose of the well is to obtain gas production from the Rundle and Wabamun Formations. The proposed well would be located about 10.5 km south of Hillcrest Mines.

2.1.2 Nature of Application No. 1342988

Shell submitted an application in accordance with Section 2.020 of the OGCR for a licence to drill a level-3 sour well from a surface location in LSD 5-29-6-3W5M to a bottomhole location of LSD 8-19-6-3W5M (5-29 well). The maximum H₂S content would be about 356.0 mol/kmol (35.6 per cent) and the cumulative drilling H₂S release rate would be 4.54 m³/s. During the completion and servicing of the proposed well, the release rate would be 4.88 m³/s, and the suspended producing release rate would be 3.88 m³/s. The corresponding calculated EPZ would be 6.43 km for the drilling release rate, 6.76 km for the completion/servicing release rate, and 5.78 km for the suspended/producing release rate. The purpose of the well is to obtain gas production from the Rundle and Wabamun Formations. The proposed well would be located about 7.3 km south of Hillcrest Mines.

To be consistent on both well applications, Shell has adopted an EPZ of 6.76 km for public consultation and emergency response planning purposes.

2.1.3 Nature of Application No. 1340345

Shell submitted an application in accordance with Section 7.001 of the OGCR requesting approval to construct and operate two facilities, one at LSD 8-17-6-3W5M and the second at LSD 5-29-6-3W5M. The facilities would each consist of a line heater, corrosion inhibitor tank, and flare stack. The facilities would be licensed for a maximum H₂S content of 320 mol/kmol (32.0 per cent).

Shell also applied to amend its existing multiwell gas battery (Licence No. F-27374) located at LSD 2-20-6-3W5M in accordance with Section 7.001 of the OGCR. Shell has applied to install additional equipment at the battery, including one fuel gas booster compressor and a line heater. The battery is located about 8.5 km south of Hillcrest Mines.

Shell also applied in accordance with Part 4 of the *Pipeline Act* for approval to construct and operate a pipeline for the purpose of transporting natural gas from the proposed well at 5-29-6-3W5M to a pipeline tie-in point at LSD 12-9-6-3W5M. The right-of-way for the proposed pipeline would be about 8.0 km in length. The proposed pipeline would have a maximum outside diameter of 219.1 millimetres (mm) and would transport natural gas with a maximum H₂S concentration of 320 mol/kmol (32.0 per cent). The proposed pipeline would be operated as a level 3. To address public protection measures, the pipeline would be incorporated into the Waterton Complex Emergency Response Plan.

Shell also applied to construct and operate a new fuel gas pipeline in the same right-of-way as the pipeline above to supply fuel from the existing multiwell gas battery at LSD 2-20-6-3W5M to operate equipment at the proposed well sites. The maximum outside diameter of the proposed fuel gas pipeline would be 60.3 mm and the right-of-way for the proposed pipeline would be about 8.0 km.

2.2 Intervention

Mr. Arnold Janz, Mrs. Jeryn Janz, Mr. Richard Janz, Mrs. Laurie Janz, Mr. Keith Allison, Mrs. Gwen Allison, Mr. Harley Berg, Mrs. Esther Berg, Mr. Donald Quapp, and Mrs. Charlotte Quapp (collectively referred to as the Janz family) are the landowners of a portion of the northeast quarter of Section 9-6-3W5M. They also own a seasonal residence on the property. They filed a collective objection to the applications citing concerns about environmental impacts, including cumulative impacts and impacts on wildlife; economic impacts, including impacts on property value; and social impacts, including emergency response planning, egress routes, health, and noise.

Objections were also received from the Castle Crown Wilderness Coalition (CCWC), Canadian Parks and Wilderness Society (CPAWS), and the National Resource Defense Council (NRDC). Collectively, their concerns related to environmental impacts, health and safety, and negative impacts on tourism and stewardship programs.

By letter dated November 25, 2004, the Board determined that a hearing was necessary to determine the disposition of Shell's applications, as the Janz family was determined to have

standing under Section 26 of the *Energy Resources Conservation Act* (ERCA). This letter cautioned that the participation of other parties (namely CCWC, CPAWS, and NRDC) would be predicated on the Janz family's matters not being resolved and a public hearing being convened. CPAWS withdrew its objection to the applications on January 24, 2005.

Figure 1 shows the location of the proposed wells, pipelines, and facilities, as well as the Janz family's lands and residence.

2.3 Hearing

The Board was scheduled to hold a public hearing in Calgary, Alberta, on February 1, 2005, before J. D. Dilay, P.Eng. (Presiding Member), T. M. McGee, and Acting Board Member W. G. Remmer, P.Eng. The hearing was cancelled by the EUB for the reasons set out in the discussion below.

3 DISCUSSION

Shell engaged in ongoing negotiations with the Janz family throughout the processing of the applications. On January 28, 2005, the Janz family filed a withdrawal of objection to the applications.

By letter dated January 28, 2005, the Board cancelled the hearing, stating that no persons to which the Board had granted "standing" under Section 26 of the ERCA and who had filed submissions with the Board were requesting that they appear before the Board to make representations on the applications.

Application No. 1342988 for the 5-29 well and its associated facility described in Application No. 1340345 were approved. Application No. 1334842 and the portions of Application No. 1340345 that contained the pipelines and remaining facilities were withdrawn by Shell.

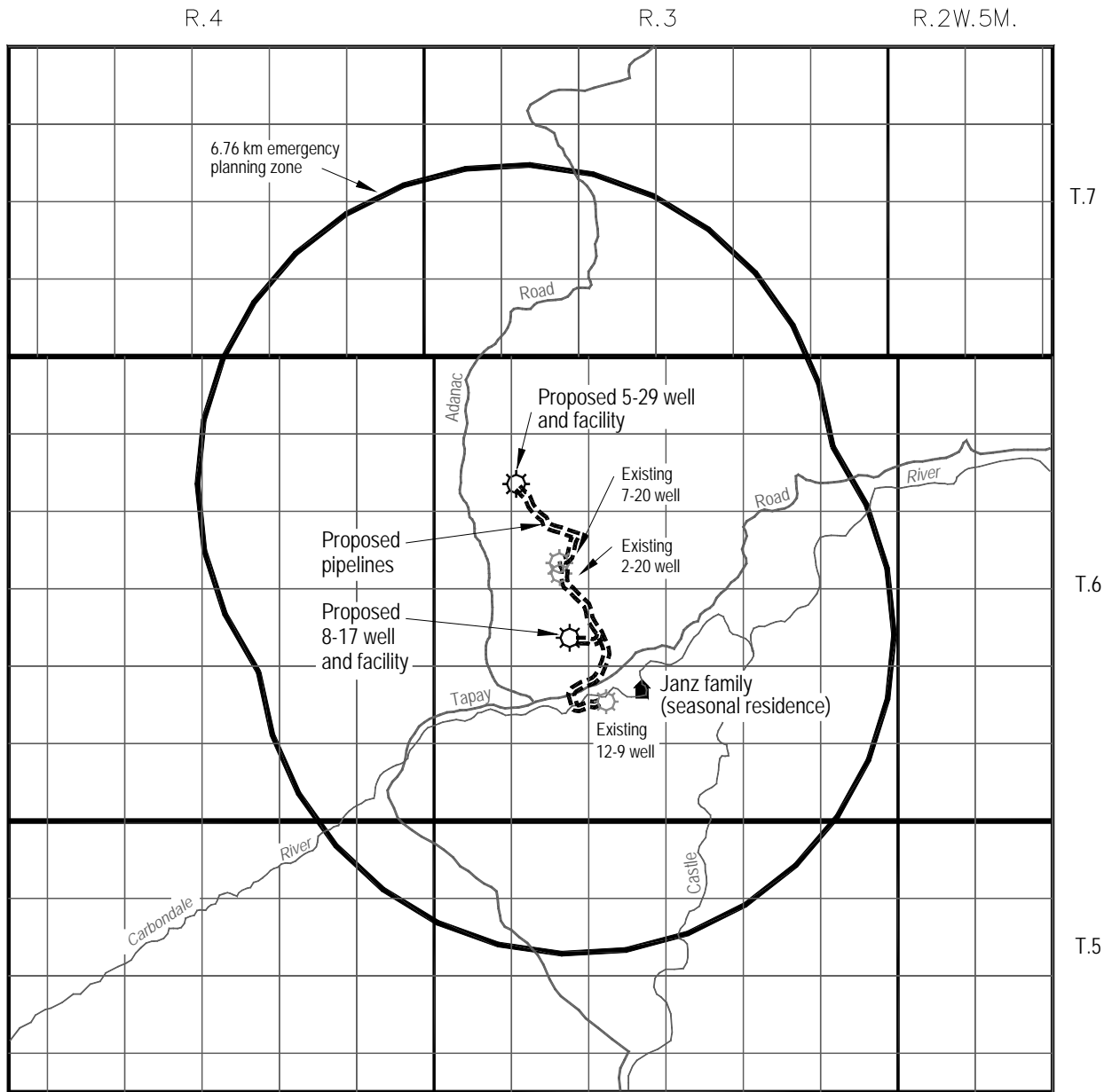
Dated in Calgary, Alberta, on March 29, 2005.

ALBERTA ENERGY AND UTILITIES BOARD

<original signed by>
J. D. Dilay, P.Eng.
Presiding Member

<original signed by>
T. M. McGee
Board Member

<original signed by>
W. G. Remmer, P.Eng.
Acting Board Member







- Legend**
-  Proposed well
 -  Existing well
 -  Proposed pipelines
 -  Residence

Figure 1. Proposed wells and associated pipelines and facilities in Waterton Field