



Intrepid Energy Corporation

Application for a Well Licence
Sturgeon Lake South Field

June 7, 2005

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2005-058: Intrepid Energy Corporation, Application for a Well Licence,
Sturgeon Lake South Field

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Published by

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

INTREPID ENERGY CORPORATION APPLICATION FOR A WELL LICENCE STURGEON LAKE SOUTH FIELD

Decision 2005-058
Application No. 1366746

1 DECISION

Having carefully considered all of the evidence, the Alberta Energy and Utilities Board (EUB/Board) hereby approves Application No. 1366746, subject to the conditions listed in Appendix 2. The Board considered the associated emergency response plan and flare permit application as part of the hearing. The Board is satisfied that both of these documents are complete and directs staff to issue the appropriate approvals in due course.

2 INTRODUCTION

2.1 Applications

Intrepid Energy Corporation (Intrepid) applied to the EUB pursuant to Section 2.020 of the *Oil and Gas Conservation Regulations* for a licence to drill a directional oil well from a surface location in Legal Subdivision (LSD) 4 of Section 34, Township 70, Range 24, West of the 5th Meridian (4-34 surface location) to a bottomhole location in LSD 7-34-70-24W5M (7-34 bottomhole target) underlying Sturgeon Lake. The proposed well would be located about 125 kilometres (km) east of Grande Prairie and about 25 km west of Valleyview. Intrepid also applied to the EUB for a permit to flare gas during completion and testing of the Leduc Formation.

The purpose of the well is to obtain oil production from the Leduc Formation. The maximum hydrogen sulphide (H₂S) content would be about 108.3 moles per kilomole (10.83 per cent) and the cumulative drilling H₂S release rate would be 0.0981 cubic metres per second (m³/s). During the completion and servicing of the proposed well, the release rate would be 0.0439 m³/s, and the suspended/producing release rate would also be 0.0439 m³/s. The corresponding calculated emergency planning zones would be 0.52 km for the drilling phase and 0.33 km for the completion/servicing and suspended/producing period.

2.2 Intervention

The EUB received objections to the application from a number of individual landowners and cabin owners (the interveners). Many of the individuals formed a group, called the Sturgeon Lake Cabin Owners Group (SLCOG), to present their views. The issues raised by the interveners related to noise, safety, emergency response planning, impacts on lifestyle, odours, and property value. The Municipal District of Greenview No. 19 (the MD) also submitted an intervention with respect to road use and road construction.

2.3 Hearing

The Board held a public hearing in Grande Prairie, Alberta, which commenced on March 16 and closed on March 17, 2005, before Board Member J. R. Nichol, P.Eng. (Presiding Member) and Acting Board Members D. K. Boyler, P.Eng., and R. J. Willard, P.Eng. Panel and staff of the EUB in attendance at the hearing visited the site of the proposed well and surrounding area on March 17, 2005. As there were no undertakings, the final evidence date is deemed as March 17, 2005. Those who appeared at the hearing are listed in [Appendix 1](#).

G. Cambridge, E. Gaboury, and E. Chychul submitted interventions but did not attend the hearing. Mr. Diederich filed an intervention and attended the hearing but did not provide oral testimony.

3 BACKGROUND

The 4-34 surface location is in a wooded area near the south shore of Sturgeon Lake between the Narrows subdivision and Boyd's Lakeshore Properties (see attached map).

The EUB previously considered an application for a well licence by Range Petroleum Corporation (Range) for a similar well to be drilled from the 4-34 surface location. The Board approved the application for the reasons set out in EUB *Decision 99-18* (plus addendum) and issued a licence in August 2001, subject to a number of conditions. In July 2002, just prior to the one-year expiry of the well licence, the Board accepted a request by Range to cancel the licence. The Board advised the community that Range's approval had been cancelled and any subsequent application at this site would be subject to evaluation and independent consideration.

It is also noted that Intrepid's interest in the 4-34 surface location followed two unsuccessful attempts to drill a long-reach directional well from the north shore of the lake at a surface location at LSD 3-2-71-24W5M (3-2 location).

4 ISSUES

The Board considers the issues respecting the application to be

- need for the well,
- public and environmental impacts,
- emergency response planning, and
- other matters.

5 NEED FOR THE WELL

5.1 Views of the Applicant

Intrepid stated that it had acquired a mineral agreement underlying Section 34-70-24W5M. Based on its geological and seismic interpretation, Intrepid believed that the shape of the pool was slightly different from what Range presented at the 1999 hearing. Intrepid stated that only by

drilling an exploration well could it confirm reservoir characteristics. Intrepid estimated potential recoverable reserves from the targeted Leduc Formation to range from 1.1 to 20 million barrels of oil.

5.2 Views of the Interveners

The interveners did not provide any specific technical evidence to dispute Intrepid's geological interpretation or the need for a well.

5.3 Views of the Board

The Board accepts that Intrepid has acquired the petroleum and natural gas rights underlying Section 34-70-24W5M. The Board is satisfied that there is a need for the applied-for well to allow Intrepid to exploit the mineral rights that it holds, provided that the development can be carried out in a safe and efficient manner.

6 PUBLIC AND ENVIRONMENTAL IMPACTS

6.1 Views of the Applicant

Intrepid stated that it had acquired a surface lease on the south side of the lake and had selected the proposed 4-34 surface location to support an acceptable level of technical difficulty associated with the drilling program to reach and test the proposed 7-34 bottomhole target. If the pool size/shape was confirmed, Intrepid indicated that the 4-34 surface location would be used to further develop the pool. While Intrepid had only applied for the initial exploration well, it provided conceptual plans in order to explain the potential impacts from a larger scale project.

Intrepid stated that if the first well were productive, it would apply for licences to drill up to five more wells from the 4-34 surface location and to build a pipeline large enough to transport total oil production to an existing production facility. Intrepid stated that it had several pipeline and production facility options.

Concerning well site selection, Intrepid stated that another company had unsuccessfully attempted to access the pool from the 3-2 location on the north shore of the lake. Although Intrepid believed it was technically possible to drill from the 3-2 location, it presented the likelihood of experiencing similar severe hole problems due to shale sloughing. In addition, it estimated that the drilling costs from the 3-2 location would be significantly higher. Intrepid maintained that while a well from the 3-2 location might be able to reach some of the additional bottomhole targets, not all of the remaining target locations could be reached. Therefore, it believed that if the 3-2 surface location were selected to drill the first well, a second surface location may be required to drill the additional bottomhole targets.

Intrepid stated that the 4-34 surface location's position and reasonable proximity to the 7-34 bottomhole target would allow it to drill vertically through the Fernie shale, reducing the potential for hole problems. Intrepid explained that it could also drill at a reduced angle for the directional portion, thereby minimizing the potential for drilling and operational problems from this location.

In response to the interveners' views, Intrepid stated that it was not prepared to wait for the development of new technology to increase the potential for the well to be drilled from a more distant alternative location. Intrepid believed that this well could be drilled now from the proposed location in a safe and effective way. Intrepid further stated that it was not aware of any government incentive programs or groups looking at new technology to increase the potential success of directionally drilled wells from greater distances. Pointing out that its mineral lease would expire on November 15, 2005, Intrepid said that it was unlikely that the Crown would grant an extension to its mineral lease to await possible development of new directional drilling technology.

To support its view of the appropriateness of drilling the proposed 4-34 surface location, Intrepid identified several mitigative measures to reduce the impact on the surface. Intrepid stated that its proposed well would be located in a forested area and therefore, once the initial drilling was completed, the well would not be seen from the road or any public viewing area. Intrepid acknowledged that it would be required to adhere to all EUB requirements, including minimizing flaring, preventing off-lease odours, and noise control. Intrepid stated that the noise generated from this well would be minimal and that it would comply with EUB *Guide 38: Noise Control Directive*.

Intrepid said that it did not intend to have permanent flaring operations at the proposed location. Intrepid acknowledged that it would require some flaring during the completion and testing phases, which it believed would be about five days in duration. It applied for a permit to flare up to 75 000 m³ of raw gas during the completion and testing phases. Intrepid also stated that if the well proved to be successful, it would locate any production facilities and flares at a remote location away from the subdivisions.

Intrepid stated that the proposed well was located within Western Canadian Spill Services (WCSS) Zone 6, Spill Co-operative Area E. Intrepid said that at the time of the hearing it was not yet an active member of the spill cooperative, but indicated that it was planning to become a member. Intrepid stated that the proposed project was environmentally sound and the safety of the public could be ensured. Intrepid stated that it committed to testing water wells within the expanded EPZ.

Intrepid noted that there were 41 wells within a 3.2 km radius of Sturgeon Lake and that many of Alberta's recreational lakes had adjacent oil and gas production facilities that have operated safely. Intrepid said that it understood the cottage lifestyle and why people used areas like Sturgeon Lake. It explained that its proposal would be conducted in a safe manner, with little impact on the residents in the area. Intrepid proposed that it be allowed to drill the well between the September and May long weekends to reduce the impact on the seasonal residents. Intrepid felt that by restricting operations to the low-occupancy period, the number of people affected would be greatly reduced, and by providing notice to the residents, the residents could choose to not be at the lake during drilling and completion/testing operations.

Intrepid believed that the existing infrastructure of roads was adequate to handle the rig and truck traffic associated with its proposed development. Intrepid stated that it understood its responsibility to repair any damages to the road caused by its activity. Intrepid also stated that there would be significant traffic only during rig moves and pointed out that it had entered into a road use agreement with the MD of Greenview in June 2004.

6.2 Views of the Interveners

SLCOG questioned Intrepid's argument that the 4-34 surface location was the best location to drill from to develop the pool. SLCOG suggested that the preferred drilling location was one far removed from their communities. Some of the residents confirmed they had previously agreed to the drilling of a well by Range from the other side of the lake at the 3-2 location and they believed that the failed attempts did not mean the reservoir could never be successfully accessed from that location. They argued that increased drilling costs and the higher risk of technical difficulties in drilling a well from the 3-2 location would be worthwhile when weighed against the risk to the community and its concerns. SLCOG suggested that the proposed well be denied or that Intrepid hold off drilling the well until new technology was developed to drill from the 3-2 location. SLCOG noted that Intrepid's pool outline differed from Range's.

SLCOG was not convinced that the proposed mitigative measures could alleviate their concerns about allowing industrial activities in a recreational and environmentally sensitive area. They expressed concerns about the potential for sour gas releases, noise, odours, traffic, and environmental risk to the lake. SLCOG's concerns were further increased with the conceptual plan, maintaining that if this well were approved and successful, there was a potential for drilling up to five additional wells.

SLCOG also raised concerns about property value. They stated that they observed a decrease in property sales and prices in the area following the previous approval and they believed that would happen again if this well were approved.

SLCOG indicated that Sturgeon Lake was one of the key recreational lakes in northwestern Alberta. They stated that the nutrient content made it highly productive for fish and therefore a great fishing area. SLCOG also stated that there were two nests of eagles, as well as pelicans and trumpeter swans in the area. SLCOG raised general concerns regarding protection of freshwater aquifers in their written submissions.

SLCOG stated that the reason they frequented the lake was to get away from the city. They valued their rest and relaxation time, which they primarily got at the lake. The residents argued that having this well in the proposed location would cause additional stress to everyone in the area. The residents stated that they had a significant number of visitors at their various properties on any given weekend throughout the summer months. The residents strongly suggested that although industrial and residential activities could effectively coexist in some areas of the province, Sturgeon Lake was not one of them. The interveners did not agree with comments made by the applicant regarding a significant number of wells drilled in the vicinity of Sturgeon Lake. They stated that although there were other wells around the lake, none of them was in close proximity to an area of extensive recreational development such as theirs and to compare the location of the other existing wells to this site was unfair. In addition, SLCOG believed that the increased size of the lease and the repeated drilling and testing cycles associated with multiple wells would also cause more environmental and social impact.

The MD of Greenview stated that it was also opposed to the drilling of the well due to its location and road use issues. The MD stated that it had developed the Sturgeon Lake Area Structure Plan, which was designed to deal with the protection of the area. The MD stated that the plan was developed in order to minimize impacts on Sturgeon Lake, ensure that the usage of

the lake was not compromised, minimize potential impacts on the environment, and reduce conflicts between different land uses. The Board notes Intrepid's commitment to test all water wells within the expanded EPZ. The Board recognizes the importance of this and has therefore conditioned the approval to reflect the testing program.

The MD stated that Range Road 243 between Township Road 704 and the proposed well access road would need to be upgraded, as it was not currently constructed to handle the industrial traffic expected during rig moves. The MD explained that it had issued a general road use agreement to Intrepid but it had the right to require a site-specific agreement where necessary. The MD advised that it had a long history of working with oil and gas operators. The MD noted that a permit must be granted to Intrepid prior to any rig moves on county roads.

6.3 Views of the Board

The Board accepts that it is theoretically possible to access a bottomhole location in the Leduc geological target from the north side of the lake. However, the Board agrees that given the past problems experienced by another company, drilling the first well with a shorter horizontal length is a more practical approach.

The Board also believes that the applied-for location provides a better opportunity to drill multiple wellbores to optimize the full development of the pool should the proposed well be successful. The Board is satisfied that the proposed 4-34 surface location would be the optimum site from which to access the mineral rights owned by Intrepid. The Board also notes that Intrepid has a valid surface lease for the proposed well.

The Board has before it an application for a single-well licence and an associated flare permit application. In reviewing the potential impacts, the Board has regard for the conceptual type of information to evaluate whether additional applications should be reviewed at the same time to assess cumulative impacts. The Board recognizes the potential need for more wells and production facilities but believes it is premature to speculate on what may be required to recover any resources that may be present. This decision does not predispose future applications. Based on the exploratory nature of this proposed well, the Board believes it is acceptable to review it as applied for, without additional applications. The Board is satisfied with the flare permit application. Given that flare permits are valid for a maximum of three months, the Board will approve and issue the permit at the time it is required.

The Board agrees that there will be additional noise during the drilling, completion, and testing of the well. Intrepid is required to keep noise levels within the acceptable limits identified in EUB *Guide 38*, which covers both temporary and permanent noise sources. With respect to the potential for odours resulting from activities at this site, EUB regulations specify that facilities must be operated such that no off-lease odours occur and concerns can be addressed through the EUB's field centres.

With respect to spill response capabilities, the Board recognizes that prior to becoming an active operator in an area, membership in the local spill cooperative is not required. However, in responding to the concerns of the residents and lack of public confidence, the Board believes Intrepid should have proactively obtained membership to ensure participation in the annual spill cleanup exercises in the local area. Intrepid must ensure spill response capability for its own corporate interests, and the Board will require Intrepid to be a spill cooperative member prior to

spudding the well. The Board is satisfied that impacts on the lake environment can be prevented because of the distance the proposed project is set back from the lake, as well as Intrepid's active participation in the local spill cooperative and compliance with the regulations in place.

The Board did not receive supporting evidence to demonstrate that this proposed project would have a significant impact on property values. The Board recognizes the personal and lifestyle investment the cottage owners have made and understands their desire to preserve the community in its current state. The Board understands the public apprehension about the introduction of industrial energy activity and the concern about compatibility with existing land use. The Board considered these concerns and is satisfied that the proposed well can coexist with the existing developments in this area.

The Board believes that Intrepid would be able to reduce potential impacts from the drilling and completion operations by establishing a time frame that would restrict these operations to the off seasons. Therefore, the Board intends to condition the well licence to limit the drilling and completion and testing operations to a defined period. The Board has considered Intrepid's request for a drilling window between the September and May long weekends, but it finds no compelling reason to change from the October 15 to May 1 window that was provided in the previous decision reports. The Board also encourages Intrepid to work with the community on the timing of any future significant servicing operations, such as a recompletion.

The Board recognizes that oil and gas development at the proposed site will create some impacts on the residents in the Narrows subdivision and Boyd's Lakeshore Properties. The Board understands the concerns about placing a well in or near an area like Sturgeon Lake. The Board believes the densely wooded location will be very effective in reducing both the physical effects and the visual impacts associated with operations at this site. The Board is satisfied that the location will not have the detrimental effects contended by SLCOG. The majority of the impacts will occur during the short period needed for drilling, completion, and testing of the well. The Board concludes that the impacts associated with operations at this site can be kept within acceptable levels. The Board does not accept the argument that the potential impacts are so severe as to warrant a delay until such time as new drilling technology might be available to increase the reach of a directional well and thus permit the consideration of alternative surface locations.

The Board values the MD's participation in the hearing. The Board acknowledges the MD's area structure plan, which confirms the special nature of the area surrounding Sturgeon Lake and its need for site-specific road use agreements. The Board considered this information and is satisfied that the proposed energy development can coexist within the context of this plan. The Board accepts the MD's position that some road upgrades are necessary. While there appears to be some disagreement on what portion of the costs each party would be responsible for, the Board expects both parties to work together to find a solution. The Board also notes Intrepid's understanding of its responsibility to immediately deal with any damage to the roads.

7 EMERGENCY RESPONSE PLANNING

7.1 Views of the Applicant

Intrepid explained that its emergency response plan (ERP) was consistent with and in some areas exceeded the requirements outlined in *EUB Guide 71: Emergency Preparedness and Response Requirements for the Upstream Petroleum Industry*. It stated that additional safety measures had been incorporated to address the geographical features and needs of the community specific to this proposed well. Intrepid said the emergency planning zone (EPZ) for the proposed well was calculated using a release rate of $0.0981\text{m}^3/\text{s}$, resulting in an EPZ radius of 0.520 km. Intrepid had recognized that several of the residents in the lakeshore properties must egress past the well site to evacuate the EPZ and consequently expanded the zone to include all residents within the Narrows subdivision, as well as all residents of the Boyd's Lakeshore Properties.

Intrepid stated that its goal was to remove the public from the area prior to any release of product. Intrepid stated that it had a satisfactory plan in place to deal with any type of emergency. The plan included contacting all residents prior to conducting any sour zone operations, having two 48-passenger buses on standby to assist with evacuation, enhanced evacuation notice, appropriate number of rovers, numerous points of contact during an emergency, additional transportation options for the residents, two stationary air monitors and three mobile air monitors to be dispatched at the declaration of any level of emergency, and ignition of any uncontrolled release within seven minutes. Intrepid stated that it understood that the personal information it had of area residents would require updating, as it was collected almost a year earlier. Intrepid committed to update the ERP if it were given approval for the well.

7.2 Views of the Interveners

SLCOG expressed opposition to the proposed well due to the existence of only a single access/egress route, which traversed the EPZ. SLCOG stated that notification in the event of an emergency would be difficult due to the significant level of recreational activity in the area. They believed that sheltering in place would not be suitable for most residents, and they did not believe that Intrepid could ensure the residents' and transients' safety during an emergency.

SLCOG referred to a recent sour gas release in the Edmonton area that had increased their concern about this type of development near their community. They felt that having an industrial operation of this nature would cause stress for individuals within the community. In their view, the only way to ensure that children were safe from the well site was to restrict access by erecting a fence. They were concerned about the ability of Intrepid personnel to locate visiting family and friends in the event of an emergency and stated that it was a principal consideration for advocating denial of this well licence application.

SLCOG was sceptical about Intrepid's commitment to public safety. They argued that regardless of the enhancements to the ERP, there would never be an adequate ERP to address the needs of their community.

7.3 Views of the Board

The Board acknowledges the interveners' concerns regarding the safety and risk to their recreational community from sour development, especially with the single access/egress route from the Narrows and the Boyd's subdivisions. The Board also notes that there are further enhanced safety measures incorporated into the ERP that exceed the requirements detailed in *Guide 71*.

The Board agrees with Intrepid's proposal to use two stationary air monitors, but is concerned about the timely availability of three mobile air monitors in the event of an emergency. The Board will require Intrepid to place these units on dedicated standby at the commencement of and throughout the drilling in the sour zones to address this concern.

Due to the amount of time that has elapsed since the ERP was developed, the Board will require Intrepid to ensure that the plan is updated and incorporates the additional conditions specified in this decision. As a condition of this approval, the Board requires that Intrepid revisit residents within the expanded EPZ to confirm or update the public information records. The Board also requires Intrepid to provide the updated ERP to the EUB for its review and approval prior to the commencement of drilling of this well.

The Board recognizes that there are many cases across the province where similar situations have been mitigated through effective rover protocols and early notification. As such, the Board has reviewed the ERP proposed by Intrepid and is satisfied that it meets or exceeds the EUB's requirements.

8 OTHER MATTERS

8.1 Views of the Applicant

Intrepid included a *Guide 56*, Schedule 4.1: Working Interest Participant form with its application, which identified Intrepid Energy Corp., Suncor Energy Inc., Berkley Resources Inc., Drilcorp Energy Ltd., and Tulsa Holdings as working interest participants in the well. Intrepid provided an update during the hearing that stated that the working interest participant percentages for the well had changed. The new percentages were as follows: 40.5 per cent Intrepid Energy Corp., 40 per cent Highpine Asset Corp., 15 per cent Berkley Resources Inc., 3 per cent Drilcorp Energy Ltd., and 1.5 per cent Tulsa Holdings.

Intrepid indicated that it had not provided any information regarding the insurance that it required for the well, as that was not a requirement of the EUB. Intrepid stated that 100 per cent interest in the well would be insured at the time of commencement of drilling. In response to the concerns raised, Intrepid stated that it would provide the EUB with copies of the insurance documentation at least 30 days in advance of the drilling of the well.

Intrepid explained that it had pursued a very involved public consultation process. It contacted all residents within the expanded EPZ, met individually with residents in an effort to resolve the issues, hosted a public meeting, and responded in writing to the concerns expressed. Intrepid believed that if a resident expressed concerns, it should not interpret that to mean they objected to the proposed project.

Intrepid stated that it should not be bound by any commitments made by previous companies, as Intrepid purchased the assets of Range, not the corporation. Intrepid did not believe that it should be required to adhere to the conditions set out in *Decision 99-18*. Intrepid also stated that it was not bound by the past decision made on the proposed location.

8.2 Views of the Interveners

SLCOG was very concerned when they learned that some of the working interest participants had changed from those in place at the time of the original application. SLCOG was also surprised that the partners were not required to attend the hearing along with the applicant. SLCOG was worried about what their contribution was to the application and what responsibility they had if there were ever an emergency.

SLCOG did not express any specific concerns regarding the insurance requirements but did want the EUB to ensure that appropriate insurance would be in place.

SLCOG expressed frustration with Intrepid's representation of residents as not objecting to the application in documents filed with the EUB. They were concerned that Intrepid's public consultation records indicated nonobjections, when in fact those parties who were registered with their group had numerous documented outstanding concerns about the proposed well. SLCOG indicated that Intrepid appeared to have discounted the concerns and its documentation misrepresented the number of cabin owners who were actually opposed to the project.

SLCOG was concerned that some of Intrepid's witnesses who had also presented evidence on the past application and hearing held on the Range proposal were now not prepared to honour the commitments made by Range.

8.3 Views of the Board

The Board understands that working interest partners and working interest percentages can and do change throughout the productive life of a well. However, the Board is concerned that the participants in this hearing were not advised of the changes before the hearing or at the outset of the hearing, when Intrepid pointed out the other changes in its original application. The Board considers this change significant enough to have been clearly stated to all parties.

The Board expects all applicants to carry appropriate insurance for the activities it is involved in, including appropriate blowout and well control insurance; if it is not carrying 100 per cent of the insurance coverage, it must ensure that its partners are carrying appropriate insurance for their respective working interest shares. As Intrepid was not able to provide confirmation of insurance at the hearing, the Board will condition the well licence to require confirmation of 100 per cent insurance coverage before spudding the well.

The Board acknowledges the interveners concerns that Intrepid is not committed to the conditions outlined in the appendices of *Decision 99-18*. While each application submitted to the Board is reviewed on its own merits, the Board has reviewed these conditions and where appropriate has adopted a number of the conditions appended to *Decision 99-18*. Some of the conditions have been amended to reflect the current circumstances, or Intrepid has already incorporated them into its ERP.

The Board expects applicants to provide sufficient opportunity for residents to review and understand a proposed project so they can make an informed decision. The Board believes that it is inappropriate for a company to characterize a party with outstanding or expressed concerns as a nonobjection simply because that party is not prepared to confirm whether it supports or opposes the application. Any party consulted with should only be identified as a non-objection if that party has supplied the applicant with a written or verbal indication of nonobjection to the application. Otherwise the concerns should be reported as stated by that party and the EUB will determine what action will be taken to ensure that the concerns have been appropriately addressed.

The Board believes that both parties must work together to make a long-term, integrated plan work effectively. Intrepid must live up to its commitment to be a good neighbour and apply due diligence in all its operations. Cooperation and collaboration has occurred successfully in other situations between industry and communities. The Board believes that the parties should consider establishing a group to maintain communication and review future development. This may help to alleviate some of the disparity in the parties' positions.

Dated in Calgary, Alberta, on June 7, 2005.

ALBERTA ENERGY AND UTILITIES BOARD

<original signed by>

J. R. Nichol, P.Eng.
Presiding Member

<original signed by>

D. K. Boyler, P.Eng.
Acting Board Member

<original signed by>

R. J. Willard, P.Eng.
Acting Board Member

APPENDIX 1 HEARING PARTICIPANTS

Principals and Representatives
 (Abbreviations used in report)

Witnesses

 Intrepid Energy Corporation (Intrepid)
 H. Ward

D. Kay, B.A., P.Land

B. Goruk, P.Eng.

A. Higgins, P.Geol.

K. R. Bissett,
of Bissett Resource Consultants Ltd.R. Brown,
of Bissett Resource Consultants Ltd.
 Sturgeon Lake Cabin Owners Group (SLCOG)
 G. Cambridge, D. Diederich
 D. Carter, Q.C.

K. Bustin

K. Rigler

R. Lessoway

G. Marcie

P. Boutilier

 Municipal District of Greenview No. 19
 (the MD)

T. Tymchyshyn

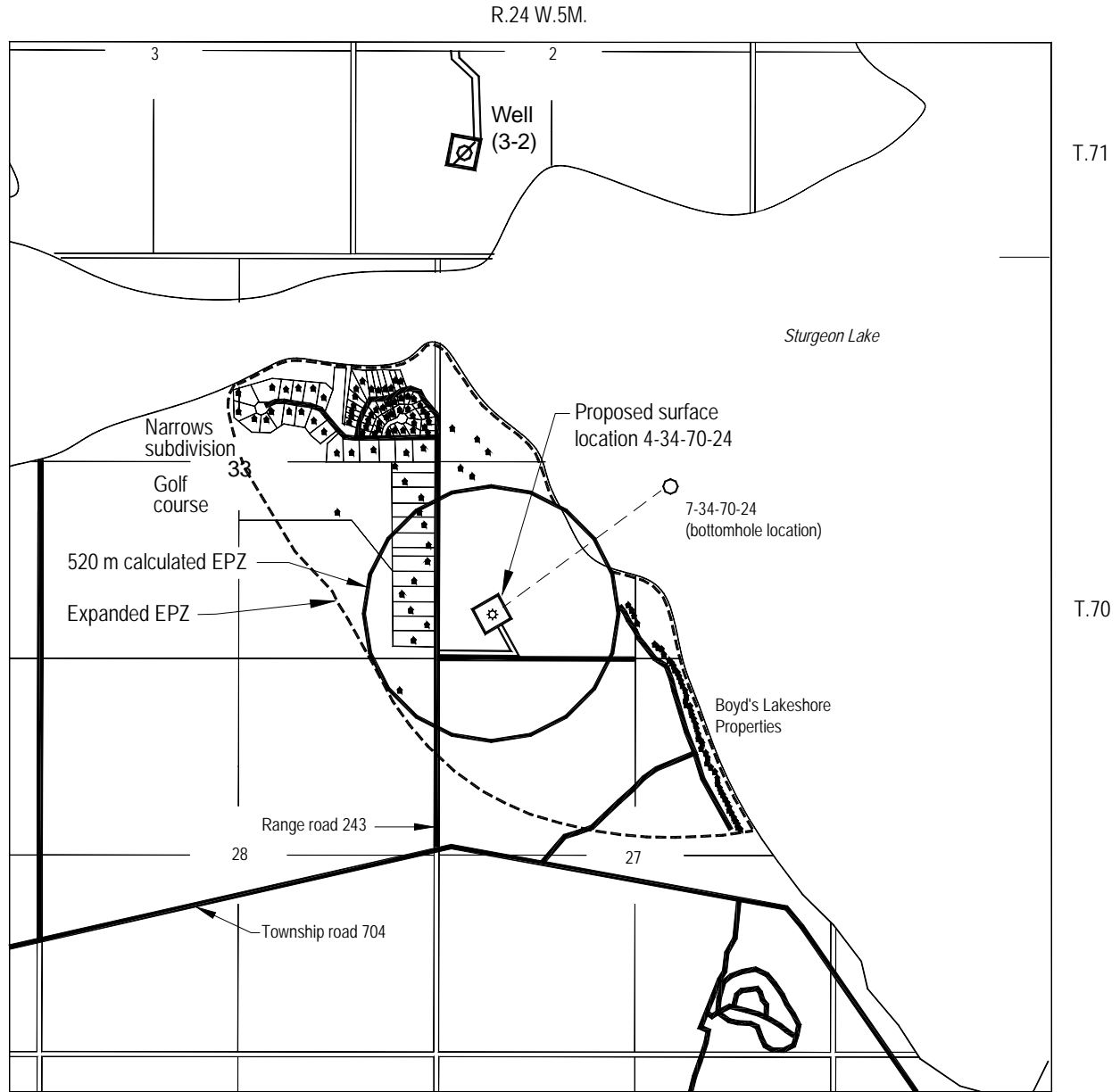
 Alberta Energy and Utilities Board staff
 T. Bews, Board Counsel
 E. Knox, C.E.T.
 K. McCullough
 S. Etifier

APPENDIX 2 SUMMARY OF CONDITIONS

The conditions imposed on the licence are summarized below. Conditions generally are requirements in addition to or otherwise expanding upon existing regulations and guidelines. An applicant must comply with conditions or it is in breach of its approval and subject to enforcement action by the EUB. Enforcement of an approval includes enforcement of the conditions attached to that licence. Sanctions imposed for the breach of such conditions may include the suspension of the approval, resulting in the shut-in of a facility. In this case, the Board notes that Intrepid has undertaken to conduct certain activities in connection with its operations that are not strictly required by EUB regulations or guidelines. The Board has decided to condition the licence as follows, which includes some of the commitments made by Intrepid.

CONDITIONS

- The drilling and completion of this well is restricted to the period between October 15 and May 1.
- Flaring occurrences are to be limited to those required to test the viability of the well as specified in the flaring permit and for servicing or maintenance operations if no other alternatives are available. Shut-in of production and other alternatives must be used whenever possible to keep flaring operations to a minimum.
- Intrepid must provide the residents with a minimum of 72 hours' notice of planned flaring events.
- Intrepid must test all water wells within the expanded EPZ for residents who agree to have the tests completed to establish a baseline for quality and quantity.
- Intrepid must revisit residents within the expanded EPZ to confirm or update the public information records. Intrepid must provide the updated ERP to the EUB for its review and approval prior to the spudding of the well.
- Intrepid must provide written verification to the EUB to confirm that it is an active Area E Spill Co-op member prior to the spudding of the well.
- Intrepid must secure three mobile air monitoring units on dedicated standby at the commencement of and throughout the drilling in the sour zones.
- Intrepid must provide copies of written documentation verifying that 100 per cent insurance coverage for this well is in place prior to the spudding of the well.



Legend

- ▲ Residences/cabins
- Access roads

Map of the area