



Shell Canada Limited

Applications for Well, Facility, and Pipeline Licences
Waterton Field

July 5, 2005

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2005-071: Shell Canada Limited, Applications for Well, Facility, and Pipeline Licences, Waterton Field

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

SHELL CANADA LIMITED APPLICATIONS FOR WELL, FACILITY, AND PIPELINE LICENCES WATERTON FIELD

Decision 2005-071
Applications No. 1369362 and 1358995

1 DECISION

Having completed a review of the applications and having noted that the applications meet Alberta Energy and Utilities Board (EUB/Board) requirements, the Board hereby approves Applications No. 1369362 and 1358995.

2 INTRODUCTION

2.1 Application No. 1369362

Shell Canada Limited (Shell) submitted an application in accordance with Section 2.020 of the *Oil and Gas Conservation Regulations* (OGCR) for a licence to drill a horizontal level-3 natural gas well from a surface location in Legal Subdivision (LSD) 5 of Section 20, Township 6, Range 2, West of the 5th Meridian, to a bottomhole location of LSD 2-30-6-2W5M. 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 3.64 cubic metres per second (m³/s). During the completion and servicing of the proposed well, the release rate would be 5.87 m³/s and the suspended producing release rate would be 3.21 m³/s. The corresponding calculated emergency planning zones (EPZs) would be 5.54 kilometres (km) for the drilling release rate, 7.66 km for the completion/servicing release rate, and 5.08 km for the suspended/producing release rate. Shell has received an interim approval from the EUB for a reduced EPZ of 5.0 km. The purpose of the well is to obtain gas production from the Livingstone Formation. The proposed well would be located about 4.3 km northwest of the Hamlet of Beaver Mines.

2.2 Application No. 1358995

Shell submitted an application in accordance with Section 7.001 of the OGCR requesting approval to construct and operate a single-well facility at LSD 5-20-6-2W5M. The facility would consist of an emergency shutdown valve, flare stack, heater skid, glycol/chemical pumps, pig launcher, and storage tanks. The facility would be licensed for a maximum H₂S content of 320 mol/kmol (32.0 per cent).

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 LSD 5-20-6-2W5M to a pipeline tie-in point at LSD 5-20-6-2W5M. The proposed pipeline would be about 0.22 km in length, with a maximum outside diameter of 168.3 mm. It would transport natural gas with a maximum H₂S content of 320 mol/kmol (32.0 per cent). The proposed pipeline

would be operated as a level 1. To address public protection measures, the pipeline and facility 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 an existing pipeline tie-in at LSD 5-20-6-2W5M to operate equipment at the proposed well site. The maximum outside diameter of the proposed fuel gas pipeline would be 60.3 mm and the length would be about 0.22 km.

2.3 Interventions

Dave Sheppard and Jean Sheppard, who own and reside on the south half of Section 8-6-2W5M, which is located within the EPZ, filed an objection to the proposed applications.

Kim Barbero and Sylvia Barbero, who own and reside on the NW quarter of Section 16-6-2W5M, within the EPZ, also filed an objection to the application.

2.4 Hearing

The Board originally scheduled a public hearing to be held in Pincher Creek commencing on April 5, 2005; however, following the issuance of the Notice of Hearing, the Board received a request from interested parties to reschedule the hearing, and it granted the request. The Board rescheduled the hearing to June 1, 2005, before Board Members J. R. Nichol (Presiding Member) and T. M. McGee and Acting Board Member K. G. Sharp, 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 Sheppards and the Barberos throughout the processing of the applications. On May 27, 2005, counsel for the interveners filed a formal withdrawal of objection on behalf of the Sheppards and the Barberos, along with a letter dated May 26, 2005, outlining Shell's commitments and a second letter dated May 27, 2005, with an amendment to Shell's commitments.

The Board issued a Notice of Cancellation of Hearing on May 30, 2005, stating that the EUB has been advised by all registered interveners that Shell has addressed their concerns and they have withdrawn their objections.

Dated in Calgary, Alberta, on July 5, 2005.

ALBERTA ENERGY AND UTILITIES BOARD

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

T. M. McGee
Board Member

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