



Ketch Resources Ltd.

Review of Well Licence No. 0313083
Pembina Field

Prehearing Meeting Decision
August 3, 2005

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2005-088: Ketch Resources Ltd., Review of Well Licence No. 0313083, Pembina Field

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**KETCH RESOURCES LTD.
REVIEW OF WELL LICENCE NO. 0313083
PEMBINA FIELD**

**Prehearing Meeting
Decision 2005-088
Proceeding No. 1397909**

1 INTRODUCTION

Background

On June 10, 2004, Bear Creek Energy Ltd. (Bear Creek) submitted Application No. 1349162 to the Alberta Energy and Utilities Board (EUB/Board) for a licence to drill a directional natural gas well with an anticipated hydrogen sulfide (H₂S) content of 4.4 moles per kilomole (mol/kmol) (0.44 per cent) to produce from the Banff Formation. The application was for a level-1 sour gas well to be drilled from a surface location in Legal Subdivision (LSD) 1 of Section 27, Township 46, Range 2, West of the 5th Meridian (1-27 well) to a bottomhole location in LSD 13-23-46-2W5M. On August 10, 2004, the Board approved the application and issued Well Licence 0313083 to Bear Creek. The Board's records indicate that Bear Creek drilled the subject well between October 27 and November 13, 2004.

Bear Creek was amalgamated into Ketch Resources Ltd. (Ketch) on January 18, 2005, and all of Bear Creek's assets and liabilities were assumed by Ketch as of that date.

Proceeding No. 1397909

The EUB received letters from Hilda Kwiatkowski, Donna and Berny Haut, Tim Belec, and Michael Black requesting that the Board conduct a review hearing relating to Well Licence 0313083, pursuant to Section 40 of the *Energy Resources Conservation Act*. On April 11, 2005, the Board granted the requests for a review hearing. The Board registered the review hearing as Proceeding No. 1397909.

Application No. 1407749

Ketch submitted an application on June 28, 2005, in accordance with Section 7.001 of the *Oil and Gas Conservation Regulations*, requesting approval to construct and operate a gas battery at LSD 1-27-46-2W5M. The facilities would consist of a separator, instrument air compressor, corrosion inhibitor tank, propane tank, methanol tank, flare knockout drum, and flare stack. The facility would be licensed for a maximum H₂S content of 2.50 mol/kmol (0.25 per cent).

Ketch also applied on June 28, 2005, 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 1-27 well to a pipeline tie-in point at LSD 8-26-46-2W5M. The proposed pipeline would be about 3 kilometres (km) in length. The pipeline would have an outside diameter of 168.3 millimetres (mm) and would transport natural gas with a maximum H₂S concentration of 3.50 mol/kmol (0.35 per cent). The proposed pipeline would be operated as a level-1 facility. To address public protection measures, the pipeline would have an emergency response plan.

The Board determined that the disposition of the application for these facilities was a matter to be discussed at a prehearing meeting.

Application No. 1397560

ConocoPhillips Canada Resources Corp. (Conoco) submitted Application No. 1383068 on January 27, 2005, in accordance with Section 2.020 of the *Oil and Gas Conservation Regulations*, for a licence to drill a level-1 directional sour natural gas well from a surface location in LSD 1-27-46-2W5M (Conoco's proposed well) to a bottomhole location in LSD 9-22-46-2W5M. The maximum H₂S content would be about 4.4 mol/kmol (0.44 per cent) and the cumulative drilling H₂S release rate would be 0.0114 cubic metres per second (m³/s). During the completion and servicing of the proposed well, the release rate would be 0.0141 m³/s, and the suspended producing release rate would be 0.0121 m³/s. The corresponding calculated emergency planning zone (EPZ) would be 0.15 km for the drilling release rate, 0.17 km for the completion/servicing release rate, and 0.15 km for the suspended/producing release rate. The purpose of the well is to obtain gas production from the Banff Formation.

Subsequent to the filing of the original Application No. 1383068, Conoco moved the well centre about 20 m to the west and therefore had to resubmit its application. Application No. 1397560 was submitted on April 22, 2005.

Since the Conoco well is proposed to be drilled from the same lease site as the Ketch well, the Board determined that it would be appropriate to also hear discussions regarding the possibility of hearing Application No. 1397560 consecutively or concurrently with the review of Well Licence 0313083.

2 PREHEARING MEETING

Having regard for the unresolved concerns of potentially directly and adversely affected parties, the Board directed that Well Licence 0313083 be considered at a public hearing. The Board further decided that before scheduling a hearing, it would be useful to obtain additional information from the interested parties to ensure that the public hearing would be conducted in the most efficient and effective manner possible. Consequently, the EUB held a prehearing meeting in Pigeon Lake, Alberta, on July 11, 2005, before Presiding Board Member J. R. Nichol, P.Eng., Board Member T. M. McGee, and Acting Board Member D. K. Boyler, P.Eng.

At the prehearing meeting, the Board received input from the applicant and interested parties on a number of issues, including

- the scope and purpose of the hearing,
- relevant issues to be examined,
- if related applications (Ketch's proposed pipeline and facility or Conoco's proposed well) should be heard (concurrently or consecutively) with the review of Licence No. 0313083,
- timing and location of the public hearing,
- procedures, and
- participant roles.

The Board did not hear evidence, submissions, or arguments pertaining to the merits of the proceeding, the applications, or objections; these will be heard at the public hearing.

Those who spoke at the prehearing meeting are listed in Appendix 1.

Since all input from the parties was received at the prehearing meeting, for purposes of this decision the Board considers the record to have closed on July 11, 2005.

3 IDENTIFICATION OF ISSUES

Regarding the issues that are to be considered at the hearing, the Board is not prepared to exclude at this time any of the issues raised by the parties at the prehearing meeting. Participants are cautioned that any matters that arise later and are not specifically detailed here must be set out and supported clearly in the submissions, described in Section 6 of this report. During the upcoming hearing, the Board will ultimately assign the appropriate weight to all issues brought forward, depending on their relevance. The issues that the Board will hear at the hearing are

- corporate structure as it relates to Crossfield Gas Corporation, Bear Creek Energy Ltd., and Ketch Resources Ltd.
- location of the Ketch 1-27 well and its proposed pipeline and facility
- emergency response plan and egress issues
- environmental effects
 - location of the lease in a swamp and drilling the well in a watershed recharge area
 - contamination of water
 - contamination of air
 - dust
 - noise
 - abandonment and reclamation
- human health—sulphur intolerance
- cumulative impacts
- operational issues
- adequacy of public consultation, communications, and community relations
- land-use impacts
 - impact of wells on recreational property values
 - lifespan of wells and associated facilities
- coordinated development with other operators
- public interest

To ensure an effective and fair hearing, the Board will only consider issues that are relevant and directly related to the review hearing and the additional Ketch facility and pipeline applications. The Board encourages the parties to state their issues concisely and to focus on them.

4 DETERMINATION ON CONOCO'S PROPOSED WELL

Ketch and Conoco requested that Conoco's proposed well be heard separately, not consecutively or concurrently with the review of Well Licence 0313083. The remaining parties requested that due to the nature of the application, Conoco's proposed well be heard either consecutively or concurrently with the review of the licence.

The Board has determined that since Conoco's proposed well application is a separate matter, it will be heard separately and on its own merits.

5 PARTICIPATION AT THE PUBLIC HEARING

5.1 Standing

In identifying who may participate at a public hearing, the Board is governed first by Section 26 of the *Energy Resources Conservation Act (ERCA)*, which provides that those persons whose rights may be directly and adversely affected by the approval of an energy facility are entitled to an opportunity to lead evidence, cross-examine, and give argument—in short, to full participation at a hearing, or “standing.”

Others who may not be able to meet the standing test (for example, those persons not situated in the designated proximity to a proposed facility) are not afforded these participation rights by the statute. However, it is the long-standing practice of the Board that should a hearing be held, it will allow those persons who would otherwise not have standing to participate to some extent at a public hearing, provided that they offer relevant information. Determination of the level of participation of such parties is made on a case-by-case basis. However, funding to cover costs, as described below, is not normally available to persons who may participate but who do not have standing.

The Board cautions that participation at the public hearing is also predicated on persons complying with the EUB's *Rules of Practice* regarding the presentation of evidence and procedural matters. For example, persons who do not file their own evidence and that of their experts by the prescribed deadlines (as more particularly outlined below) may be denied the opportunity to submit that evidence at the hearing. It is important that parties respect the deadlines established by the Board in order to provide fairness to all parties that are participating in the proceeding and to maintain an orderly and efficient process leading to the oral hearing.

5.2 Local Intervener Costs

Parties that are entitled to participate at a public hearing under Section 26 of the *ERCA* may also qualify for funding so that they may effectively and efficiently present their interventions. Such funding is referred to as “local intervener costs” and is provided for under Section 28 of the *ERCA*. This section grants the Board the discretion to award costs to participants that have an

“interest in land” that may be directly and adversely affected by the approval of an energy project. When such awards are given, the Board directs the applicant company to pay the costs.

The Board notes the following regarding costs:

- A finding of local intervener status does not automatically mean that the Board will approve all or any costs incurred by any specific local intervener.
- Costs must be shown to be reasonable and necessary to the intervention, as well as meet the requirements of Part 5 of the *Rules of Practice*.
- The Board must also find that the intervention added to its understanding and appreciation of the relevant issues before costs or a part of them are approved.
- Duplication of effort on common issues by two or more interveners or excessive representation on issues that are clearly common to a number of participants will not likely result in more than one set of costs being approved in the absence of special circumstances.
- Parties are advised to review Part 5 of the *Rules of Practice* and *Guide 31A: Guidelines for Energy Cost Claims* to acquaint themselves with the cost regime administered by the Board.

The Board strongly encourages individuals who share a common purpose and concerns to pool their resources and present a collective intervention. Such pooled interventions are usually effective and efficient, as they eliminate duplication of effort and costs that may occur when several individual residents present essentially the same intervention.

6 PROCEDURAL MATTERS

At the prehearing meeting, the Board did not hear any requests for a deviation from the EUB’s normal hearing procedures or sitting times. As such, the Board will deal with matters related solely to the review of Well Licence 0313083 and Ketch’s associated pipeline and facility applications and intends to follow the usual procedures for a hearing, as outlined in the *Rules of Practice*.

7 LOCATION AND TIMING OF THE HEARING

At the prehearing meeting, the parties were in general agreement about the timing of the hearing, with the applicant requesting September and the interveners requesting accommodation of counsel’s schedule but not indicating a preference. As such, the Board is prepared to hear the applications commencing on October 5, 2005.

In determining the schedule, the Board has taken into account the timing of the release of this report and the scheduled hearing date. In order to meet this schedule, the applications must be considered technically complete by the Board by August 22, 2005. As such, all supplemental information required by the Board (including emergency response plans for the facility and pipeline applications) must be submitted to the Board by the applicant with enough time for review prior to this deadline. Accordingly, provided the applications are considered technically complete by August 22, 2005, the Board directs that the following schedule regarding submissions be followed:

Filing Schedule

Item	Date
Applications technically complete and Notice of Hearing issued	August 22, 2005
Interveners file submissions	September 19, 2005
Ketch files a response to the interveners' submissions	September 26, 2005
Hearing commences	October 5, 2005

In the event of material changes to the circumstances surrounding the application, the Board, as is its normal practice, will consider, on its own initiative or upon application from any party, whether changes to the schedule are warranted and appropriate.

The Board will issue a formal notice of hearing once the applications are technically complete. A copy of the notice will be sent directly to each party that may be directly and adversely affected and to those that have expressed an interest in the proceedings.

Dated in Calgary, Alberta, on August 3, 2005.

ALBERTA ENERGY AND UTILITIES BOARD

(Original signed by)

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

(Original signed by)

T. M. McGee
Board Member

(Original signed by)

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

APPENDIX 1 PREHEARING PARTICIPANTS

Principals
(Abbreviations used in report)

Representatives

Ketch Resources Ltd. (Ketch)

K. Miller

ConocoPhillips Canada Resources Corp. (Conoco)

B. Batten

B. Batten

K. Jones

D. and B. Haut

R. Secord

M. and J. Black

T. and B. Belec

H. Kwiatkowski

R. Lawson

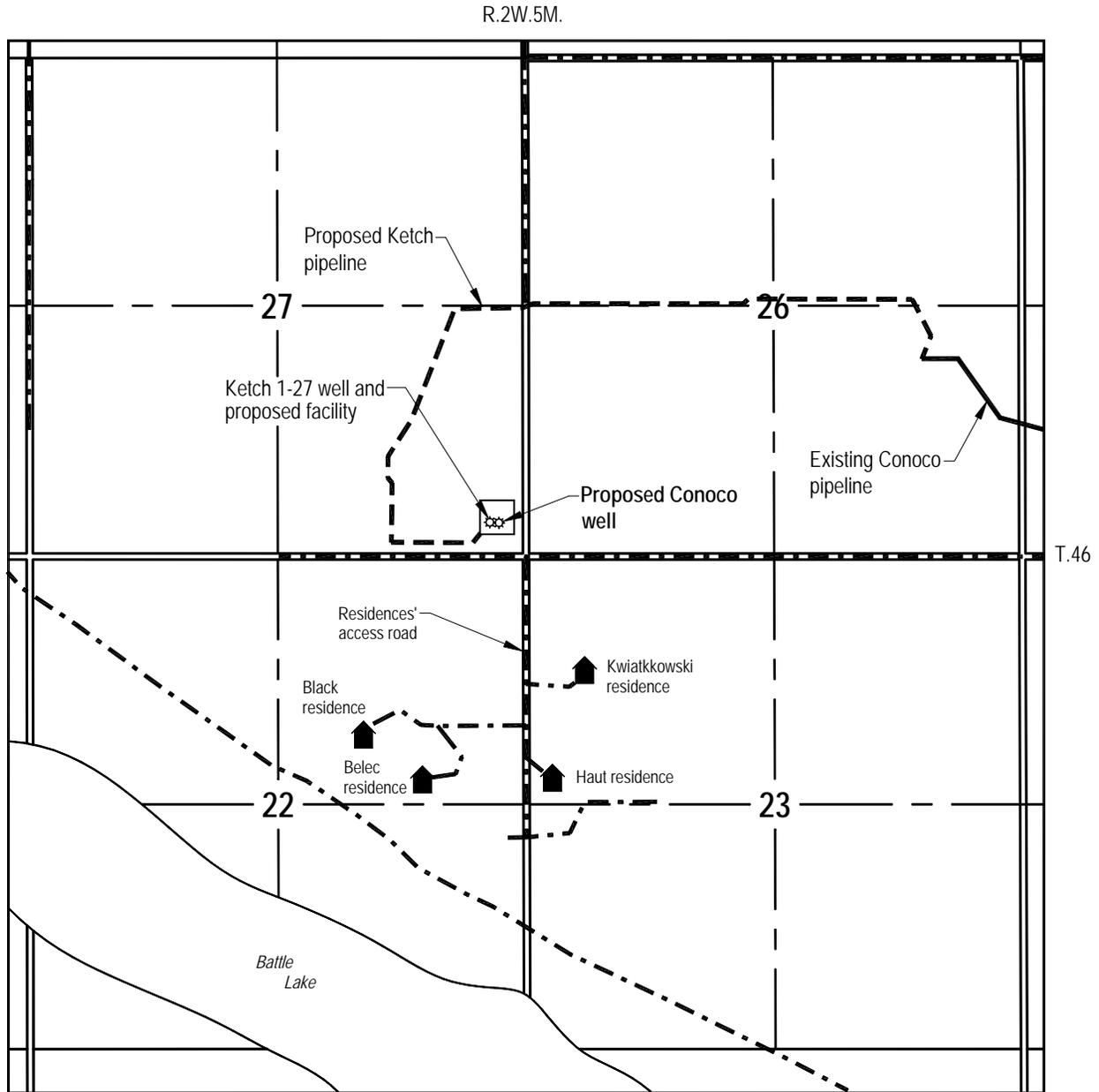
R. Lawson

Alberta Energy and Utilities Board staff

D. Brezina, Board Counsel

C. Giesbrecht

E. Simpson



Legend

-  Gas well
-  Pipeline
-  High grade gravel road
-  Residence

Project map