

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**STANDARD ENERGY INC.
APPLICATION FOR TWO PIPELINES AND A FACILITY
GRANDE PRAIRIE FIELD**

**Decision 2005-089 Errata
Applications No. 1374597
and 1386424**

The Alberta Energy and Utilities Board (EUB/Board) issued *Decision 2005-089* on August 9, 2005. The Board has since discovered errors in three paragraphs.

In Section 2: Introduction on page 1, the sixth line of the first paragraph reads, “The two pipelines are 800 kilometres (km) in length and would run parallel to each other in the same trench.” The sentence, with the change in bold, should read, “The two pipelines are **800 metres (m)** in length and would run parallel to each other in the same trench.”

In Section 2.2: Intervention on page 2, the first line of the first paragraph reads, “Alex McDonald and Shelly McDonald (the McDonalds) own the northeast quarter of Section 25-71-5W6M, the land on which the proposed pipelines and facility would be located (see attached map).” The sentence, with the change in bold, should read, “Alex McDonald and **Shelley** McDonald (the McDonalds) own the northeast quarter of Section 25-71-5W6M, the land on which the proposed pipelines and facility would be located (see attached map).”

In Section 3.1: Views of the Applicant on page 3, the fourth line of the fifth paragraph reads, “It noted that it had further interests in Section 25-71-4 W6M and in Sections 19 and 20-71-4 W6M and that it had plans to drill up to six new wells in the summer of 2005.” The sentence, with the change in bold, should read, “It noted that it had further interests in section **25-71-5 W6M** and in Sections 19 and 20-71-4 W6M and that it had plans to drill up to six new wells in the summer of 2005.”

The Board considers that the corrections to the paragraphs as noted above properly reflect the evidence and the Board’s intention in *Decision 2005-089*. Therefore, the Board approves the above-noted corrections to *Decision 2005-089*.

Dated in Calgary, Alberta, on August 24, 2005.

ALBERTA ENERGY AND UTILITIES BOARD

<original signed by>

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



Standard Energy Inc.

Application for Two Pipelines and a Facility
Grande Prairie Field

August 9, 2005

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2005-089: Standard Energy Inc., Application for Two Pipelines and a Facility, Grande Prairie Field

August 9, 2005

Published by

Alberta Energy and Utilities Board
640 – 5 Avenue SW
Calgary, Alberta
T2P 3G4

Telephone: (403) 297-8311
E-mail: eub.info_services@eub.gov.ab.ca
Fax: (403) 297-7040
Web site: www.eub.gov.ab.ca

CONTENTS

1	Decision	1
2	Introduction.....	1
2.1	Applications.....	1
2.2	Intervention.....	2
2.3	Hearing	2
2.4	Preliminary Matters	2
3	Issues.....	2
3.1	Views of the Applicant.....	2
3.2	Views of the Interveners.....	4
3.3	Views of the Board.....	5
	Appendix 1 Hearing Participants.....	9
	Area Map	10

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**STANDARD ENERGY INC.
APPLICATION FOR TWO PIPELINES AND A FACILITY
GRANDE PRAIRIE FIELD**

**Decision 2005-089
Applications No. 1374597
and 1386424**

1 DECISION

Having carefully considered all of the evidence, the Alberta Energy and Utilities Board (EUB/Board) hereby approves Applications No. 1374597 and 1386424. The Board also considered the associated site-specific emergency response plan (ERP) as part of the hearing. The Board is satisfied that the ERP is complete and directs EUB staff to issue the appropriate approvals in due course.

2 INTRODUCTION

2.1 Applications

Application No. 1374597

Standard Energy Inc. (Standard) applied to the EUB in accordance with Part 4 of the *Pipeline Act* for approval to construct and operate two pipelines. The purpose of the first pipeline would be for transporting natural gas from a well located in Legal Subdivision (LSD) 9, Section 25, Township 71, Range 5, West of the 6th Meridian (the 9-25 well/well site), to a pipeline tie-in point at LSD 1-36-71-5W6M. The purpose of the second pipeline would be to transport fuel gas from LSD 1-36-71-5W6M to the 9-25 well site. The two pipelines are 800 kilometres (km) in length and would run parallel to each other in the same trench. The first pipeline would have an outside diameter of 114.3 millimetres (mm) and would carry natural gas with a hydrogen sulphide (H₂S) content of 15.00 moles per kilomole (mol/kmol) (1.5 per cent), with a corresponding calculated emergency planning zone (EPZ) of 0.195 km. The second pipeline would have an outside diameter of 60.3 mm and would carry fuel gas with an H₂S content of 0.00 mol/kmol (0.00 per cent). Both proposed pipelines would be operated as level-1 pipelines and would be located about 7 km east of Grande Prairie.

Application No. 1386424

Standard applied to the EUB pursuant to Section 7.001 of the *Oil and Gas Conservation Regulations* requesting approval to construct and operate a single-well gas battery at the 9-25 well site. The battery would consist of a line heater skid, separator skid, knockout tank, and flare stack. The facility would be licensed for a maximum H₂S content of 15.00 mol/kmol (1.5 per cent), with a corresponding calculated EPZ of 0.525 km. Standard submitted a site-specific ERP. The purpose of the battery would be to separate and measure production from a newly drilled gas well at the same location.

2.2 Intervention

Alex McDonald and Shelly McDonald (the McDonalds) own the northeast quarter of Section 25-71-5W6M, the land on which the proposed pipelines and facility would be located (see attached map). The McDonalds wanted Standard to agree to a list of terms and conditions before they would agree to the pipeline going on their land. The main issues from the list of terms and conditions that Standard and the McDonalds could not agree upon were the removal of the pipeline upon abandonment and that the production stream through the pipeline should be limited to that of the 9-25 well site. The McDonalds also believed that the hiring of an independent third-party construction monitor, at Standard's expense, was an outstanding issue.

2.3 Hearing

The Board initially scheduled a public hearing to be held on May 26, 2005. On April 29, 2005, the Board received a request for a rescheduling of the hearing from the McDonalds and granted the request, with the rescheduled hearing to commence on May 30, 2005.

The EUB held a public hearing in Grande Prairie, Alberta, on May 30, 2005, before Board Member J. R. Nichol, P.Eng. (Presiding Member) and Acting Board Members D. K. Boyler, P.Eng., and C. A. Langlo, P.Geol. A site visit was conducted on May 29, 2005, by the Board panel and staff. There were no undertakings and, as such, the final evidence date is deemed May 30, 2005. Those who appeared at the hearing are listed in [Appendix 1](#). The Board considers the record for this hearing to be closed on May 30, 2005.

2.4 Preliminary Matters

At the commencement of the hearing, Standard advised that it and the McDonalds agreed upon the proposed pipeline routing reflected in Option 2 from Standard's submission. Standard acknowledged the need to revise its base plan maps attached to Application No. 1374597 to reflect the new pipeline routing, if the pipelines are approved.

3 ISSUES

The Board notes that the McDonalds did not question the need for the pipeline or the facility and had no outstanding concerns about the facility application. The Board considers the issues respecting the applications to be in regard to the pipeline application only:

- conditioning of the pipeline licence for the removal of the pipelines upon abandonment,
- limiting of the production stream through the pipelines to that of the 9-25 well only, and
- the use of an independent third-party construction monitor, at Standard's expense to oversee soil handling practices.

3.1 Views of the Applicant

Standard stated that it was an exploration and production company incorporated in November 2003 and that it had acquired the subject property in November 2004 from EnCana Corporation

(EnCana). Standard indicated that its need for the proposed pipelines and battery were based on two factors. The first was a condition of the acquisition of the properties from EnCana that stated that the 9-25 well be tied in for production. The second factor was that bringing the 9-25 well on production would roughly double the applicant's current output of about 80 to 100 barrels of oil a day (equivalent). Standard further stated that the 9-25 well was completed and was awaiting tie in. From its initial tests during drilling and its experience with wells in similar zones in the vicinity, it estimated that the potential production lifespan of the well could be anywhere from 5 to 20 years.

Standard stated that the facility was required to measure the gas from the 9-25 well and that fuel gas was required at the facility for a line heater. It further stated that the gas flow from the 9-25 well would ultimately end up at Talisman's Teepee Creek plant. Standard confirmed that flaring at the facility would only occur in emergency situations and for maintenance to depressurize the pipeline system and facility equipment.

Standard noted that the McDonalds did not contest the need for the pipeline or the facility. It believed that the only outstanding issues related to the pipeline application were the McDonalds' request that the pipeline be removed from the ground upon abandonment and that it not be used for any production streams other than that of the 9-25 well.

Standard stated that its facility application and the site-specific ERP were deemed by EUB staff to be complete. However, Standard acknowledged that it had not yet been given approval by the Board.

Standard did not agree to the McDonalds' condition that the pipeline only be used for the production stream from the 9-25 well. It argued that the pipeline was a valuable company asset, as it could be used to transport gas from its own future wells planned for the area, as well as gas from other companies' wells. It noted that it had further interests in Section 25-71-4 W6M and in Sections 19 and 20-71-4 W6M and that it had plans to drill up to six wells in the summer of 2005.

Standard stated that the McDonalds' condition of removing the pipeline from the ground upon abandonment was an unreasonable request due to the fact that the pipeline may have a potential use beyond the life of the 9-25 well. Standard maintained that such a decision should be made at the time the line was abandoned, as this would be the best time to consider the cost benefit to not only the landowner and the pipeline owner, but also the general public. It argued, however, that even if there were no other potential wells to be tied in after the life of the 9-25 well, removal of the pipe from the ground upon abandonment was unnecessary and would cause additional surface disturbance and adverse environmental impacts on the land. Standard also acknowledged that the Board could mandate the removal of the pipeline in the future, if it deemed necessary. Standard noted a provision under the *Pipeline Act* for the removal of pipelines and that an intervener may, upon abandonment of a pipeline, apply for it to be removed from the ground. Standard also argued that conditioning a pipeline licence for removal of the pipe from the ground upon abandonment was not consistent with previous Board decisions.

With regard to the McDonalds' list of terms and conditions, Standard stated that many of the items were compensation issues that were outside the jurisdiction of the EUB. Standard stated

that it felt the underlying basis for the McDonalds' concerns was one of compensation. It pointed to the fact that the McDonalds stated they had no plans now or in the immediate future to subdivide their land for residential development.

While Standard stated that it did not completely disagree with the condition of having a third-party environmental monitor on site during construction and reclamation, it felt it should not have to pay for the cost of an additional individual when it already was providing for a qualified individual to perform these tasks. It maintained that it was committed to following all EUB and Alberta Environment regulations in effect at that time that pertained to the construction and reclamation of the pipelines and that its own construction monitor would ensure that those regulations were adhered to.

3.2 Views of the Interveners

The McDonalds stated that they were third-generation farmers in the area and that they farmed about 2900 acres, with nine quarter sections owned and another ten quarter sections rented. They stated that they farmed using "no till" or "minimal till" and that they considered maintaining the land in its present condition and protecting it from future liabilities important for future generations. The McDonalds stated that they did not question the need for the pipeline or the facility. They also stated that they did not have any issues with flaring at the facility as long as it was done in emergency and maintenance situations for a limited time period only.

The McDonalds stated that they felt the pipeline would have significant adverse impacts on the land, not only during the construction, but also for at least three years afterward. They explained that it typically takes at least three years for crops to fully recover from the soil disturbances caused by lease and pipeline construction. They explained that the initial disturbance of the construction would impact crop quality, which would result in additional passes with farming machinery in order to selectively harvest the crops. As well, unnecessary overlapping would occur, as the pipeline and lease would need to be negotiated around. The McDonalds pointed to the fact that they had had to deal with pipelines on other lands they owned or rented. They stated that it was a significant inconvenience to have to negotiate around areas where subsidence had occurred. The McDonalds acknowledged that although they would be able to farm over the pipeline after the soil had been replaced, the facility would remain a permanent obstruction to be negotiated around. They pointed out that it was an inconvenience to have companies deal with subsidence issues after the fact. The McDonalds concluded that limiting the lifespan of the facility by limiting the production stream through the pipeline to only that of the 9-25 well was their preferred option. They also argued that banks would view an abandoned pipeline as a type of liability to their farm, which would affect future financial dealings.

The McDonalds stated that pulling the pipe out of the ground after it had been abandoned could be done without as much of an adverse impact on the land and farming practices as putting the pipe into the ground. They argued that a company that brought something onto their land should also take it away when it was finished with it. The McDonalds stated that while they accepted the practice of cutting and capping abandoned wellbores, they believed the removal of pipelines should be the standard industry practice. The McDonalds acknowledged that there was a provision in the *Pipeline Act* that allowed for a company to apply for the removal of pipelines, but believed that it rarely happened. They questioned why any company would ever make such

an application when it did not have to, as it would be an unnecessary added cost. The McDonalds further acknowledged that they did not know that the provision in the *Pipeline Act* also allowed for a landowner to make the same application.

Regarding the issue of their list of terms and conditions, the McDonalds provided some clarification on the issues to which Standard did not agree. The McDonalds clarified that they wanted to limit the production stream through the pipeline to only the 9-25 well and that they had no issue with the fuel gas line being laid in the same trench as the production line. The McDonalds maintained that they should be able to hire their own environmental monitor at the cost of the company to ensure that good construction practices and stewardship were followed during the construction and reclamation of the pipeline. They further argued that it was within the Board's jurisdiction to rule on this matter, as they felt that there was no other regulatory body to turn to. The McDonalds noted that they were nervous about Standard's operational practices and policies because it was a small company with no track record. The McDonalds confirmed that some of their issues from the list of terms and conditions were compensation based and that some others did not apply specifically to this project.

The McDonalds stated that they had no current or immediate plans for subdividing their land for residential development purposes. They stated that their land was currently zoned as agricultural and that they did not intend to apply to change that zoning within the next 12 months. The McDonalds pointed to a country residential subdivision to the southwest of their land and stated that they felt it was only a matter of time before subdivision pressures were put on their land. They further added that they had not previously subdivided and sold any land because their financial situation had not warranted it.

3.3 Views of the Board

The Board notes and accepts that an agreement was reached between Standard and the McDonalds regarding the routing of the pipeline prior to the commencement of the hearing. The Board further notes and accepts the change in pipeline routing to that of Option 2, the agreed-upon routing, from Standard's submission. The Board is satisfied there is a need for the pipelines and facility and recognizes that the McDonalds did not question the need for the pipelines or the facility. The Board also notes that the McDonalds have no issues with flaring at the facility as long as it only occurs in emergency situations and for maintenance to depressurize the pipeline system and facility equipment. The Board is satisfied that the applications meet all of the EUB's technical requirements and is therefore prepared to approve the applications. Issuance of the licences respecting Application No. 1374597 is subject to the filing of the necessary documentation to reflect the change in pipeline routing as agreed to by the parties at the commencement of the hearing.

With respect to the McDonalds' request that the pipeline be restricted to transporting production from only the 9-25 well, the Board does not believe that it would be appropriate to do so at this time. Given that Standard has interests in other sections of undeveloped land in the area and plans to drill up to an additional six wells in 2005, the Board is concerned that the conditioning of the applied-for pipeline licence in this manner could result in the proliferation of pipelines in this area. The Board feels that pipelines should not be abandoned until they have reached the end of their useful life. The Board recognizes that the end of the useful life of a pipeline is not

necessarily easy to define. Pipelines very often give service after their original purpose has ended, even after the abandonment of the original wells feeding those pipelines. The Board is therefore not prepared to condition the pipeline licence to restrict it to handling production from the 9-25 well only.

Regarding the McDonalds' request that the pipeline licence be conditioned to require the removal of the pipeline upon abandonment, the Board acknowledges that it has the authority to attach such a condition under Section 9(1) of the *Pipeline Act*. However, as indicated in EUB *Decision 2002-101: Centrica Canada Limited*, the Board further notes that the inclusion of a removal condition in an approval does not "guarantee" that a pipeline will be removed by a pipeline licensee. Under its current regulatory regime, the EUB requires that a pipeline abandonment application be filed by a licensee before a pipeline can be physically removed. This pipeline abandonment application would be subject to review on its own merits. Having regard for the above, the EUB's practice is to consider the appropriate abandonment procedure at the time the pipeline is no longer required.

Pursuant to the provisions of the *Pipeline Regulation and Guide 56: Energy Development Applications and Schedules*, the EUB has established a separate process for the abandonment and removal of pipelines when they are not required, which is activated at the abandonment stage of a pipeline. Pipeline abandonment is defined as the permanent deactivation of a pipeline in a manner prescribed by the regulations; this includes any measures required to ensure that the pipeline is left in a permanently safe and secure position. The physical removal of a pipeline (including a portion of a pipeline) is addressed by filing a pipeline abandonment application. When abandoning a pipeline, the licensee must

- a) conduct notification with potentially directly and adversely affected parties along the entire pipeline right-of-way and those affected by setbacks prior to any abandonment procedures;
- b) ensure that proper abandonment procedures are in place; and
- c) submit a licence amendment application notifying the EUB's Facilities Applications group of the abandonment within 90 days of the pipeline abandonment.

Having regard for the above, the Board is of the view that notification in accordance with *Guide 56* provides all parties affected by the abandonment (including the landowner where the pipeline is located) an opportunity to advise the licensee of any concerns, including a removal request, before operations to abandon the pipeline commence. The Board believes that this is the most appropriate time to consider a removal request, when all of the existing factors, both for and against such a request, can be considered in the context of the situation that exists at that time. Accordingly, the Board is not prepared to condition the pipeline licence to require that the pipeline be physically removed from the ground by the licensee upon abandonment.

In addition to the above pipeline abandonment process, all parties affected by a pipeline can also initiate a separate process for the Board to decide whether a particular pipeline should be removed by filing an application to the Board. An affected party can do this in a letter or other written submission that addresses the matters relevant to the question of whether the Board should authorize or order removal of the pipeline. Again, the Board would review this application following its normal processes and render a decision.

Although previously noted in EUB *Decision 2002-101*, the Board wishes to reconfirm its current practices and policies with respect to pipeline matters as follows:

- All pipelines remain on EUB records, whether or not the pipelines are operating, discontinued, or abandoned.
- Pipelines, in the ordinary course, do not need to be removed upon abandonment.
- The best time to determine abandonment procedures is when the pipelines are no longer required and better information might be available to consider all of the impacts.
- Parties that may be directly and adversely impacted have the right to object to any proposed abandonment procedure.
- Costs for a future proceeding related to a bona fide objection to any abandonment procedure would be determined through local intervener cost rules in force at the time of the proceeding.
- At any time during the pipeline's life, landowners and other affected parties could approach the Board for remedies, such as moving or removing the pipeline, if the pipeline was having unacceptable impacts.
- Landowners or other affected parties can ask the Board to revisit these issues and remedy adverse situations, even after approval to abandon the pipeline in place has been granted.
- The right to object or to revisit these issues exists regardless of any agreement that the parties might have otherwise signed.

The Board believes that these EUB practices and policies, along with existing legislative provisions and statutory protections, can address the McDonalds' concerns with respect to the future impacts that the proposed pipeline might have on the use of their land and to potential liabilities that might arise.

The Board notes that there was some discussion respecting the other conditions requested by the McDonalds. However, the Board also notes that they indicated in their closing argument that they did not expect the Board to comment specifically on these additional conditions, with the exception of the condition that an independent third-party construction monitor be on site during construction at the expense of the applicant. The Board acknowledges the impacts that the pipeline construction will have on the land, as well as on farming practices. The Board is satisfied and notes that Standard has committed to having its own construction monitor on site during construction and reclamation and that the monitor will ensure that all pertinent regulations regarding soil-handling practices will be adhered to. As such, the Board is not prepared to require that Standard provide for the cost of an independent third-party monitor. Considering the McDonalds' position stated in their closing arguments, the Board will not comment on the remaining terms and conditions brought forth by the McDonalds.

Dated in Calgary, Alberta, on August 9, 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)

C. A. Langlo, P.Geol.
Acting Board Member

APPENDIX 1 HEARING PARTICIPANTS

**Principals and Representatives
(Abbreviations used in report)****Witnesses**

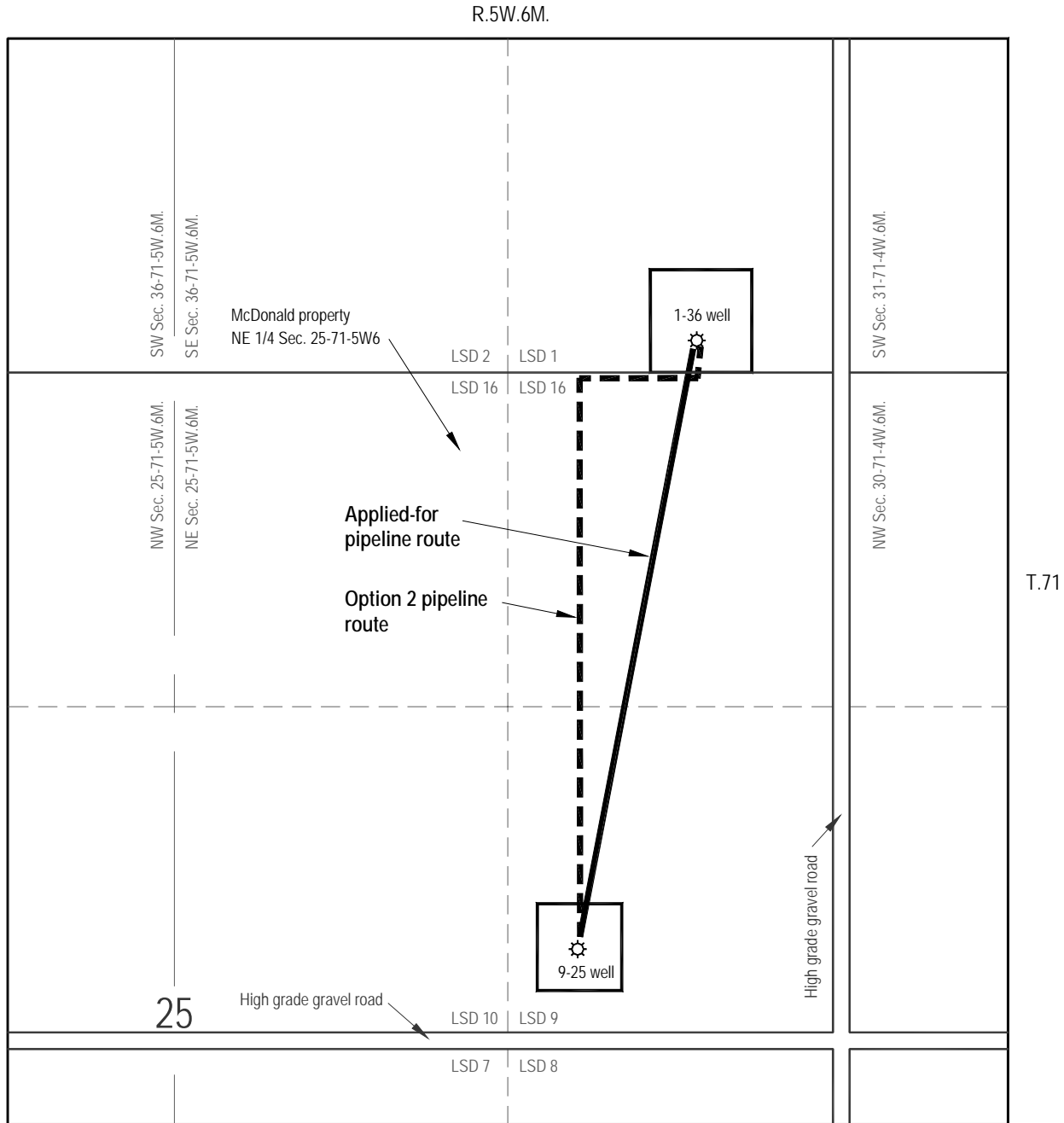
Standard Energy Inc. (Standard)
E. Boomer

R. Wiebe
D. Michaud, P.Eng.,
of O'Rourke Engineering Ltd.
K. Spencer, P.Eng.
B. Patrick

A. and S. McDonald (the McDonalds)
J. D. (Darryl) Carter, Q.C.

A. McDonald

Alberta Energy and Utilities Board staff
T. Bews, Board Counsel
P. Didow
E. Knox, C.E.T.



Area map