



West Energy Ltd.

Prehearing Meeting

Applications for Two Well Licences
Pembina Field

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2006-116: West Energy Ltd., Applications for Two Well Licences, Pembina Field

November 21, 2006

Published by

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

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

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**WEST ENERGY LTD.
APPLICATIONS FOR TWO WELL LICENCES
PEMBINA FIELD**

**Decision 2006-116
Applications No. 1451106 and 1459453**

1 APPLICATIONS

West Energy Ltd. (West) applied to the EUB, pursuant to Section 2.020 of the *Oil and Gas Conservation Regulations (OGCR)*, for licences to drill two level-2 sour crude oil wells from the common surface location of Legal Subdivision (LSD) 4, Section 1, Township 50, Range 7, West of the 5th Meridian (the 4-1 well site). Application No. 1451106, filed on March 8, 2006, is for a directional well from the 4-1 well site to a proposed bottomhole location of LSD 16-35-49-7W5M, and Application No. 1459453, filed on May 4, 2006, is for a vertical well also to be drilled from the 4-1 well site. The purpose of the proposed wells is to obtain crude oil production from the Nisku Formation. Both wells are expected to contain 160 moles per kilomole (16 per cent) hydrogen sulphide. The related drilling, completion, and servicing emergency planning zones (EPZs) are expected to be 4.29 kilometres (km), while the suspended or producing EPZ is expected to be 1.32 km. The proposed wells are to be located about 3.2 km west of the Hamlet of Rocky Rapids, Alberta.

2 OBJECTIONS

A number of residents and landowners in the vicinity of the proposed development expressed concerns about various aspects of the applications, such as public safety, emergency response planning, impacts related to air and water quality, and area development. In addition, a number of individuals who reside within the Hamlet of Rocky Rapids or within the proposed projects' vicinity formed a group called the Rocky Rapids Concerned Citizens (RRCC).

3 PREHEARING MEETING

The Board decided to hold a prehearing meeting to determine the relevant issues to be considered at a hearing on the applications, as well as the timing and location of the hearing and other procedural matters.

The prehearing meeting was held in the Hamlet of Rocky Rapids, Alberta, on October 30, 2006, before Presiding Board Member A. J. Berg, P.Eng., Board Member J. R. Nichol, P.Eng., and Acting Board Member W. G. Remmer, P.Eng.

Those who registered and participated at the prehearing meeting are listed in Appendix 1.

The Board requested that the participants express their views on the following items:

- scope and purpose of the hearing, including relevant issues to be examined,
- timing and location of the hearing,
- procedures to be used in the hearing,

- participants and their roles in the hearing,
- funding of the participants, and
- any other matters as necessary.

The Board did not hear evidence, submissions, or arguments pertaining to the merits of the applications or to the objections. Parties will be given the opportunity to present evidence, cross-examine witnesses, and make arguments regarding the merits of the applications at the upcoming public hearing.

4 STANDING AND INTERVENER COSTS

In the determination of who may be granted full participation rights at a hearing, the Board is governed by Section 26 of the *Energy Resources Conservation Act (ERCA)*. Section 26 states that those individuals who have demonstrated to the satisfaction of the Board that the proposed development may directly and adversely affect them be designated as having “standing.”

In regard to the proposed West wells, those persons who have demonstrated standing are those who reside within the proposed wells’ 4.29 km EPZ. The Board notes that West agreed that these individuals would have standing with respect to these applications.

During the prehearing meeting, the representative for the Hagemans argued that the Board should consider expanding the definition of standing to include those persons who reside within the emergency awareness zone (EAZ), as well as to those who work within the EPZ but reside outside of it. After a review of the information, the Board has denied this request on the basis that there was no evidence presented to support how persons residing within the EAZ and who are more than 4.2 km away from the wells may be impacted by the proposed development.

During the prehearing meeting, Brazeau County (the County) presented itself as a concerned party and requested intervener status. Brazeau County stated that the safety of its constituents and its legal obligations as prescribed under the *Disaster Services Act* were the reasons for its request.

The Board notes that the County is a local authority that has responsibilities under the *Disaster Services Act*, as well as under the *Municipal Government Act*. The applications in question do not affect its authority under these acts. In particular, a local authority must ensure that its emergency response plan (ERP) is coordinated with the site-specific response plan proposed by the applicant.

The Board finds that the County has not shown the manner in which these applications may directly and adversely affect its rights. Nonetheless, the Board considers that the full participation by the County by way of submission of evidence, cross-examination, and argument on issues of concern to the County in the hearing would be of significant value and assistance to the Board.

A person who is granted standing may qualify for local intervener costs under Section 28 of the *ERCA*, which grants the Board the authority to award cost claims to participants that have an “interest in land” and that may be directly and adversely impacted by an approval of an energy development. The Board directs the applicant to pay such awards to the intervener. Part 5 of the

Alberta Energy and Utilities Board Rules of Practice and *EUB Directive 31A: Guidelines for Energy Cost Claims* provide details on the costs that may be recovered and the test and process used by the Board to determine a costs award.

Duplication of efforts on common issues of concern by two or more intervening parties may result in only one set of costs being approved in the absence of unique circumstances. As such, the Board strongly encourages individuals who share a common concern to pool their resources and present a collective and effective intervention, thereby eliminating any duplication and overlapping of effort and costs. The Board notes that a number of individuals with similar concerns have formed into the RRCC.

An intervener may file a request for advance intervener funding in accordance with Sections 50 and 51 of the *Rules of Practice*. A budget of the intervener's anticipated costs must be submitted with the request for advance funding. The Board has provided time in the hearing schedule detailed below to submit such requests. The Board may award an advance of funds to an intervener if the intervener has demonstrated a need for financial assistance to address relevant issues in a hearing

Further, the Board asked parties to consider discussing and coming to agreement on some of the advance funding issues to expedite the engagement of any consultants and avoiding the need for the Board to adjudicate on matters that the parties could voluntarily agree upon themselves.

5 ISSUES OF CONCERN TO BE CONSIDERED AT THE HEARING

As a result of the information given by the participants, the Board is of the view that the applications raise three main areas of concern, although other issues, such as the need for the wells, were not addressed at the prehearing. Therefore, on November 3, 2006, the EUB requested of West by way of letter (see Appendix 2) that information be provided to the EUB and to interested parties that would address the concerns outlined below. The Board notes that the list below is not exhaustive.

5.1 Area Development

The participants at the prehearing expressed concerns about potential future activity, including additional wells and pipelines, if the proposed wells were approved and successful.

5.2 Impacts

Concerns about the two proposed wells and the resulting potential impacts were expressed by numerous intervening parties. From the information provided by these individuals, the Board determined that there are three main categories of impacts (both for drilling and production operations) to be addressed at the upcoming hearing:

- safety/ERP impacts
 - flaring application
 - SO₂ and H₂S dispersion modelling
- environmental impacts
- proximity/property impacts
 - proximity risk assessment to be conducted for residences within 1.0 km of well site

The Board recognizes West's commitment to providing information such as flaring applications and plume dispersion modelling in response to the concerns expressed by interested parties.

The Board also asked the parties to consider engaging a common expert on modelling and on ERPs, so as to provide independent expert advice to the Board, reduce intervener costs, and address a possible shortage of experts.

5.3 Public Consultation

Public consultation efforts were brought forward at the prehearing meeting as an issue of concern by the intervening parties in attendance. The Board encourages all parties to make additional efforts to open communication channels, overcome language barriers, and help build good neighbour relations. The Board also heard assurances that parties would work together to ensure prompt responses to information requests (IR) from the interveners, early notification of expected information needs, and other types of cooperation. The Board encourages the parties to hold meetings as part of the IR process to improve understanding, clarify, and perhaps narrow the issues that must be considered at the hearing. The parties may wish to consider the need for a facilitator for these meetings.

6 TIMING AND LOCATION OF HEARING

At the prehearing meeting, the Board noted that parties proposed different schedules for the hearing. In determining the schedule, the Board took into account the request made by West for a hearing in February 2007, as well as the request made by the RRCC for the hearing to be scheduled in May 2007. Furthermore, the Board took into account the timing of the release of this prehearing decision report and submission of the information requested of West by the EUB in the letter of November 3, 2006.

Additionally, the Board heard concerns raised by intervening parties regarding the potential conflict with work schedules if a hearing were to be held during the day.

The Board, therefore, will commence the hearing on March 12, 2007, at 6:00 p.m., to allow for the participation of all intervening parties.

The Board directs the following schedule, which includes the submission of advance funding and information requests:

Hearing Schedule

Date	Action
November 30, 2006	Submission by West of EUB-requested information detailed in Appendix 2
December 19, 2006	Submission of advance intervener funding requests to EUB
January 9, 2007	Submission of interveners' information requests
January 30, 2007	Response by West to information requests
February 20, 2007	Interveners' submissions
March 6, 2007	West's response to interveners' submissions
March 12, 2007	Hearing commences

The Board notes that the RRCC requested that the hearing be held within the community of Rocky Rapids. The Board further notes that West did not contest the stated preferred location of the hearing. It is the Board's normal practice to hold energy hearings in or as near as possible to the involved community and to take into consideration the requests made by intervening parties. The Board is currently working towards accommodating such requests.

The Board notes that a site visit was conducted on October 29, 2006, prior to the opening of the prehearing meeting. The Board and its staff may conduct an additional site visit of the area prior to the hearing to gain a better understanding of the area of the proposed wells and its environs. If the participation of parties is deemed appropriate, the Board may invite representatives of intervening parties and West to participate in the site visit. If such participation is required, the Board will contact West and representatives of the intervening parties to make the appropriate arrangements.

Finally, the Board heard that electronic access to the application and transcripts would be of value to the participants. The Board will work towards the achievement of that goal.

A notice of hearing outlining the procedures and substance of submissions will be issued shortly.

Dated in Calgary, Alberta, on November 21, 2006.

ALBERTA ENERGY AND UTILITIES BOARD

<original signed by>

A. J. Berg, P.Eng.
Presiding Member

<original signed by>

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

<original signed by>

W. G. Remmer, P.Eng.
Acting Board Member

APPENDIX 1 PREHEARING PARTICIPANTS

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

West Energy Ltd. (West)

D. Holgate
D. Langen

Rocky Rapids Concerned Citizens (RRCC)

J. Klimek
D. Bishop

R. Kiehlbauch
S. Dusterhoff
G. Schmidt
C. Dodd
E. Belva

**RRCC members identified at prehearing
meeting:**

E. Belva
S. Cunningham
N. Combs and J. Combs
T. Dingwall and L. Dingwall
B. Dodd, C. Dodd, and family
R. Domke
D. Dunlop and M. Dunlop
L. Duperron
C. Dusterhoff and S. Dusterhoff
T. Joyce and M. Joyce
C. Kelly and P. Kelly
R. Kelly and S. Kelly
J. R Kiehlbauch and P. Kiehlbauch
D. Kisser
C. Lindsay
G. Mastre and L. Mastre
D. McGinn
L. McGinn
T. McGinn
R. Mulligan and C. Mulligan
K. Perryman
D. Schmidt, D. Schmidt, and son
D. Sullivan and D. Sullivan
M. Szewc and L. Szewc
D. Wiggins

E. Hagman and E. Hagman
O. Steiner

Brazeau County
K. Porter

Alberta Energy and Utilities Board staff
C. Ravensdale
D. Schroeder
E. Moore

APPENDIX 2 EUB LETTER DATED NOVEMBER 3, 2006, TO WEST ENERGY LTD.

In recognition of issues of concern expressed by intervening parties, the Board requested West Energy Ltd. to provide some additional information to the Board by November 30, 2006. The following requested information, excerpted from the complete letter sent to West, will be considered as part of the application and part of the proceeding record.

The Alberta Energy and Utilities Board held a pre-hearing meeting on October 30 2006 in Rocky Rapids, regarding applications 1451106 and 14559453 and the Board panel is currently addressing the process issues discussed at the meeting and will issue a decision in the near future.

However, recognizing concerns raised to clarify information and the need for a timely, effective and efficient hearing the panel has directed the EUB staff to issue this letter as soon as possible to allow West to immediately begin to develop a response in order to comply with the proposed hearing schedule which will be detailed in the Board's decision on the pre-hearing meeting.

Therefore the Board has directed West to develop and submit the following material by November 30 2006:

- A quantitative analysis of the hazards associated with an accidental release of sour gas (pre and post ignition) during drilling, completion, and production. As part of that evaluation, the Board also requests an assessment of the risks to the residences within a 1.0 km radius from the proposed well be conducted and supplied to the EUB for review. .
- Flare permit application
- Dispersion modeling from both H₂S and SO₂
- A discussion of potential pipeline routes and
- A discussion of future well development plans for the Area.

West must provide copies of the above- mentioned information to the interested parties who appeared at the pre-hearing meeting.