



Quicksilver Resources Canada Inc.

Application for a Well Licence Amendment
Honeysuckle Field

August 19, 2008

ENERGY RESOURCES CONSERVATION BOARD

Decision 2008-072: Quicksilver Resources Canada Inc., Application for a Well Licence
Amendment, Honeysuckle Field

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Published by

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ENERGY RESOURCES CONSERVATION BOARD

Calgary Alberta

**QUICKSILVER RESOURCES CANADA INC.
HONEYSUCKLE FIELD**

**Decision 2008-072
Application No. 1554650**

1 DECISION

Having considered the views of the parties regarding the holding of a hearing and the unique circumstances of this case, the Energy Resources Conservation Board (ERCB/Board) decides as follows:

- 1) Application No. 1554650 to amend Well Licence No. 0367489 to reflect the correct surface coordinates and ground elevation of the drilled well is approved, but the licence shall remain suspended.
- 2) An abandonment order shall be issued to Quicksilver Resources Canada Inc. (Quicksilver) regarding this well, with abandonment to take place with consultation and agreement from the landowner after the crop has been removed from the landowner's land this fall.
- 3) The hearing of this matter scheduled to commence July 22, 2008, has been cancelled.

2 INTRODUCTION

2.1 Application

On December 4, 2006, the Alberta Energy and Utilities Board (EUB), predecessor of the ERCB, granted Well Licence No. 0367489 to Quicksilver, in accordance with Section 2.020 of the *Oil and Gas Conservation Regulations (OGCR)*, for a single vertical gas well from a surface location at Legal Subdivision (LSD) 8 of Section 16, Township 46, Range 25, West of the 4th Meridian. The purpose of the well was to obtain coalbed methane production from the Edmonton Group and gas production from the Belly River Group. The well was drilled in December 2006.

On January 17, 2007, the EUB was notified by Quicksilver that the well drilled under Well Licence No. 0367489 had been drilled at the wrong location. On January 23, 2007, the EUB issued a Notice of Suspension on the well and directed Quicksilver to update the Board on the steps it was taking to bring the matter into compliance.

The EUB later advised Quicksilver to submit an application to amend the licence to address the issue of the well having been drilled in the wrong location and to provide notice of the application and the situation to the affected landowner and surrounding landowners.

On January 11, 2008, the ERCB received Application No.1554650 for the amendment of Well Licence No. 0367489. The application requested amendment of the surface coordinates and ground elevation of the well.

2.2 Intervention

The landowner affected by the well, Tillie Krause, objected to the amendment of the well licence. Ms. Krause was represented by her daughter, Donna Stone. Ms. Krause did not have an objection to the original, licensed location for the well. She objected to its actual location on a number of grounds, including that

- 1) Ms. Krause's agreement to the drilling of the well had been based on a different surface location;
- 2) Quicksilver had not provided her with any information with respect to where the drilling fluid was spread and where the access road was;
- 3) the well had been drilled within 48 metres of a water body;
- 4) the well impacted her plans for an acreage subdivision on the north corner of her property;
- 5) Quicksilver had delayed in advising her of the mistake;
- 6) the well as drilled was too close to her neighbour's land; and
- 7) Ms. Krause had been caused great stress and was upset by the drilling of the well in the wrong location, and the situation had caused significant discord among her children and her.

2.3 Hearing

The Board was scheduled to hold a public hearing in Wetaskawin, Alberta, on July 22, 2008, before Board Members M. J. Bruni, Q.C. (Presiding Member), G. E. Eynon, P.Geol., and J. D. E. Ebbels, LL.B.

A request was made on July 11 to extend the deadline for submissions prior to the hearing. Ms. Krause filed a submission as required on July 16. Quicksilver did not file a submission. The ERCB was advised by Quicksilver that same day that an agreement had been reached whereby Quicksilver would abandon the well. Quicksilver's counsel confirmed that Quicksilver would not be filing a submission and in fact would be withdrawing its application.

On July 17, Quicksilver sent a letter to the ERCB requesting to withdraw its application to amend the licence and advising that it would be abandoning the well as soon as proper authorizations and conditions were met to do so.

After meeting with the Board panel to discuss Quicksilver's letter, counsel for the ERCB sent a letter to the parties proposing a method by which the matter could be resolved procedurally and asking the parties' views on this. The letter set out that the Board could not accept Quicksilver's withdrawal of its application, as the licence must be amended to reflect the drilled location, both for the ERCB's records and for abandonment reasons. It stated that the ERCB understood that the parties had agreed that abandonment would occur in the fall after the crop on Ms. Krause's

land was removed and that neither party wished to proceed to hearing on this matter. The letter proposed that the licence could be amended to reflect the existing location but remain suspended and that an abandonment order could be issued to provide Quicksilver authorization to access the well for abandonment operations. The letter also proposed that withdrawal of the intervener's objection would allow the Board to amend the application without a hearing.

Counsel for Quicksilver sent another letter to the ERCB on July 18, advising that it still wished to withdraw its application to amend the licence, that it did not intend to attend the hearing of this matter, and that although it had agreed to abandon the well, no agreement had been reached as to timing of abandonment. It further advised that if necessary authorizations could not be obtained, the ERCB itself might have to abandon the well. Counsel for the intervener sent a letter to the ERCB on July 21, indicating that the intervener was prepared to withdraw her objection contingent on her understanding that a licence would be granted for the well, the well would immediately be suspended, and an abandonment order would be issued with respect to the well.

A Notice of Cancellation of Hearing was issued on July 21, 2008.

3 CONCLUSION

Having considered the positions of both parties, the Board finds that this matter of the well drilled in an unlicensed location is best addressed in the following manner:

- 1) the licence be amended to reflect the current surface coordinates and ground elevation of the well;
- 2) the licence remain suspended, such that Quicksilver cannot produce from the licensed well; and
- 3) the well be ordered abandoned, with abandonment operations to be conducted at a time acceptable to the landowner.

This addresses the concerns of the intervener and provides the applicant, by the abandonment order, with authorization to access the lands of the intervener for the purpose of abandonment. It also addresses the need for a licence to reflect the correct location of the well for the ERCB's records and for the abandonment and reclamation of the well.

Dated in Calgary, Alberta, on August 19, 2008.

ENERGY RESOURCES CONSERVATION BOARD

<Original signed by>

M. J. Bruni, Q.C.
Presiding Member

<Original signed by>

G. E. Eynon, P.Geol.
Board Member

<Original signed by>

J. D. E. Ebbels, LL.B.
Board Member