



# CENOVUS ENERGY INC.

Applications for 47 Well Licences  
Suffield Field

June 28, 2011

**ENERGY RESOURCES CONSERVATION BOARD**

Decision 2011 ABERCB 020: Cenovus Energy Inc., Applications for 47 Well Licences, Suffield Field

June 28, 2011

Published by

Energy Resources Conservation Board  
250 – 5 Street SW  
Calgary, Alberta  
T2P 0R4

Telephone: 403-297-8311  
Toll free: 1-855-297-8311  
E-mail: [Hinfoservices@ercb.caH](mailto:Hinfoservices@ercb.caH)  
Web site: <Hwww.ercb.caH>

## CONTENTS

Decision .....	1
Introduction.....	1
Applications .....	1
Intervention.....	1
Written Hearing .....	1
Regulatory Framework for Oil and Gas Development at CFB Suffield.....	2
ERCB <i>Decision 2009-051</i> .....	2
Preliminary Matters .....	2
Issues.....	3
Need for the Wells .....	4
Evidence.....	4
Analysis and Findings.....	4
Military Activities at CFB Suffield.....	4
Evidence.....	4
Analysis and Findings.....	6
Environmental and Cumulative Effects .....	6
Evidence.....	6
Analysis and Findings.....	7
Conclusion .....	8
Appendix 1 Proposed Well Locations .....	10
Appendix 2 Hearing Participants.....	11
Figure 1 Project Map.....	12



# ENERGY RESOURCES CONSERVATION BOARD

---

Calgary Alberta

**CENOVUS ENERGY INC.  
APPLICATIONS FOR 47  
WELL LICENCES  
SUFFIELD FIELD**

**2011 ABERCB 020  
Applications No. 1652695, 1652698,  
1652699, 1652700, 1652702, 1659427, 1659428, and 1659430**

---

## DECISION

[1] Having carefully considered all of the evidence, the Energy Resources Conservation Board (ERCB/Board) hereby approves Applications No. 1652695, 1652698, 1652699, 1652700, 1652702, 1659427, 1659428, and 1659430 (the Applications).

## INTRODUCTION

### Applications

[2] Cenovus Energy Inc. (Cenovus) applied, pursuant to Section 2.020 of the *Oil and Gas Conservation Regulations*, for licences to drill 47 gas wells from the surface locations listed in Appendix 1 and illustrated in Figure 1. The purpose of the wells would be to obtain sweet gas production (with no hydrogen sulphide content) from the Milk River Formation, Medicine Hat Sands, and Second White Speckled Shale.

[3] The area on which Cenovus proposed to drill the wells is on the Canadian Forces Base Suffield (CFB Suffield) in the experimental proving grounds (EPG) area designated for live-fire exercises and defence research and development activities. The proposed wells would be located about 8 kilometres northeast of the Town of Ralston, Alberta.

### Intervention

[4] The ERCB received an objection to the Applications from the Minister of National Defence, the Canadian Forces, and the Department of National Defence (collectively referred to as Canada) expressing concerns about: the density of the wells exceeding 16 surface disturbances per section (16 DPS) at the proposed locations, the impact of the wells on the military and on defence research activities conducted in the EPG area, and Cenovus's reliance on outdated environmental site-specific information when assessing the cumulative effects of the proposed wells.

### Written Hearing

[5] The Board held a hearing through a written process before Board Members J. D. Dilay, P.Eng., (Presiding Member), B. T. McManus, Q.C., and A. H. Bolton, P.Geol. The hearing participants are listed in Appendix 2.

[6] Canada submitted a letter dated March 11, 2011, in which it advised that it did "not see the utility of actively participating" in the ERCB's application review process and outlined its

concerns about the proposed wells. In subsequent letters dated March 25, 2011, and March 29, 2011, Canada submitted that it did not intend to provide the ERCB with additional materials beyond its March 11, 2011 letter unless Cenovus filed additional material to which Canada reserved the right to respond. Canada further indicated that it had nothing more to submit to the ERCB for consideration and that the matter could be reviewed by the ERCB without further process if Cenovus considered its own submission sufficient. However, as Canada chose not to actively participate in the Board's consideration of the Applications, the Board was unable to test the information Canada had provided.

[7] On April 5, 2011, the Board issued a Notice of Written Hearing with respect to the Applications, providing Cenovus with a final date for any further submissions.

[8] On May 5, 2011, the Board received Cenovus's final submission.

[9] On May 13, 2011, the Board advised the hearing participants that the proceeding had closed following receipt of Cenovus's final submission.

### **Regulatory Framework for Oil and Gas Development at CFB Suffield**

[10] In 1975, the Governments of Canada and Alberta entered into a memorandum of agreement (MOA) establishing a regulatory process for oil and gas development at CFB Suffield. The MOA recognizes that the ERCB is the primary oil and gas regulator on CFB Suffield with the authority to issue energy development and reclamation approvals. The MOA also governs access to and use of CFB Suffield for oil and gas production and establishes the role of the Base Commander and his authority as it relates to access at CFB Suffield.

[11] In 2006, the Base Commander and the oil and gas industry jointly developed an Application for Development (AFD) process for the consideration of new oil and gas development applications at CFB Suffield. Under this process, the Base Commander reviews applications before they are submitted to the ERCB.

### **ERCB Decision 2009-051**

[12] On August 25, 2009, the ERCB issued *Decision 2009-051: EnCana Corporation, Applications for Three Well Licences, Suffield Field, August 25, 2009*, approving three well applications by EnCana Corporation (predecessor to Cenovus) in the same area of CFB Suffield that the proposed wells of the subject applications would be located (see Figure 1). EnCana received access approval from the Base Commander and drilled the three wells in February 2010.

### **Preliminary Matters**

[13] Cenovus noted the reasons provided by the Board in *Decision 2009-051*, wherein the Board determined that it had the jurisdiction to issue the licences that were the subject of that proceeding. Cenovus submitted that the analysis and comments in *Decision 2009-051* regarding the Board's jurisdiction apply equally to the Applications.

[14] Cenovus described the disagreement between its position and that of Canada regarding the extent of Cenovus's right to access the minerals and the Base Commander's ability to restrict

access to CFB Suffield. However, Cenovus's position was that those issues are irrelevant to these Applications. All parties agreed that the Board has no jurisdiction to grant surface access to CFB Suffield. The legality of the Range Standing Orders (RSOs) and how they could affect Cenovus's access relate solely to access and not to whether the applied-for well licences are necessary to conserve the resource to which they relate. Once the latter issue has been determined, Cenovus and Canada will deal with access in a different forum. In Cenovus's view, the applied-for well licences are a precondition to obtaining access to CFB Suffield.

[15] Cenovus's position was that the only issues upon which the Board must rule are whether this development is necessary to economically and efficiently conserve the resource and whether the wells are in the public interest.

[16] In its letter of March 11, 2011, Canada confirmed its position that access to CFB Suffield is within its exclusive jurisdiction pursuant to the *Defence Controlled Access Area Regulations* (SOR/86-957), a federal law binding on Cenovus. Canada also acknowledged that the ERCB recognized that it has no jurisdiction to confer access to CFB Suffield.

[17] For the reasons given in *Decision 2009-051*, the Board considers that it has jurisdiction to grant the applied-for licences. Furthermore, as stated in *Decision 2009-051*, the Board does not have jurisdiction to grant surface access to CFB Suffield. The following portion of that decision applies to the present matter:

The Board has the jurisdiction and authority to issue the requested licences if it determines that their approval is in the public interest. The ERCB's jurisdiction has two sources. First, the targeted minerals are provincially owned and are the appropriate subject of provincial laws relating to the production of provincially owned resources. Second, the ERCB's enabling legislation is law of general application, which continues to apply to federal lands in the absence of competing federal legislation. The Board finds that the 16 DPS limit imposed by the RSOs is not, of itself, a constraint on the ERCB's authority to issue the well licences.

[18] Issues relating to RSOs and how they might impact Cenovus's access to CFB Suffield do not arise in this matter because the Board has no authority to deal with access. The Board does have jurisdiction to determine whether the wells are necessary to develop the resource and whether they are in the public interest.

## **Issues**

[19] The Board considers the issues respecting the Applications to be

- the need for the wells,
- the impact of the wells on military activities at CFB Suffield, and
- the environmental and cumulative effects of the wells.

[20] In reaching the determinations contained in this decision, the Board has considered all relevant materials constituting the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to help the reader understand the Board's reasoning relating to a particular matter and should not be taken as an indication that the Board did not consider all relevant portions of the record with respect to that matter.

## NEED FOR THE WELLS

### Evidence

[21] Cenovus submitted that it holds valid mineral rights granted by the province of Alberta and the *1975 Gas Access Agreement*<sup>1</sup> to explore for and develop the resources from the wells that form the subject of the Applications. It further submitted that the Applications meet the objectives identified in Section 4 of the *Oil and Gas Conservation Act* with respect to economic, orderly, and efficient development of resources with minimal environmental impact and that the proposed wells are in the public interest. Cenovus submitted that the Board's conclusion in *Decision 2009-051* that the three wells were necessary for optimal resource recovery applies equally to the Applications. Cenovus submitted that the Board ought to consider whether the proposed wells provide for the economic and efficient recovery of the resource when assessing the public interest.

[22] Canada submitted that the ERCB licence process is application driven and site specific. Canada further submitted that oil and gas development is a constraint on military land use within the EPG and that therefore Canada must regulate and control the surface activities. Canada also submitted that CFB Suffield, including the EPG, is a source of national and international economic investment in Alberta. Canada affirmed that it denied the Applications through its AFD process because the Applications did not meet the 16 DPS restriction criteria, which is a federal law under Chapter 7 of the RSO for CFB Suffield, despite Cenovus's interpretation of this limitation as "policy." Canada's position was that the wells are not in the public interest and that denial of the Applications by the ERCB is warranted.

### Analysis and Findings

[23] The Board believes that the increase in wellbores associated with the Applications is required to enable Cenovus to maximize recovery of gas reserves. Drilling and producing the proposed infill wells will result in the recovery of incremental gas reserves and is necessary for optimal resource recovery and conservation. In *Decision 2009-051*, the Board concluded that drilling and producing the proposed infill wells would result in the recovery of incremental gas reserves and was necessary for optimal resource recovery and conservation. The Board finds that the facts in the present applications are analogous to those in *Decision 2009-051* in that the wells target the same resource, would be drilled in a similar manner and are located in the same area of CFB Suffield.

## MILITARY ACTIVITIES AT CFB SUFFIELD

### Evidence

[24] Cenovus indicated that in *Decision 2009-051*, the Board, in making its public interest determination in that matter, noted that it was required to balance the benefits associated with the proposed wells with their potential risks to the public and the environment. Furthermore, the Board stated that given the unique setting of those wells within a military base used for large-

---

<sup>1</sup> *1975 Gas Access Agreement* is an agreement between the Governments of Canada and Alberta allowing the production of natural gas at CFB Suffield.



scale, live-fire exercise, it must also take into account the risk the wells pose to the future viability of ongoing military training in the application area and the implications to Canada if that viability is compromised. Cenovus submitted that the same analysis should be applied to the subject Applications.

[25] Cenovus submitted that the Board should reject Canada's assertion that development of more than 16 DPS would be a constraint on potential future military use at CFB Suffield, including the EPG, because Canada had failed to file any specific evidence to support its assertion.

[26] Cenovus did not disagree with the fact that Canada conducts important work for national security and counter terrorism in the EPG; however, Cenovus was not aware of any specific concerns from Canada or Defence Research and Development Canada (DRDC)<sup>2</sup> about any of the proposed well locations.

[27] Cenovus submitted that the applied-for wells would have little, if any, impact on military activities given that they would be constructed underground in caissons, have a small disturbance footprint, and adhere to current safety practices and access restrictions coordinated by Suffield Industry Range Control (SIRC).<sup>3</sup>

[28] Canada submitted that it has exclusive jurisdiction over national defence and national security. It said that oil and gas developments present a constraint to military land use, including in the EPG. Canada indicated that it must regulate and control surface activities in order to protect future capacity at CFB Suffield for the delivery of effective research, development, and military training activities.

[29] Canada's position was that it does not need to demonstrate to the ERCB the specifics of how dense oil and gas developments would present constraints on future military uses of land at CFB Suffield. Canada submitted that its use of the land for military purposes is dynamic so that past and present activities and needs do not predetermine future activities. Canada submitted that the ERCB's public hearing process is not well suited to a consideration of Canada's classified activities related to national defence and security.

[30] Canada provided a description of the activities on the EPG, generally including activities of the DRDC, the Counter Terrorism Technology Centre, and the British Army Training Unit Suffield (BATUS). DRDC and the EPG are strategic national assets. Canada also noted the industrial spin-offs from the EPG beyond oil and gas.

[31] Canada noted that Alberta benefits from the national and international economic investment associated with CFB Suffield, including the EPG.

---

<sup>2</sup> DRDC offers expertise in military engineering, autonomous intelligent systems, and defence against chemical and biological agents. DRDC also uses the EPG to offer live-agent training to the Canadian Forces, international military, and first responder communities.

<sup>3</sup> SIRC was created by the *1999 Partial Assignment Agreement* to execute and coordinate oil and gas safety and administrative requirements at CFB Suffield.

## **Analysis and Findings**

[32] The Board accepts that Canada has exclusive jurisdiction over national defence and national security. It also accepts that Canada must protect future capacity at CFB Suffield for the delivery of effective research, development, and military training activities and that those extensive military activities, including research and development activities, are carried out by DRDC at CFB Suffield on the EPG. Furthermore, the Board accepts that Canada's national security precludes Canada from providing specific details of these activities.

[33] Notwithstanding, the Board must assess whether applications before it are in the public interest based upon the evidence before it. The information provided by Canada does not persuade the Board that the approval of these particular wells in their proposed locations would detrimentally affect overall military activities at CFB Suffield, including the EPG. While Canada raised concerns about the impact of the wells on military operations and research, the concerns were general in nature, making it difficult to assess how these specific wells would impact use of the lands for military purposes. Without further information that relates military activities to these specific wells, the Board does not see the potential impact on military activity being sufficient to make approval of these wells outside the public interest. The Board notes that Cenovus and its predecessors, EnCana and Alberta Energy Company, conducted oil and gas activities for many years—even decades—at the same time that Canada carried out military operations on CFB Suffield. The Board also accepts that the use of underground caissons, the small footprint of shallow gas wells, the ongoing use of current safety measures, and controlled access to CFB Suffield will minimize possible impact on military activity. As recognized above, the Board does not control access, and in whatever manner issues related to access are resolved, the Board believes that accommodation may be reached to ensure that Canada's use of the area for national security purposes is not compromised by these wells.

## **ENVIRONMENTAL AND CUMULATIVE EFFECTS**

### **Evidence**

[34] Canada submitted that the environmental overviews Cenovus submitted for the Applications are outdated and limited in nature, relying on site-specific information gathered in 2006 and 2007. It further submitted that the ERCB's site-specific approval process does not align with Canada's efforts to adopt a cumulative effects methodology for the management of the natural environment in CFB Suffield.

[35] Cenovus submitted that the environmental overviews submitted for the Applications evaluated the proposed well locations based on proximity to surrounding wetlands, steep terrain, vegetation, and wildlife. Cenovus recognized that the environmental overviews were dated but noted that this was a result of the lengthy review and AFD approval process at CFB Suffield.

[36] Cenovus submitted that the environmental overviews provided with the Applications contained sufficient information to approve the proposed wells if Cenovus conducts additional vegetation and wildlife surveys prior to construction. Cenovus committed to conducting site-specific surveys before construction to minimize disturbance and environmental effects. Cenovus recognized that new approvals would be required if physical changes to the location of the development were needed due to conflicts that could not be mitigated.

[37] Cenovus submitted that there is no evidence before the Board that disturbance associated with the proposed wells would exceed the carrying capacity of CFB Suffield or result in any significant cumulative effects. Cenovus noted that there is no requirement under provincial or federal regulation for a cumulative effects study of the subject Applications. Cenovus further submitted that the cumulative effects assessment that Cenovus is relying on for the subject Applications was directly applicable and relevant because it included an assessment of virtually the entire CFB Suffield.

[38] Canada expressed concern about effects of the growing oil and gas footprint at CFB Suffield. It said that cumulative environmental effects would result in decreases in range health and native species abundance and diversity because of habitat loss, increased fragmentation, and impacts on wetlands and species at risk. Canada was of the view that CFB Suffield is of national significance as a refuge for prairie wildlife, providing habitat for federally and provincially listed species at risk. The limit of 16 DPS was, in part, intended to reduce the risk of irreversible environmental effects.

[39] Canada stated that Cenovus failed to consider groundwater use and the potential for the proposed wells to affect surface water and groundwater levels. Cenovus responded that EnCana, the predecessor to Cenovus, conducted a groundwater risk assessment at CFB Suffield in 2007 and found that there would be no significant adverse environmental effects as a result of development of 1145 wells in the Suffield National Wildlife Area.

[40] Canada pointed out that Cenovus had not included pipelines in its application and that this was contrary to the understanding of the cumulative effects of oil and gas development at CFB Suffield. EnCana (now Cenovus) included minimal disturbance pipeline construction methods in the environmental overviews it had previously provided; Cenovus committed to using these same methods. Cenovus indicated that if these methods are used, pipeline disturbances could be naturally reclaimed to vegetation communities that are similar to the surrounding undisturbed lands and that pipelines would not, therefore, be expected to contribute significantly to cumulative environmental effects.

### **Analysis and Findings**

[41] The Board is satisfied that the environmental risks posed by the approval of the 47 wells are minimal and will be mitigated effectively when Cenovus fulfills the planning and operational commitments made in its Applications.

[42] The Board is of the view that Canada's concerns are of a general nature rather than specific to the applied-for wells. Furthermore, Canada has not provided a basis for supporting 16 DPS as a maximum disturbance threshold. It also has not provided evidence to demonstrate that the potential detrimental effects of the applied-for wells cannot be mitigated or that the total cumulative effects of industrial, military, and agricultural activity on the range will be unacceptable. To assess cumulative environmental effects, it would be more informative if potential environmental effects were monitored and evaluated relative to sustainability indicators or predetermined thresholds. The Board encourages such a process, supported by both Cenovus and Canada.

[43] The Board expects that Cenovus will fulfill its commitment to conduct appropriate surveys of both wildlife of concern and rare plants prior to construction and use the results of these surveys to develop appropriate mitigation measures.

[44] The Board notes that pipelines will be the subject of future applications that must be approved by the ERCB. Canada will have the opportunity to express concerns about environmental effects of those pipelines during the application process.

## **CONCLUSION**

[45] The Board finds that the proposed wells are in the public interest having regard to the social, economic, and environmental effects of the project, including its potential impact on the military activity at and the environment of CFB Suffield. In reaching this conclusion, the Board is satisfied that the wells are necessary for Cenovus to pursue its right to recover and produce the resources, and that it can carry out the development in a manner that is protective of the environment and public safety.

Dated in Calgary, Alberta, on June 28, 2011.

**ENERGY RESOURCES CONSERVATION BOARD**

*<original signed by>*

J. D. Dilay, P.Eng  
Presiding Member

*<original signed by>*

B. T. McManus, Q.C.  
Vice-Chairman

*<original signed by>*

A. H. Bolton, P.Geol.  
Board Member



## **APPENDIX 2 HEARING PARTICIPANTS**

---

### Principals and Representatives

---

Cenovus Energy Inc.

S. H. T. Denstedt, Q.C.

Minister of National Defence, the Canadian Forces, and Department of National Defence

K. N. Lambrecht, Q.C.

Energy Resources Conservation Board staff

M. LaCasse, Board Counsel

M. Alboiu, P.Ag.

A. Taksas

B. Greenfield, P.Biol.

---

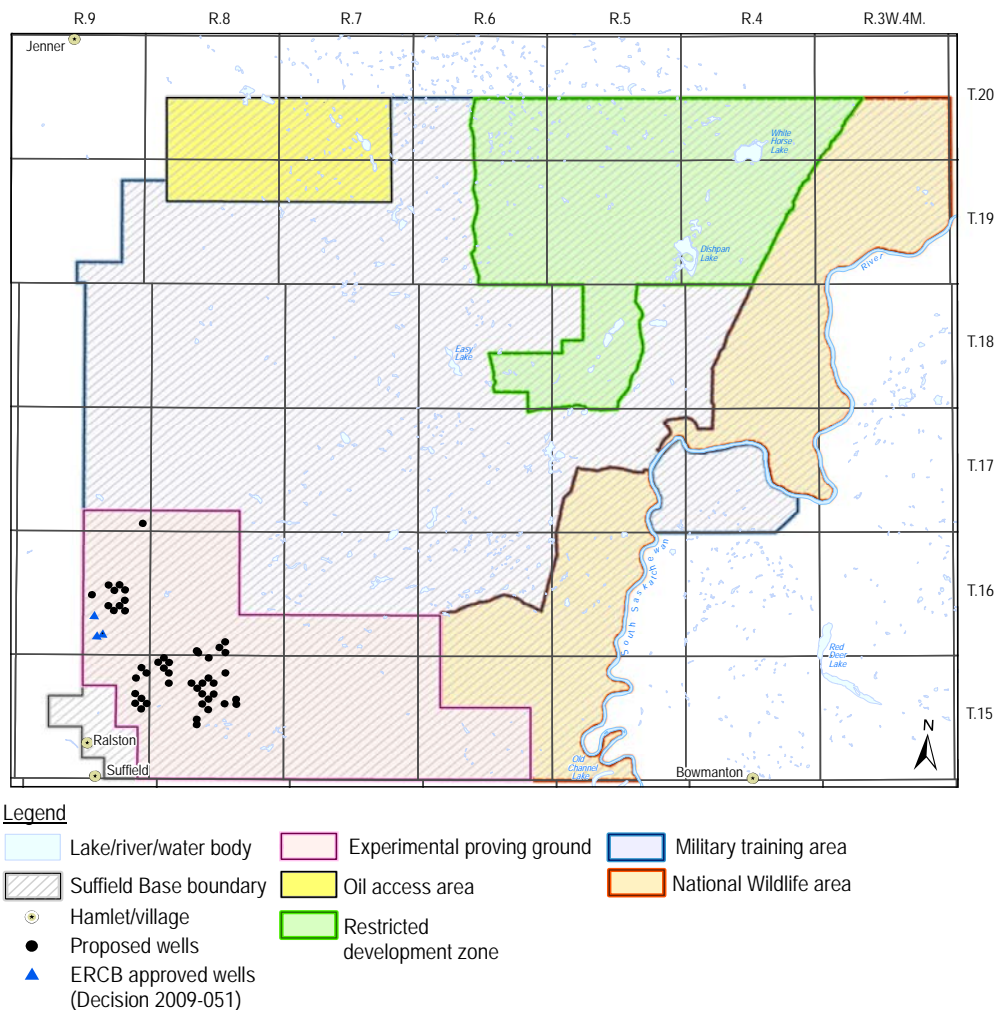


Figure 1. Project map