



ERCB Monthly Enforcement Action Summary

May 2010

ENERGY RESOURCES CONSERVATION BOARD
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High Risk Compliance Category Statistics				
ERCB	Compliance Category	May 2010		
		Initial Audits/ Inspections	Number of High Risk Noncompliance	Compliance Rate with High Risk Noncompliance
Applications Branch				
Facilities Applications Group Audit Section	Participant Involvement	59	1	98%
	Facilities Technical	20	3	85%
	Pipelines/Pipeline Installations Technical	16	0	100%
	Wells Technical	33	0	100%
Resources Applications Group Enforcement & Surveillance Section	Control Wells	n/a	2	
Subtotal		128	6	95%
Field Surveillance and Operations Branch				
Field Operations Group	Drilling Operations	16	0	100%
	Well Servicing	15	0	100%
	Oil Facilities	407	1	99.8%
	Gas Facilities	239	2	99.2%
	Pipelines	93	9	90%
	Drilling Waste	5	0	100%
	Well Site Inspections	661	0	100%
	Waste Management	6	0	100%
Subtotal		1442	12	99%
Geology, Environmental Science and Economics Branch				
Environmental Monitoring and Regulation Group	Oilfield Waste Generator Audits	21	1	95%
Reserves and Pore-Space Management Group Reserves and Allowables Section	Oil Overproduction	368	1	99.7%
Subtotal		389	2	99.5%
Total Audit/Inspections High Risk		1959	20	99.0%

High Risk Enforcement Action 1 ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
1	Alban Energy Ltd.	Field Operations/ Oil Facilities	Noncompliant with other ERCB requirement – failure to ensure that the licensee 24-hour emergency telephone number is erected at the primary entrance to all licensee well and facility operations as per Directive 071.	May 12, 2010	16-22-026-18W Wheatland County	Operations were already suspended by the licensee at the time of the inspection. Licensee updated the contact phone number. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
2	Bowood Energy Ltd.	Reserves and Pore-Space Management/ Oil Overproduction	Failure to retire oil overproduction.	May 3, 2010	102/10-02-017-19W4/0 00/07-02-017-19W4/0 (production string) Vulcan County	Licensee confirmed in writing that the 7-2 well was shut in and will remain shut in until all overproduction is retired and that the 102/10-2 well has retired all cumulative oil overproduction. Licensee directed to develop and implement a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
3	Canadian Natural Resources Limited	Field Operations/ Pipelines	Noncompliant with other ERCB requirement – An appropriate disposal option was not utilized for a given waste stream.	May 3, 2010	07-35-079-04W4 Regional Municipality of Wood Buffalo	Operations suspended. Licensee to remove the contaminated soil by February 25, 2011, site is winter access only. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance not yet achieved.

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High Risk Enforcement Action 1 ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
4	ConocoPhillips Canada Operations Ltd.	Facilities Applications/ Facilities Technical	Not completing an acceptable noise impact assessment prior to application.	May 28, 2010	05-13-072-13W6 County of Grande Prairie	Licence(s) not cancelled or suspended as the noncompliance was promptly corrected. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
5	ConocoPhillips Canada Resources Corp.	Facilities Applications/ Facilities Technical	Failure to acquire the necessary facility licence prior to commencing site preparation, construction, and/or operation.	May 4, 2010	11-02-015-20W4 Vulcan County	Operations were not suspended as there was no existing or potential impact/hazard to the environment or the public. Licensee has submitted and acquired a facility licence. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
6	Devon ARL Corporation	Resources Applications/ Control Wells	Producing wells without the requisite control wells in places.	May 14, 2010	06-36-035-27W4 Red Deer County	Operations suspended. Licensee confirmed in writing that the noncompliance has been addressed and the well has been shut in and will remain shut in until the requisite approval has been obtained. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
7	Devon Canada Corporation	Resources Applications/ Control Wells	Producing wells without the requisite control wells in places.	May 14, 2010	03-16-033-26W4 Kneehill County	<p>Operations suspended.</p> <p>Licensee confirmed in writing that the noncompliance has been addressed and the well has been shut in and will remain shut in until the requisite approval has been obtained.</p> <p>Licensee provided a plan to address the noncompliance and prevent future occurrences.</p> <p>Compliance achieved.</p>
8	EnCana Corporation	Field Operations/ Well Site Inspection	Underground tank(s) not tested at the required three year frequency/operator cannot demonstrate tank integrity.	May 4, 2010	16-11-030-20W4 Starland County	<p>Operations were not suspended as the licensee emptied the tank until tank integrity can be proven.</p> <p>Licensee had the tank integrity tested.</p> <p>Licensee provided a plan to address the noncompliance and prevent future occurrences.</p> <p>Compliance achieved.</p>
9	Enermark Inc.	Field Operations/ Gas Facilities	Contaminated material stored directly on the ground.	May 20, 2010	10-04-021-16W4 Count of Newell	<p>Operations were not suspended as the high risk applies to the improper storage of oilfield waste and will be mitigated by the removal and disposal of the waste.</p> <p>Licensee removed the contaminated material.</p> <p>Licensee provided a plan to address the noncompliance and prevent future occurrences.</p> <p>Compliance achieved.</p>

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High Risk Enforcement Action 1 ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
10	Enerplus Oil and Gas Ltd.	Environment Monitoring and Regulation Group/ Oilfield Waste Generator Audits	Oilfield waste was transferred to an unapproved transfer station.	May 19, 2010	N/A – Against licensee	Suspension of operations at this time was not deemed appropriate as disposal operations were completed in 2009. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
11	Enterra Energy Corp.	Field Operations/ Pipelines	Damage by others - proper procedures were not followed (pipeline hit).	May 3, 2010	08-10-033-10W4 Special Area 2	Operations suspended. Licensee repaired the pipeline and updated internal ground disturbance procedures. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
12	Fairwest Energy Corporation	Field Operations/ Pipelines	Hand excavation: mechanical excavation takes place within 5 m of existing pipeline prior to hand exposure. Damage by others – proper procedures were not followed (pipeline hit).	May 3, 2010	08-10-033-10W4 Special Area 2	Operations suspended. Licensee repaired the pipeline and updated internal ground disturbance procedures. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action 1 ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
13	Harvest Operations Corp.	Field Operations/ Pipelines	Corrosion Internal – there is no documented monitoring or mitigation program in place and/or company is not following program.	May 18, 2010	12-20-041-01W4 M.D. of Wainwright	Operations suspended. Licensee implemented a corrosion control program. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
14	Husky Oil Operations Limited	Field Operations/ Pipelines	Noncompliant with other ERCB requirement – an appropriate disposal option was not utilized for a given waste stream.	May 10, 2010	16-01-079-26W4 M.D. of Opportunity	Operations suspended. Licensee to remove the contaminated soil by March 31, 2011; site is winter access only. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance not yet achieved.
15	Laricina Energy Ltd.	Field Operations/ Pipelines	Pressure testing – test medium/disposal unsatisfactory.	May 5, 2010	03-26-085-19W4 05-23-085-20W4 M.D. of Opportunity	Operations suspended. Licensee implemented changes to its pipeline procedures manual. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action 1 ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
16	Magnum Energy Inc.	Facilities Applications/ Facilities Technical	Not completing an acceptable noise impact assessment prior to application.	May 5, 2010	01-13-030-05W4 Special Area No. 3	Operations were not suspended as there was no existing or potential impact/hazard to the environment or the public. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
17	Paramount Energy Operating Corp.	Field Operations/ Pipelines	Non compliant with other ERCB requirement – An appropriate disposal option was not utilized for a given waste stream.	May 4, 2010	10-32-064-12W4 Lac La Biche County	Operations were not suspended as the pipeline had been repaired and abandoned. Licensee has excavated and removed all contaminated soil. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
18	Tiger Calcium Services Inc.	Facilities Applications/ Participant Involvement	Incomplete public and/or industry personal consultation and notification prior to filing an application.	May 17, 2010	14-30-072-02W5 M.D. of Lesser Slave River	Licence/operations not suspended as there is no evidence of operational noncompliance. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
19	Zapata Energy Corporation	Field Operations/ Pipelines	Ditch preparation is unsatisfactory. Poor construction practices resulting in failure within one year of service/operation.	May 14, 2010	16-23-040-04W4 M.D. of Provost	Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action 2 (Persistent Noncompliance) ²						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
	None					

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High Risk Enforcement Action 3 (Failure to Comply or Demonstrated Disregard) ³						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
	None					

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Low Risk Enforcement Action – Global REFER Summary⁴

#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Follow-up
1	Savant Energy Ltd.	Corporate Enforcement/ Noncompliance with Liability Management Program Requirements	Failure to pay security deposit.	May 27, 2010	Well Licenses: 14-07-052-06W4 14-06-052-06W4 Pipeline Licenses: 06-24-052-06W4 15-06-052-06W4 03-15-052-06W4 14-07-052-06W4 14-06-052-06W4 County of Vermilion River	This is an escalation from previous enforcement actions reported on April 5 and 22, 2010. Global Refer status. Issuance of Abandonment Orders No. AD 2010-30 and AD 2010-31. Abandonment of well and pipeline licences. Licensee required to pay security deposit; provide a written explanation acceptable to the ERCB addressing the failure to respond and detailing steps to prevent future occurrences; and meet with the ERCB to review its noncompliance history and action plan. Licensee failed to comply. Savant Energy Ltd.'s properties to be abandoned by the ERCB's Operations Group.
2	Unbridled Energy Corporation	Corporate Enforcement/ Noncompliance with Liability Management Program Requirements	Failure to pay security deposit.	May 12, 2010	Well Licenses: 06-18-041-11W5 03-17-041-11W5 16-21-041-11W5 Clearwater County	This is an escalation from a previous enforcement action reported on April 22, 2010. Global Refer status. Issuance of Closure Order No. C 1200. Suspension and closure of well licences. Licensee required to pay security deposit; provide a written explanation acceptable to the ERCB addressing the failure to

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Low Risk Enforcement Action – Global REFER Summary⁴

#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Follow-up
						<p>respond and detailing steps to prevent future occurrences; and meet with the ERCB to review its noncompliance history and action plan.</p> <p>Compliance deadline was extended to give proper notice to corrected working interest participants.</p> <p>Unbridled Energy Corporation submitted full payment of its security deposit and provided a written explanation to the ERCB.</p> <p>Compliance achieved.</p>

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Legislative/Regulatory Enforcement Action ⁵						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Follow up
1	Jordan Energy Inc.	Corporate Enforcement/ Petroleum and Natural Gas Rights Expiry	Failure to prove to the satisfaction of the ERCB that Jordan Energy Inc. has a valid entitlement to the right to produce the well.	May 28, 2010	09-23-061-02W4 M.D. of Bonnyville	<p>Global Refer status.</p> <p>Issuance of Closure Order No. C 1201.</p> <p>Suspension of well licence.</p> <p>Licensee required to complete one of the following:</p> <ul style="list-style-type: none"> a) reacquire or reinstate the mineral rights; b) convert the well for water disposal or injection; c) transfer the well licence to a viable licensee and link the wellbore to an active mineral agreement; or d) abandon the well. <p>In addition, licensee required to provide a written explanation acceptable to the ERCB addressing the failure to respond and detailing steps to prevent future occurrences and meet with the ERCB to review its noncompliance history and action plan.</p> <p>Jordan Energy Inc. failed to comply. Abandonment Order No. AD 2010-35 was subsequently issued.</p> <p>Jordan Energy Inc. failed to comply. ERCB is evaluating further actions.</p>

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Endnotes

¹ **Directive 019 – High Risk Enforcement Action 1 Summary**

In accordance with *Directive 019: ERCB Compliance Assurance–Enforcement*, High Risk Enforcement Action 1 is initiated against a licensee when the ERCB identifies a High Risk noncompliance event. To address High Risk Enforcement Action 1, the licensee must: immediately correct/address the High Risk noncompliance; if necessary, suspend operations (partial or full), when safe to do so, to remove the existing or potential impact/hazard (suspension will not occur if it results in an increased impact/hazard to the environment or public; compliance must be achieved prior to start-up); develop and implement a written action plan within 60 days (or in the time specified by the ERCB group); notify the ERCB group that the High Risk noncompliance has been corrected/addressed in the specified time. In addition, the ERCB will also apply one or more of the following enforcement actions as its authority provides: noncompliance fees; self-audit or inspections; increased audits or inspections; partial or full suspension until the noncompliance is corrected/addressed; suspension and/or cancellation of permit, licence, or approval.

² **Directive 019 – High Risk Enforcement Action 2 (Persistent Noncompliance) Summary**

In accordance with *Directive 019: ERCB Compliance Assurance–Enforcement*, High Risk Enforcement Action 2 is initiated against a licensee who has an unacceptable rate, ratio, percentage or number of noncompliances, either in the same or in different compliance categories. To address High Risk Enforcement Action 2, the licensee must: immediately correct/address the High Risk noncompliance; develop and implement a written action plan within 30 days (or in the time specified by the ERCB group) addressing the root causes of previous noncompliance events and detailing what the licensee will do to prevent future noncompliance events in this compliance category/categories; if operations were suspended, have the action plan approved by the ERCB group before start-up; and review the action plan with the ERCB group in a meeting. In addition, the ERCB will also apply one or more of the following enforcement actions as its authority provides: noncompliance fees; self-audit or inspections; increased audits or inspections; partial or full suspension; suspension and/or cancellation of permit, licence, or approval.

³ **Directive 019 – High Risk Enforcement Action 3 Summary**

In accordance with *Directive 019: ERCB Compliance Assurance–Enforcement*, High Risk Enforcement Action 3 is initiated against a licensee who has failed to comply with the requirements of High Risk Enforcement Action 1, 2, or 3, or has demonstrated disregard of ERCB requirements that have been identified as High Risk. To address High Risk Enforcement Action 3, the licensee must: immediately correct/address the High Risk noncompliance; if necessary, suspend operations (partial or full), when safe to do so, to remove the existing or potential impact/hazard (suspension will not occur if it results in an increased impact/hazard to the environment or public); develop and implement a written action plan acceptable to the ERCB group that addresses the root causes of noncompliance events and details what the licensee will do to prevent future noncompliance events in this compliance category; and meet with the ERCB group to review and have the action plan approved before start-up of operations if operations were suspended. The ERCB will also apply one or more of the following enforcement actions as its authority provides: noncompliance fees; self-audit or inspections; third-party audits or inspections; partial or full suspension; suspension and/or cancellation of permit, licence, or approval; issuance of an Order (Miscellaneous, Closure, or Abandonment); “Refer” status: focused or global.

High Risk Enforcement Action 3 with global Refer results in formal orders to comply (Closure, Miscellaneous and Abandonment) and the imposition of the global Refer status against the licensee. The global Refer status indicates a licensee’s inability or unwillingness to comply. The status will be considered by the ERCB when deciding to approve or deny future and pending applications by the licensee to the ERCB. In addition, conditions for continued operation may be applied to the entire company.

⁴ **Directive 019 – Low Risk Enforcement Action – Global Refer Summary**

In accordance with *Directive 019: ERCB Compliance Assurance–Enforcement*, Low Risk Enforcement Action – global Refer is initiated against a licensee who has failed to correct/address a Low Risk noncompliance event in the time specified by the ERCB group. Low Risk Enforcement Action – global Refer enforcement results in the imposition of the global Refer status against the licensee and may result in formal orders to comply (Closure, Miscellaneous and Abandonment). The global Refer status indicates a licensee’s inability or unwillingness to comply. The status will be considered by the ERCB when deciding to approve or deny future and pending applications by the licensee to the ERCB. In addition, conditions of continued operation may be applied to the entire company. To address Low Risk Enforcement Action, the licensee must: immediately correct/address the Low Risk noncompliance within the time specified by the ERCB group; notify the ERCB group that the Low Risk noncompliance has been corrected/addressed in the specified time; and provide a written explanation acceptable to the ERCB group addressing the failure to respond and detailing steps to prevent future occurrences.

⁵ **Legislative/Regulatory Enforcement Action Summary**

In accordance with certain legislative authorities, Legislative/Regulatory enforcement results in the imposition of the global Refer status against the licensee and may result in formal orders to comply (Closure, Miscellaneous and Abandonment). The global Refer status indicates a licensee’s inability or unwillingness to comply. The status will be considered by the ERCB when deciding to approve or deny future and pending applications by the licensee to the ERCB. In addition, conditions for continued operation may be applied to the entire company. Enforcement actions that are not administered through *Directive 019*, but rather through existing legislation, and for which enforcement proceeds directly to a formal order and global Refer are: mineral lease expiry, surface lease expiry, environmental and public safety concerns, and failure to demonstrate the right to the purpose of the wellbore, the right to access the surface, and a working interest ownership in the property.