

BY E-MAIL ONLY

November 1, 2018

Michael D. Sawyer

**Hayduke & Associates Ltd.**  
[sawyer@hayduke.ca](mailto:sawyer@hayduke.ca)

**SHELL CANADA LIMITED (SHELL)  
CASTLE RIVER 74 (CR 74)  
WELL LICENCE APPLICATION NO. 1906751  
LOCATION: 06-17-006-02W5M  
STATEMENT OF CONCERN NO. 31061**

Dear Mr. Sawyer:

You are receiving this letter because you filed a statement of concern (SOC) on behalf of Michael Judd about Application No. **1906751**. The Alberta Energy Regulator (AER) has reviewed the statement of concern on behalf of Mr. Judd, along with the application, and Shell's response to the SOC. In addition, the AER also took into consideration the following decisions:

1. *Decision 2000-17;*
2. *Decision 2011 ABERCB 007;* and
3. *Decision 2013 ABERCB 009.*

In its review of your client's concerns, the AER considered the following:

- Mr. Judd does not own the lands on which the project is proposed. Shell has obtained a non-objection from the landowner.
- Mr. Judd has ongoing concerns with respect to pipeline integrity regarding the existing Carbondale pipeline system. The AER notes that Mr. Judd was an active participant in the 2010 and 2013 hearings which addressed this issue (see Decisions 2011 ABERCB 007 & 2013 ABERCB 009). His present concerns are similar in nature and the AER believes that these have been adequately addressed by both Shell's ongoing pipeline integrity management work and AER's

operational and regulatory monitoring of the pipeline system. The AER notes that Shell has implemented recommendations from the previous hearings including the review of its pipeline integrity management plan by a third party selected by local stakeholders. Furthermore, a Pipeline Technical Subcommittee was formed as part of the Waterton Advisory Group which reviews pipeline integrity results annually. The AER continues to monitor Shell's pipeline integrity operational work. In 2017, the AER conducted its latest evaluation and was satisfied with Shell's pipeline operations of the Carbondale system.

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- Your client raised concerns related to wildlife and vegetation, in particular the grizzly bear population and Limber Pine. Shell cites independent scientific research that documents grizzly bear activity in the Bear Management Area and indicates the grizzly population in the area has increased. Shell also notes that no new land foot print is associated with the project; no new access is created and the location of the project is behind seasonally located gates, thereby restricting access.
- With respect to the CR-74 Side Track Well site, Shell acknowledges that that the original well site plan would have resulted in five Limber Pine trees being impacted. Subsequent well site configuration resulted in two of the Limber Pines remaining intact with three pines transplanted unsuccessfully as part of the 2011 well site construction. As part of its ongoing reclamation and reseeding efforts, Shell is committed to continued seed collection and ongoing transplantation pilots. Annual reports will be submitted to both the AER and Alberta Environment and Parks (AEP). The AER is satisfied with Shell's response.
- Your client has raised concerns with respect to environmental assessment requirements, in particular, whether the proposed project meets the requirements of *IL 93-09: Oil and Gas Developments Eastern Slopes (Southern Portion)* and whether or not the AER representative had the authority to grant a variance. The AER notes that Shell had originally submitted an Environment Assessment (EA) in 2009 as part of the Castle River Development project. Shell as part of the CR-74 proposed well project, undertook an update of the 009 EA taking into consideration present conditions with those documented in 2009. The Golder document concludes that that there are no new predicted changes to the 2009 EA results because of the Project activities:
  - *"The predicted effects that are applicable to the CR-74 activities were assessed in the EA (Golder 2009) and have been compared against the Project for Magnitude, extent and duration. The EA conclusions are considered to be valid for the Project activities, and there are no changes to the EA results because of the Project activities."* (at p. 7)
- The AER reviewed the EA document as part of this application and is satisfied with its conclusions. The AER can confirm that the variance provided to Shell

was done in accordance with the appropriate delegated authority. I have directed that Shell provide you with a copy of the updated EA.

- Your client raises concerns with respect to emergency response planning and shelter-in-place. Mr. Judd's lands and residence fall outside of the EPZ for the proposed well. Concerns about the ability of emergency planning to protect him have been fully considered previously by the AER's predecessor organizations in Decisions 2011 ABERCB 007 and 2013 ABERCB 009, which confirmed that shelter-in-place is an appropriate measure. Furthermore, *Directive 071: Emergency Preparedness and Response Requirements for the Petroleum Industry* stipulate that sheltering indoors is a viable public protection measure. The AER also notes that Shell will comply with *Directive 071* requirements regarding H<sub>2</sub>S and SO<sub>2</sub> limits.
- The AER further notes that Shell has worked extensively regarding emergency response planning, procedures and exercises. Shell has also worked with Mr. Judd in conducting several rounds of sealing in areas of potential air leakage, as identified by the blower door tests conducted by Shell.
- Mr. Judd raised concerns about the noise generated by Shell's existing compressor at the 6-12-06-3W5M location. Shell indicates that it will not use this facility to produce the proposed CR-74 well. The AER reminds your client that all upstream oil and gas facilities must comply with the AER's *Directive 038 Noise Control Requirements*.
- Your client also raised concerns regarding impacts to Castle Provincial Park due to potential noise from the 6-12 compressor. Shell has stated that it will not use this facility to produce the proposed CR-74 well. As noted above, all upstream oil and gas facilities must comply with the AER's *Directive 038 Noise Control Requirements*. Your client also disputes the distances of the 6-12 facility and the proposed well in relationship to the Park boundary. The AER accepts Shell's response that the two facilities are a significant distance away from the Park. With respect to ongoing participant involvement in the area, Shell notes that it continues to work with AEP on the Castle Management Plan Ecology and Land Uses Working Group. Furthermore, AER notes that AEP has not submitted an SOC on the file.
- Regarding your client's concern on climate change, the AER accepts Shell's position that it will comply with all Federal and Provincial regulations related to greenhouse gas emissions. The AER is satisfied with Shell's mitigative measures related to in line testing of the well and the form of drilling operations to be used.
- Your client has raised concerns regarding potential future development. The AER notes that the application was filed in accordance with participant involvement requirements set out in *Directive 056: Energy Development Application and Schedules*. The AER notes that Shell has an extensive engagement process in the area for local residents and that Shell's representative

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has engaged with you on multiple occasions conveying energy development information to you. Shell has committed to its ongoing engagement efforts with the local community. The AER notes Shell's ongoing commitment that *"all relevant stakeholders and Indigenous Peoples will be kept apprised of proposed development activity as per our good neighbor consultation program which includes the new development sub-committee of the Waterton Advisory Group."*

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Mr. Judd is invited to contact the local AER Midnapore Field Centre at 403-297-8303 or via email at [Midnapore.FieldCentre@aer.ca](mailto:Midnapore.FieldCentre@aer.ca) with any outstanding concerns related to the existing oil and gas infrastructure.

The AER is satisfied that your concerns have been addressed. As a consequence, the AER has decided that it does not need to hold a hearing to further consider Mr. Judd's concerns before the AER makes its decision on the application. The AER has issued the applied-for licence and this is Mr. Judd's notice of that decision. A copy of the licence is attached.

All AER regulated parties must comply not only with the conditions of their authorizations, but with all of the AER's regulatory requirements. To ensure industry compliance the AER has developed its *Integrated Compliance Assurance Framework*, which embodies the three main components of all effective compliance assurance programs, those being education, prevention, and enforcement. You can find out more about how the AER verifies industry compliance and responds to noncompliance here: <https://aer.ca/regulating-development/compliance/compliance-assurance-program>.

Under the *Responsible Energy Development Act* an eligible person may file a request for a regulatory appeal on an appealable decision. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request in the form and manner and within the timeframe required by the AER. You can find filing requirements and forms on the AER website, <https://www.aer.ca/regulating-development/project-application/regulatory-appeal-process>

If you have any questions, contact Julia MacPhee at 403-297-6873 or e-mail [Julia.MacPhee@aer.ca](mailto:Julia.MacPhee@aer.ca)

Sincerely,

<original signed >

Paul Ferensowicz  
Senior Advisor, Industry Operations

Enclosure (1): **(Well Licence)**

cc: Molly Minuk, Shell Canada Limited, [Molly.Minuk@shell.com](mailto:Molly.Minuk@shell.com)  
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