

Donna Bullock

From: Rondine Cabot <Rondine.Cabot@aer.ca>
Sent: June 26, 2015 7:41 PM
To: mdorin@coscoesp.com
Cc: Maria Skog; Darcy Allen
Subject: Complaint update

Mr. Dorin,

I am providing you with an update on some items from your complaint. I am assisting Darcy Allen, Stakeholder and Government Relations to coordinate a response on other matters outlined in your letters and submissions with other groups and branches throughout the organization.

Referencing your letter of May 1, 2015, to the AER:

- Regarding blending of products, it is my understanding that the ERCB Applications group looked into your concerns of blending in 2013 and did not find any noncompliance. However, I have requested an interpretation of Directive 6.9.27 from the AER Authorizations group (specific to this scenario) and Section 14 of the Pipeline Rules from the AER Pipeline Technical specialist. Based on my review of Directive 056, section 6.9.18 suggests that it may be related more to tying one pipeline into another of a differing H2S concentration. When I receive information back from Authorizations and the Technical Specialist I will share it with you.
- Regarding your concerns for payment of compensation for accessing the right-of-way, matters of compensation still reside with the Surface Rights Board. If one of your clients has a pipeline agreement that speaks to compensation and you have evidence that the compensation has not been paid, this would be a legal matter best addressed by your client's legal counsel.
- I am still reviewing documentation from the 2004 release with subject matter experts at the AER and will be able to speak to the status or our understanding of the remediation when they have completed their review. At that time I will share our findings.

As many of your operational concerns were outlined in your letter to Penn West dated May 1, 2015, I felt it appropriate to look into the concerns and am sharing my findings with you below.

Response to the Facts section outlined in your letter:

Item A: At time of inspection, two wells were producing to the 06-04 battery. The well located at 07-04-052-25W4, W 0002713 (I believe that you may have referenced W 2715 in error) was not operating. W 0084329 at 13-33-051-25W4 was operating and, based on the lab results, the gas analysis showed that the H2S concentration was below 0.75%. The other operating well was W075094 at 03-04-052-25W4. The H2S concentration was also below 0.75% The H2S information on the licence is generally what is the concentration expected to be encountered when the well is applied for and is often more than what the actual H2S concentration ends up being for the well.

Item B: The EPZ calculations are modelled following a number of inputs including actual H2S concentrations as well as licensed concentrations. The fact that the wells are licenced for 2.5% and there is documentation in the ERP indicating that the lines are at .75% is not a noncompliance in and of itself. I will be working with the Emergency Planning and Assessment group to further delve into this item.

Item C: You are correct that the Armisic battery is licensed for 6.6 mol/kmol. I verified, based on gas analyses of the operating wells, that the inlet is indeed operating under 6.6 mol/kmol. I have reminded Penn West that they must ensure that the wells producing to the facility are below their licensed limit. Based on current operations there is no noncompliance. Should other wells resume production I can have them tested to verify H2S concentration at that time.

Item D: The distance from the incinerator to the cellular phone tower is less than 50 m. However, Section 8.090 of the *Oil and Gas Conservation Rules* that you referenced specifically excludes electrical equipment from the definition of fire: “8.090(1) In this section (a) “fire” means any open or enclosed flame or other sources of ignition except sources of ignition associated with the installation and operation of electrical equipment;” and the rule from subsection 2 states that “No person shall create or cause to be created any fire within 50 metres of a well, oil storage tank or other source of ignitable vapour.” As the cell phone tower is excluded from the definition of a fire, this does not apply. Directive 056 section XXX 55(c) states that “Flares and incinerators must be located at least 40 m from a surveyed roadway or road allowance with open public access (Directive 060, Section 7.8).” However, section 7.11.12.3 states that “A lease/access road located on Crown or Freehold land or a private access road is not considered a surface improvement and is not subject to a setback.” As this is a private road it does not fall under the 40 m setback requirement.

Item E: Surface rights issues must be dealt with through the Surface Rights Board. If your clients feel that Penn West does not have appropriate rights to the areas outlined in your letter, I would advise them to seek a ruling from the Surface Rights Board.

Item F: Based on the gas analyses of the producing wells, the sales gas would be less than the 9.9 mol/kmol licensed limit for the sales gas line.

Item G: I do not believe there is anything for the AER to respond to here.

Item H: As stated above, I am reviewing documentation with our subject matter experts and will share our findings when the review is completed.

Response to the Demands section outlined in your letter.

1. As above, for any right of entry concerns, I urge your clients to seek a ruling from the Surface Rights Board on these matters.
2. Regarding shutting in the infrastructure:
 - a. Based on current production and well test data, no increase in inlet H2S concentration is required for the 06-04 battery. Both operating wells tested below 6.6 mol/kmol H2S.
 - b. Based on current production and well test data, no increase in H2S concentration is required for the sales gas line as both operating wells tested below 9.9 mol/kmol H2S.
 - c. There is no noncompliance regarding spacing to the cellular tower, therefore no relaxations are required.
 - d. This is outside of the AER’s jurisdiction. Directive 056 section 5.9.10 states that “Additionally, for facilities planned within 300 m of a major (numbered) highway or within 800 m of an intersection of two major highways, applicants should contact Alberta Infrastructure and Transportation for permit requirements.” It is a recommendation and not a requirement therefore I cannot issue a noncompliance or other direction towards this point.
3. There was nothing in the inspection which led us to suspend operations of P 35962 as the wells producing to the line were less than licensed H2S limits.
4. As referenced in #1 above.
5. As referenced in #1 above.

6. It seems as though you are looking for a right-of-entry for work which occurred following the 2004 release. As stated in my response above, matters of compensation would be managed by the Surface Rights Board or, in the case of an existing legal agreement, your client's legal counsel.

I will be away from the office until July 16, 2015. If you require further information from the AER in the interim, please contact Darcy Allen at 780-460-3823. If you have operational concerns or complaints, please call 1-800-222-6514 so that an inspector can respond to you.

Rondine Cabot

Regional Coordinator, Environment and Operational Performance Branch

Alberta Energy Regulator

e Rondine.Cabot@aer.ca tel 780-460-3821 cel 780-554-0119

30 Sir Winston Churchill Ave, St. Albert, Alberta T8N 3A3

inquiries 1-855-297-8311 24-hour emergency 1-800-222-6514 www.aer.ca

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager.

This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail.