



# Compton Petroleum Corporation

Review of Pipeline Licence No. 21027  
Pursuant to Default Addendum to *Decision 2000-20*  
Okotoks Field

November 5, 2013

**ALBERTA ENERGY REGULATOR**

Decision 2013 ABAER 020: Compton Petroleum Corporation, Review of Pipeline Licence  
No. 21027 Pursuant to Default Addendum to *Decision 2000-20*, Okotoks Field

November 5, 2103

Published by

Alberta Energy Regulator  
Suite 1000, 250 – 5 Street SW  
Calgary, Alberta  
T2P 0R4

Telephone: 403-297-8311  
Toll free: 1-855-297-8311  
E-mail: [Hinfoservices@aer.ca](mailto:Hinfoservices@aer.ca)  
Website: [Hwww.aer.ca](http://Hwww.aer.ca)

## CONTENTS

Decision .....	1
Introduction.....	1
Background.....	2
Interventions .....	3
Proceeding.....	3
Issues.....	4
Reserves Estimates.....	4
Analysis.....	4
Findings.....	5
Potential for Urban Development in the Setback Area.....	6
Analysis.....	6
Findings.....	7
Land-Use Planning and Emergency Preparedness and Response .....	8
Analysis.....	8
Findings.....	9
Conclusion .....	10
Appendices	
1 Written Review Participants .....	12
2 Attachment 3 of <i>Decision 2000-20</i> (Summary of Referenced Documents).....	13
Figure 1 Pipeline Licence No. 21027 and surrounding area .....	16



# ALBERTA ENERGY REGULATOR

Calgary Alberta

## COMPTON PETROLEUM CORPORATION REVIEW OF PIPELINE LICENCE NO. 21027 PURSUANT TO DEFAULT ADDENDUM TO DECISION 2000-20 OKOTOKS FIELD

2013 ABAER 020

### DECISION

[1] Based on a careful review of the evidence, the Alberta Energy Regulator (AER) hereby finds that urban development will not be adversely affected by the presence of the existing pipeline licensed under Pipeline Licence No. 21027 within five years of this informal written review. The AER concludes that a formal hearing into Pipeline Licence No. 21027 is not required and affirms that the licence remains in good standing.

### INTRODUCTION

[2] Pursuant to *Decision 2000-20*<sup>1</sup> and subsequent *Default Addendum to Decision 2000-20 (Default Addendum)*,<sup>2</sup> the AER conducted an informal written review of Pipeline Licence No. 21027 to consider whether urban development would be adversely affected by the presence of the existing pipeline within five years of this written review. Compton Petroleum Corporation (Compton) initiated this review, in accordance with the *Default Addendum*, by submitting a letter to the AER.

[3] The pipeline licensed under Pipeline Licence No. 21027 extends from Legal Subdivision (LSD) 11, Section 24, Township 22, Range 29, West of the 4th Meridian, to LSD 10-02-022-29W4M. The pipeline is 6.72 kilometres (km) long with an outside diameter of 168.3 millimetres and has a hydrogen sulphide (H<sub>2</sub>S) content of 356 moles per kilomole (35.6 per cent). According to *Directive 056: Energy Development Applications and Schedules*, this results in the pipeline being designated as a level-2 pipeline with a corresponding 500 metre (m) setback from urban centres and public facilities and a 100 m setback from country residential development and individual permanent dwellings. Figure 1 illustrates Pipeline Licence No. 21027 and the surrounding area. The review was conducted on the section of the pipeline that is within the boundaries of the city of Calgary.

[4] The pipeline is owned by the Mazeppa Processing Partnership and operated by MPP Ltd., the licensee. Compton manages the activities of the Mazeppa Processing Partnership and is responsible for this review on behalf of the licensee.

---

<sup>1</sup> *Decision 2000-20: Dynegy Canada Inc., Application for Pipeline Licence Amendments, Okotoks Field; Pinon Oil and Gas Ltd., Application for a Sour Gas Compressor Station and Pipeline Licence, Crossfield Field; March 31, 2000.*

<sup>2</sup> *Default Addendum to Decision 2000-20: Dynegy Canada Inc., Application for Pipeline Licence Amendments, Okotoks Field; Pinon Oil and Gas Ltd., Application for a Sour Gas Compressor Station and Pipeline Licence, Crossfield Field; March 21, 2001, and released January 31, 2006.*

[5] On June 17, 2013, the *Responsible Energy Development Act (REDA)* came into force in Alberta and established the AER. The *Energy Resources Conservation Act (ERCA)*, which had established the Energy Resources Conservation Board (ERCB/Board), was repealed. In accordance with the terms of *REDA*, the AER assumed all of the ERCB's powers, duties, and functions under Alberta's energy resource enactments, including those under the *Oil and Gas Conservation Act*. The authority of the board members continued without interruption during the transition from the ERCB to the AER, in accordance with the *Responsible Energy Development Act Transition Regulation*.

## Background

[6] The AER is aware of the previous extensive proceedings and decisions related to energy development in the Chestermere–Okotoks corridor that considered the relationship between energy facilities and surface development.<sup>3</sup> Pipeline Licence No. 21027, the subject of this proceeding, was issued in accordance with *Decision 84-07*, which approved a pipeline to develop resources north of the Bow River and stipulated a review of the licence after a 15-year term.

[7] On March 31, 2000, the Alberta Energy and Utilities Board (EUB; predecessor to the ERCB) issued *Decision 2000-020* approving the extension of the operating term of Pipeline Licence No. 21027. In granting the extension, the EUB noted that there were significant reserves in the area of the pipeline and that the operators were expected to make every effort to recover the reserves by 2014, but that total depletion was not required. The EUB also considered the relationship between surface developments and sour gas facilities and referred to the various EUB directives that set out the minimum setbacks required between the two. The EUB noted that it is not permissible to locate level-2 wells and pipelines within 500 m of urban density development. The EUB was of the view that a balance must be achieved between resource and urban development and that a point may be reached when the sour facilities, including this pipeline, should be abandoned because housing is too close to the sour facilities. To address this potential conflict between differing land uses, the EUB required certain landowners and the licensee of the pipeline ("the parties") to establish a land-use and resource development (LRD) agreement. This agreement was to correspond with various municipal planning stages through phased construction in the area of the pipeline and conclude with the abandonment of the sour facilities when construction of the subdivision development commenced close to the sour facilities. If the parties failed to reach an LRD agreement, the EUB could undertake a review upon the expiry of the extension of the pipeline licence as there still existed significant uncertainty regarding the time line for urban development, and premature abandonment of the sour facilities was to be avoided.

[8] The parties drafted the LRD agreement, which subsequently failed after the expected production rate of reserves was severely reduced after certain wells in the area were approved in *Decision 2005-060*,<sup>4</sup> but ultimately not drilled due to issues with emergency planning requirements.

---

<sup>3</sup> A summary of some of the proceedings, as taken from *Decision 2000-20*, are set out in appendix 2.

<sup>4</sup> *Decision 2005-060: Compton Petroleum Corporation, Applications for Licences to Drill Six Critical Sour Natural Gas Wells, Reduced Emergency Planning Zone, Special Well Spacing, and Production Facilities, Okotoks Field (Southeast Calgary Area), June 22, 2005.*

[9] On March 21, 2006, as a result of the failed LRD agreement, the EUB released the *Default Addendum* that extended Pipeline Licence No. 21027 for a minimum 12-year term starting March 31, 2000, provided that before the end of the 12-year term the licensee initiate an informal written review of the licence by the AER. Compton initiated the review by a letter dated December 12, 2011. This proceeding is the informal written review described in the *Default Addendum*.

[10] In the *Default Addendum*, the EUB stated the following with regard to the scope of the future proceeding:

...Based on the Board's interpretation of the reserve estimates, the potential for new urban development and other relevant considerations, the Board will then determine whether to conduct a formal hearing. It is the opinion of the Board at this time that a formal hearing should be held if, after reviewing the written submissions, the Board is of the opinion that urban subdivision would be adversely effected [sic] by the presence of the existing pipeline within 5 years of the written review.

If the Board is satisfied after conducting the written review that urban subdivision development would not be adversely effected within 5 years, the Board is of the view at this time that the licence should continue in effect.

## **Interventions**

[11] The notice of proceeding announcing the written review was provided to the City of Calgary (City) and to landowners along the pipeline route within the boundaries of the city where the development setback imposed by the pipeline may affect future urban development (setback lands). The notice was also published on the ERCB website. The AER received submissions from Ollerenshaw Ranch Ltd., Rob Ollerenshaw, and Alex Soutzo (Ollerenshaw-Soutzo), as well as from the City.

[12] Ollerenshaw-Soutzo had been involved throughout the licensing process of the pipeline. At the 1984 hearing that resulted in the approval of the pipeline under *Decision 84-07*, both landowners expressed concerns about the pipeline's potential effect on the subdivision and future urban development of their properties.

[13] Also at the 1984 hearing, the City provided details on the future expansion of the city's boundaries and its urban planning policy. In 1984, the pipeline was located in what is now called Rocky View County. In 2007, the City annexed the lands crossed by the pipeline. The City was in support of the pipeline at the time of the hearing in 1984. In its submissions to this review, however, the City requested that Pipeline Licence No. 21027 not be continued and that the pipeline be decommissioned.

## **Proceeding**

[14] As per the direction in *Decision 2000-20*, the AER held a written informal review, announced in the notice of Proceeding No. 1711374 issued on September 6, 2012, and the amended notice of Proceeding No. 1711374 issued on October 1, 2012. The proceeding was conducted by a panel of board members, who are now hearing commissioners, consisting of B. T. McManus, Q.C. (presiding member), R. C. McManus, M.E.Des., and T. Engen. Appendix 1 lists the participants in this proceeding.

[15] After reviewing the parties' submissions, the AER requested clarification from the City about the timeframe for the development of the Mahogany community. The City provided its clarification submission on February 25, 2013, and responses were received from Ollerenshaw-Soutzo on March 7 and from Compton on March 14, 2013.

## **ISSUES**

[16] As described above, the issue the AER is to consider in this informal written review is whether urban development would be adversely affected by the presence of the existing pipeline within five years of this written review. If the AER determines that urban development would be adversely affected, then a formal hearing to reconsider Pipeline Licence No. 21027 would be held.

[17] The AER notes that in *Decision 2000-20* and in the parties' submissions, the terms urban subdivision development, urban development, and subdivision development are used interchangeably. In this decision, the AER will use the term "urban development" to refer to development that currently may not occur due to the 500 m setback required for a level-2 pipeline.

[18] The AER further notes that under section 619 of the *Municipal Government Act* a licence, permit, approval, or other authorization granted by the AER (and its predecessors) prevails over any statutory plan, land-use bylaw, subdivision decision, or development decision by a subdivision authority, development authority, or development appeal board.

[19] For ease of reading and comprehension, the AER has arranged its analyses and findings under the following areas:

- reserve estimates
- potential for urban development in the setback area
- land-use planning and emergency preparedness and response

[20] In reaching the determinations in this decision, the AER has considered all relevant materials constituting the record of this proceeding, including the evidence and argument provided by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the AER's reasoning relating to a particular matter and should not be taken to indicate that the AER did not consider all relevant portions of the record with respect to that matter.

## **RESERVES ESTIMATES**

### **Analysis**

[21] Compton clarified that it was the licensee of the natural gas wells located at LSD 10-13-022-29W4M (10-13 well) and LSD 11-24-022-29W4M (11-24 well), which are tied in to the pipeline. Compton submitted a reserves report dated May 8, 2012, that showed that there are long-life reserves in the area that are expected to be produced at current levels for the next five years and beyond. Compton submitted that the 10-13 well has an estimated reserve life of 129

years (proved producing) to 169 years (proved plus probable producing), and the 11-24 well has an estimated reserve life of 36 years (proved producing) to 44 years (proved plus probable producing).

[22] Ollerenshaw-Soutzo argued that Compton has not met the expectations articulated by the AER's predecessors that the sour Wabamun reserves north of the Bow River be depleted on an accelerated basis. These landowners estimate that the 11-24 well is currently producing about 0.5 million cubic feet per day. Although they did not know the liquids content of this gas or understand Compton's gas sales contracts or processing costs at the Mazeppa plant, the landowners estimated that the 11-24 well, in light of the low production rate, high concentrations of H<sub>2</sub>S, and current gas prices, is in all likelihood either uneconomic to produce or only marginally economic to produce.

[23] Ollerenshaw-Soutzo further submitted that the AER ought to move quickly to order the abandonment and reclamation of the 11-24 well, which would then allow for the immediate abandonment of line 2 of the pipeline from the 11-24 well to the 10-13 well, thereby alleviating many of the most immediate adverse effects of these facilities on the subdivisions that are currently being developed. Ollerenshaw-Soutzo recognized that gas is being brought in to the pipeline from the east at a point adjacent to the 11-24 well. They submitted that the gas could be readily redirected to the Mazeppa plant by accessing the pipeline at a point farther south.

[24] Ollerenshaw-Soutzo understood that the 10-13 well was a materially better producing well when compared to the 11-24 well and that its production may well be economic, even at current gas prices and operating costs. However, Ollerenshaw-Soutzo recalled testimony in a previous hearing to the effect that the reserves of the Wabamun B Pool north of the Bow River are in communication with the Wabamun B reserves south of the river. They submitted that the remaining reserves to be produced by the 10-13 well could instead be produced from wells south of the Bow River. Ollerenshaw-Soutzo submitted that the two wells north of the river were not the only means to recovering the remaining reserves north of the river and that the AER should consider the communication between the reserves in the Wabamun B Pool on both sides of the Bow River as it considers the reserve estimates provided by Compton.

[25] Compton submitted that Ollerenshaw-Soutzo's suggestion that the AER order the abandonment and reclamation of the 11-24 well to facilitate abandoning a portion of the pipeline should be rejected. It submitted that the landowners' proposal to reroute the gas from a point farther south was not feasible.

[26] The City did not address Compton's reserve estimates.

## **Findings**

[27] The AER finds that there are sufficient natural gas reserves in the area that would justify the need for the pipeline for at least the next five years.

[28] Furthermore, the AER believes that the concerns of Ollerenshaw-Soutzo regarding the 11-24 and 10-13 wells, including the suggestion that the 11-24 well be ordered abandoned and reclaimed, are outside of the scope of this informal review—which is to focus only on the continued existence of the pipeline. Further, the production of remaining reserves, including those at other potential well locations, would be considered in a formal hearing of the pipeline

licence if the AER determined that urban development is going to be adversely affected. As noted in *Decision 2000-20*, premature abandonment of the sour facilities should be avoided.

## **POTENTIAL FOR URBAN DEVELOPMENT IN THE SETBACK AREA**

### **Analysis**

[29] The parties raised differing views as to what would have an effect on urban development in the area. The City and Ollerenshaw-Soutzo felt that safety issues arising from the presence of the pipeline would have an adverse effect, while Compton argued that it was only the setback that could potentially have an adverse effect. The AER would like to clarify that both residential and nonresidential development is permitted to occur within emergency planning zones; however, urban development is not permitted within the 500 m pipeline setback.

[30] Compton submitted that since there are no concrete plans by the City to develop the lands affected by the pipeline setback within the next five years, the pipeline should be permitted to operate in the short term.

[31] Compton submitted a report on potential city growth and interference with the pipeline called *MPP Ltd. Chestermere Pipeline Land Use Planning Review* (Planning Review Report), which had been prepared for it by Citytrend. The Planning Review Report considered City planning documents and studies such as the September 2009 Municipal Development Plan (MDP), the East Regional Context Study, the Suburban Residential Growth Study (SRGS), and the Strategic Growth & Capital Investment 2011 Plan.

[32] Compton submitted that the conclusion of the Planning Review Report was that while it is apparent that the setback lands will ultimately experience urban development, it does not appear that this development will take place within the next five years. The setback lands are classified mainly as future residential development and the general timeframes given in the East Regional Context Study place them in the last phases of development, outside the five-year horizon.

[33] The Planning Review Report indicated that the SRGS confirmed that the setback lands are not part of the current land supply for the community of Mahogany and that no planning or servicing studies have been done of the lands. Further, the SRGS suggested that, based on existing community plans and area structure plans, there is enough land supply for the next seven to nine years in the southeast sector of the city without developing the setback lands.

[34] Compton submitted that the Planning Review Report noted that the setback lands are considered a future growth area, according to the Strategic Growth & Capital Investment 2011 Plan, and are projected to be outside the 2025 time horizon for urban development, and therefore not anticipated to be developed within five years.

[35] The City did not disagree with the analysis of its planning documents and the expected timeframe for the development of the setback lands to the east of the community of Mahogany. According to the City's additional submission, the lands projected to be developed in the near future are those located to the south of Mahogany.

[36] The issue of urban development encroaching on the pipeline setback was not addressed by the City or Ollerenshaw-Soutzo.

[37] Ollerenshaw-Soutzo argued that the rapid growth of Mahogany and potential acceleration of the pace of development was leading to an escalating land-use conflict, especially since the resource was not developed in an accelerated fashion as directed by the energy regulator in 1983.

[38] Ollerenshaw-Soutzo submitted concerns with the lack of fairness with respect to the interests of the surface landowners vs. the interests of the mineral operator. While over the last 30 years the mineral operator has had the opportunity to produce sour gas, the surface lands have been burdened by these sour gas facilities over that same long time period. Ollerenshaw-Soutzo also indicated that decisions of previous hearings included direction to the licensee to accelerate resource depletion to avoid conflicts such as this.

[39] Ollerenshaw-Soutzo were also concerned that the City appeared to be moving in the direction of imposing new obligations on subdivision development, such as requiring a risk assessment as part of an outline plan or land-use amendment application for lands within 1.5 km of an oil and gas facility, increased network connectivity, and lower residential density, as well as possibly increasing City-imposed setbacks as a result of the existence of these sour gas facilities. The landowners were concerned that these sour gas facilities were proving to be very costly as they proceeded to develop their lands.

[40] Ollerenshaw-Soutza provided a document outlining the impacts on a property's value from setbacks restricting short-term development; lands were reduced to one-quarter of their value when short-term development was not possible.

## **Findings**

[41] In *Decision 2000-20*, the EUB suggested the triggers it thought might demonstrate that urban development would be adversely affected by the presence of the pipeline. The EUB believed that possible triggers for pipeline removal included the need to cross the pipeline with local sewers, roads, or other local infrastructure, which all relate to urban development near the pipeline that could be restricted due to setback requirements. The EUB also discussed the relationship between surface development and sour gas facilities and noted that intensive urban housing very close to sour facilities is not prudent and that there are setback requirements that restrict surface development to provide a safe distance between sour gas facilities and the public.

[42] A setback is the minimum distance that must be maintained between an energy facility and various surface developments for land-use and public safety purposes. The AER's minimum setback requirements for energy facilities are determined based on the level of risk to public safety. However, as a land-use planning authority, the City can impose greater obligations on the proponents of urban development near sour gas facilities. The City did not indicate in its submissions that it contemplated imposing additional setback distances to limit urban encroachment on pipeline rights-of-way.

[43] The AER notes that neither the City nor Ollerenshaw-Soutzo raised concerns about the effects of AER-defined setbacks on their development plans or raised concerns that the setbacks were inappropriate.

[44] The question before the AER was whether the pipeline would have an adverse effect on urban development within the next five years. As contemplated in *Decision 2000-20*,<sup>5</sup> urban development is surface development that would require a 500 m setback under AER requirements and includes urban centres and public facilities used by a large number of people.

[45] The AER considered whether the presence of the pipeline and its associated setback were currently affecting or projected to affect urban development of the setback lands within the next five years. In 2007, the City annexed the setback lands, and any development plans for these lands must therefore follow the City's planning processes for new developments, as outlined in its clarification submission.

[46] The AER notes that the setback lands are not included in the City's Southeast Planning Area Regional Policy Plan and finds that the steps required to develop the setback lands, as outlined in the City's clarification submission, have not been approved by the City. The City's East Regional Context Study, excerpts of which were provided by Compton, indicates that the setback lands are "future planning cells" for which no date of development is provided.

[47] The AER notes that the City has approved plans for the development of the community of Mahogany, which contains an approved supply of land that is expected to be developed within the next 20 years. The AER further notes that the setback lands do not form part of this land supply for the Mahogany community. The pipeline is located about 750 m east of the eastern boundary of Mahogany, and the approved boundaries for the community do not include the setback lands.

[48] Accordingly, the AER is of the view that urban development is not expected to occur within the next five years on the lands affected by the pipeline setback; therefore, the AER finds that the current setback of 500 m for the subject pipeline will not adversely affect urban development within the next five years.

## **LAND-USE PLANNING AND EMERGENCY PREPAREDNESS AND RESPONSE**

[49] Although the AER's primary analysis was on the effect of the pipeline's setback on urban development, the AER has also included a discussion of the concerns of certain parties on emergency preparedness and response, as well as the AER's views (see below).

### **Analysis**

[50] Compton argued that since no urban development is planned for the setback lands within the next five years, the pipeline should remain in place as it is not adversely affecting urban growth. It argued that development is permitted within the area of the emergency preparedness zone (EPZ) outside of the setback, so even though a portion of the Mahogany lands falls inside the EPZ, the development of those lands is not constrained.

[51] The City's concerns were based on the approved subdivision plans for the community of Mahogany. There are land-use plans in place for development of the lands within the pipeline's EPZ, including schools, a community centre, and multifamily dwellings at densities as high as 75

---

<sup>5</sup> See pages 29–33 in *Decision 2000-20*.

units per hectare (about 30 units per acre). From the City's perspective, this generates concerns in relation to emergency management and response. At full development, Mahogany is expected to be home to 21 000 people, with a greater daytime population when schools, businesses, and recreational centres are open.

[52] The City pointed out that Compton's Planning Review Report spoke only to the 500 m setback from the pipeline, and not to the EPZ. Thus the community of Mahogany and the Mahogany Community Plan were not mentioned. The City postulated that this could lead to an underestimation of the effects of the pipeline on adjacent development.

[53] From the City's perspective, the South Hospital is very close to the pipeline's EPZ. The South Hospital is expected to increase demand for development in the area, thereby expediting the buildout of nearby communities, such as Mahogany, and increasing the number of residents living within the EPZ. In addition, the City indicated that having a primary care facility this close to an EPZ could lead to numerous issues in the event of a pipeline failure.

[54] The City submitted a letter written by the fire chief and director of the Calgary Emergency Management Authority (CEMA) outlining concerns with Calgary's emergency services' response times to Mahogany. Later in this proceeding, Compton placed into evidence a report made to the Calgary Planning Commission, dated February 28, 2013. The report states that as of February 11, 2013, the Calgary Fire Department and CEMA indicated that their concerns had been addressed and that they have no objection to further development within Mahogany.

[55] Compton indicated that it is involved in ongoing engagement with the City, CEMA, the Calgary Fire Department, and Hopewell Residential Communities (Hopewell), the developer of Mahogany, to ensure that emergency preparedness is aligned with the community's needs.

## Findings

[56] The mandate of the AER requires that it ensure that the development of hydrocarbon resource follows a strict regulatory framework governed by the principles of safety, efficiency, and environmental responsibility. This is achieved through its licensing, auditing, and surveillance processes, which ensure that proper standards are in place and followed to prevent incidents and mitigate risks and to prepare for and respond to emergencies.

[57] The AER has regulatory requirements in place to mitigate the risks of oil and gas development to the public and the environment, including requirements governing the integrity of pipeline systems, the safe and responsible operations of facilities, setbacks, and emergency preparedness and response. The AER notes that Compton is currently in compliance with the AER's emergency preparedness and response requirements for this pipeline.

[58] The AER's *Directive 071: Emergency Preparedness and Response Requirements for the Petroleum Industry* sets out the requirements that licensees must follow to prepare for and respond to emergencies; however, the municipality has the primary responsibility for the direction and control of emergency response within its geographical jurisdiction in accordance with the *Municipal Government Act* and *Emergency Management Act*. The City ensures that it can respond to emergencies; therefore, it is important that the licensee and the local authority have a shared understanding and a coordinated approach to identifying and addressing emergency situations. Initially the Calgary Fire Department and CEMA had concerns with

response times in Mahogany. It appears that the Calgary Fire Department and CEMA no longer object to further development in the community as their concerns have been addressed.

[59] The AER appreciates that Compton, CEMA, Hopewell, and the City are working together. It expects Compton to continue to work with other stakeholders to educate the residents of Mahogany on such topics as when and how to shelter in place or to evacuate, as well as to address any requests from the residents for additional information on emergency preparedness and response. The AER notes that this issue is not unique to Compton as there are a number of other sour and nonsour oil and gas wells and pipelines within the boundaries of the city of Calgary that require similar kinds of preparedness.

## CONCLUSION

[60] Based on the evidence submitted in this proceeding, the AER finds that the pipeline licensed under Pipeline Licence No. 21027 will not adversely affect urban development within the next five years. Therefore, a formal hearing into Pipeline Licence No. 21027 will not be held at this time. Further, in accordance with the intention of the *Default Addendum*, the AER orders that another informal written review of the pipeline licence be held to determine whether urban development would be adversely affected by the presence of the pipeline within five years of this written review. Based on the results of that written review, the AER will determine whether it should hold a formal hearing to review the pipeline licence.

[61] The AER finds that Pipeline Licence No. 21027 remains in good standing, and the AER will revisit the status of the licence in its decision on the next informal written review.

[62] The licensee of the pipeline is required to initiate the informal written review of the licence with the AER within five years of the date of this decision. Interested parties should have an opportunity to participate in that review process. These interested parties should include, at a minimum, the landowners who own land along the pipeline route within the boundaries of the city of Calgary.

[63] The AER affirms the view set out in the numerous previous proceedings and decisions related to energy development in the Chestermere-Okotoks corridor that there will come a point in the future when the pipeline will adversely affect urban development and the sour gas facilities will need to be removed, even if energy resources remain unproduced. This will be necessary in order to avoid having urban development close to these sour facilities. As set out in *Decision 2000-20*, the AER believes that reducing the sour gas facilities to level-1 should be considered by Compton and notes that the City could apply a 300 m nuisance zone around the sour gas facilities similar to the approach used in northeast Calgary.<sup>6</sup> At this time, however, it does not appear that the pipeline setback will have an adverse effect on urban development within the next five years.

---

<sup>6</sup> *Decision 2000-20*, pg. 32.

Dated in Calgary, Alberta, on November 5, 2013.

**ALEBRTA ENERGY REGULATOR**

*<original signed by>*

B. T. McManus, Q.C.  
Presiding Hearing Commissioner

*<original signed by>*

R. C. McManus, M.E.Des  
Hearing Commissioner

*<original signed by>*

T. C. Engen  
Hearing Commissioner

## APPENDIX 1 WRITTEN REVIEW PARTICIPANTS

---

Principals and Representatives  
(Abbreviations used in report)

---

Compton Petroleum Corporation (Compton)  
L. Olthafer

---

The City of Calgary  
D. Mercer

---

Ollerenshaw Ranch Ltd., Rob Ollerenshaw, and  
A. Soutzo (Ollerenshaw-Soutzo)  
S. Carscallen

---

Alberta Energy Regulator staff  
B. Kapel Holden, AER Counsel  
D. Burns, AER Counsel  
J. Koppe  
H. Deng  
M. Teare  
S. Walter  
C. Tamblyn

---

**APPENDIX 2 ATTACHMENT 3 OF *DECISION 2000-20* (SUMMARY OF REFERENCED DOCUMENTS)**

(Full copies of the following documents may be obtained by contacting EUB Information Services).

**Informational Letter 80-4**

In this letter of 1980, the Board requested all resource operators in the Okotoks area, in the interest of efficient development, to cooperate in the preparation of a plan intended to address overall development in the area for the next five years. Issues to be considered were timing, drilling, pipelines, processing capacity, sales, and abandonments.

**Decision 80-6**

In 1979, Amerada Minerals Corporation applied for a permit to construct a secondary pipeline in the Chestermere-Okotoks area that would carry sour gas from wells north of the Bow River to the gathering system south of the river.

Amerada was concerned about future urban expansion and therefore proposed to increase the production rate from these wells to recover the reserves as quickly as possible.

The Board believed that every attempt should be made to recover the gas reserves and that the 11-24 well, being closest to the city, should be placed on production as soon as possible. The Board was unable, on the basis of evidence presented at that hearing, to establish a reasonable estimate as to when encroachment from the city might occur. Therefore, an approval for the proposed facilities was granted for a 12-year period, at the end of which time a review would be conducted.

The application was approved but Amerada did not construct the pipelines.

**Informational Letter IL 81-7**

In this letter to energy operators, planning authorities, and landowners in the Okotoks region, the Board noted that sour gas reserves in the area were likely more extensive than previously believed. The Board was concerned that production of the reserves could be seriously affected by future urban, town, and subdivision development and that land use could be adversely affected by improperly planned sour gas development.

After reviewing the information provided by industry as requested in *IL 80-4*, the Board concluded that exploration and production should be carried out in an expeditious manner. The Board determined that additional gas processing capacity would likely be required, that the industry should coordinate its development efforts, and that planning authorities, developers, landowners, and industry should cooperate to expedite resource depletion.

The Board believed that unless these measures were followed, there could be unavoidable restrictions on land subdivision in the region for an indefinite period of time and losses in the recovery of significant gas resources.

### **Inquiry Report D 83-12**

In 1982, the Lieutenant Governor in Council requested that the ERCB hold an inquiry to determine how potential conflicts between the development of sour gas reserves and residential development might be minimized in this area.

The participants in that proceeding, including 18 industry and landowner groups, concluded that future land-use conflicts were likely unless resource depletion was accelerated. However, conflict could be minimized by expeditious depletion, deferring further residential development, and preferentially marketing gas produced from this area. The inquiry also concluded that it was unfair to indefinitely defer residential development in favour of future sour gas production.

### **Decision 83-13**

In 1983, Canadian Occidental Petroleum Ltd. (Can Oxy) applied to construct a new sour gas processing plant at Mazeppa. Can Oxy intended to be able to process all sour gas in the area that was not currently being transported to the Canterra plant at Okotoks and included the Amerada reserves located to the north of the Bow River. Can Oxy stated that it was in the public interest to deplete the reserves in the Okotoks area at the earliest possible time.

The Board believed that having adequate processing capacity to ensure the early depletion of reserves in the Okotoks area was desirable and, consistent with the general findings of public inquiry *D 83-12*, approved the application. Can Oxy subsequently constructed the plant.

### **Decision 84-7**

In 1984, Canterra Energy Ltd. applied to build a sour gas pipeline to connect its recently procured reserves north of the Bow River to the gathering system south of the river.

The Board believed that the reserves should be recovered expeditiously, as urban encroachment upon the area might occur, but was uncertain as to when this might take place. The Board determined that a 15-year production period would represent a reasonable balance between the need to recover the resources and the desire for further urban development. The Decision also allowed for a review of the situation at or near the end of the 15-year period in view of a possible extension.

The Board agreed that voluntary emphasis should be placed on producing the more sour Wabamun reserves in close proximity to the city. The Board was hesitant about hindering possible depletion acceleration should conditions change and therefore did not condition Canterra's applications to preclude the tie-in of new wells, but instead undertook to review any future applications on their relative merits at that time.

Subsequently, the Board issued the appropriate pipeline permits and the pipeline was constructed.

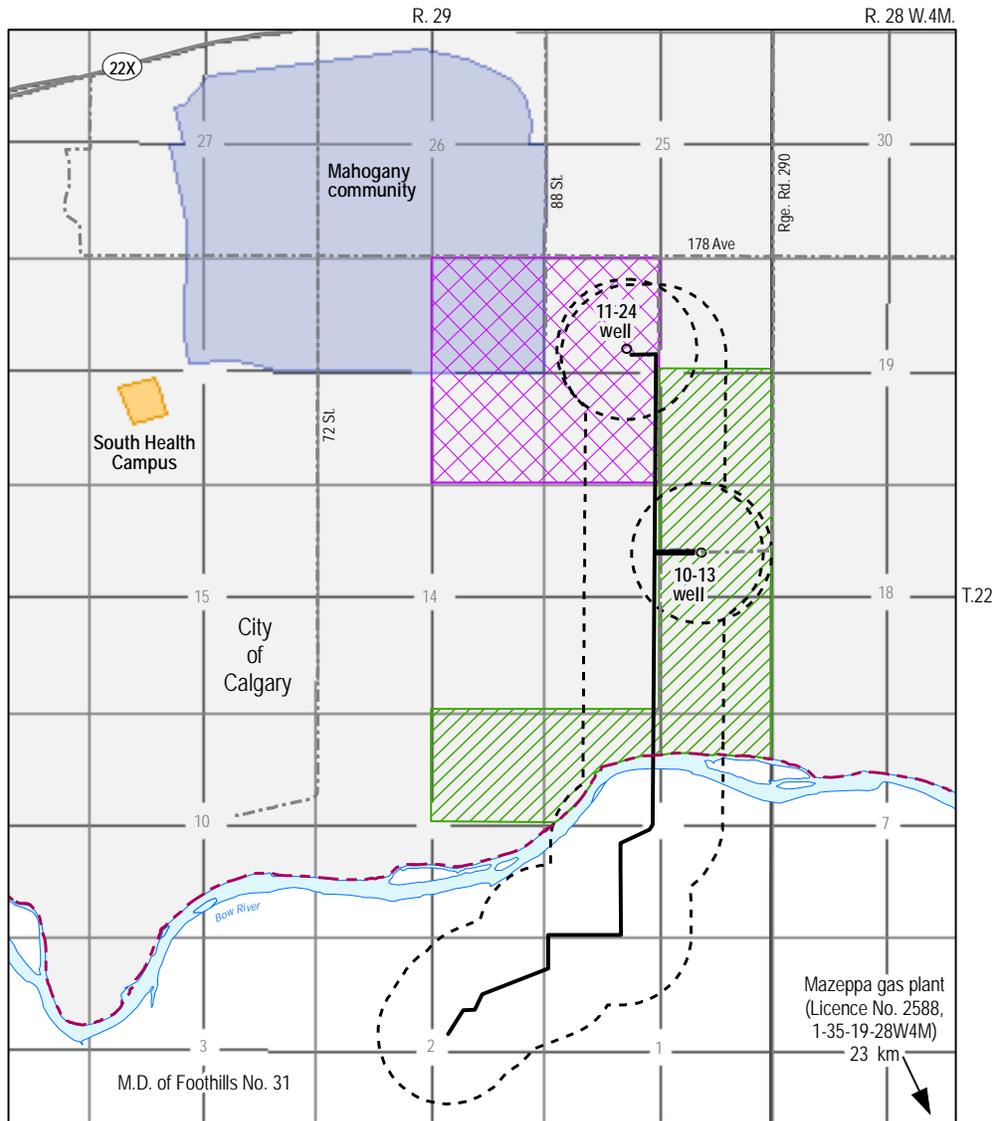
### **Decision 85-19**

In 1985, Can Oxy applied to construct approximately 92 km of pipeline in the Mazeppa area to facilitate the recovery of raw gas, deliver processed gas to market, and dispose of produced waters.

As the Mazeppa gas plant was designed to accommodate all sour gas production in the Okotoks area that was not being processed at the Canterra Okotoks gas plant, the proposed pipeline system was deemed to be an integral and essential part of the Mazeppa gas processing project. The Board approved the applications and the pipelines were subsequently constructed. The Okotoks plant was later decommissioned and the gas was routed to the Mazeppa plant for processing.

### **Memorandum of Decision Pre-Hearing Meeting Application No. 910253**

In August 1990, Canadian Occidental Petroleum Ltd. applied for two well licences to drill and produce sour gas from sections 18-22-28W4M and 12-22-29W4M. Both wells were to be drilled from a surface location in LSD 6-18-22-28W4M. There was strong opposition to these applications and ultimately Can Oxy withdrew them in 1994.



**Legend**

- Existing well
- Pipeline Licence No. 21027
- ▨ Soutzo
- ▨ Ollershaw
- ⬡ Buffer of 500 m
- Major road
- - - Secondary road
- - - Municipality

**Figure 1. Pipeline Licence No. 21027 and surrounding area**