

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**ADVANTAGE OIL & GAS LTD.
APPLICATIONS FOR FACILITY LICENCES
CHIP LAKE FIELD**

**Decision 2007-069 Errata
Applications No. 1481043,
1481044, and 1481045**

The Alberta Energy and Utilities Board (EUB/Board) issued *Decision 2007-069* on September 4, 2007. The Board has since discovered errors in two paragraphs.

In Section 2.1.1: Application No. 1481043 on page 1, the first line of the paragraph reads, “Advantage applied to the EUB on September 29, 2007, pursuant to Section 7.001 of the *Oil and Gas Conservation Regulations*, for authorization to operate one existing multiwell oil battery in Legal Subdivision (LSD) 5 of Section 13, Township 53, Range 10, West of the 5th Meridian (5-13 battery site).” The sentence, with the change in bold, should read, “Advantage applied to the EUB on **September 29, 2006**, pursuant to Section 7.001 of the *Oil and Gas Conservation Regulations*, for authorization to operate one existing multiwell oil battery in Legal Subdivision (LSD) 5 of Section 13, Township 53, Range 10, West of the 5th Meridian (5-13 battery site).”

In Section 2.1.2: Applications No. 1481044 and 1481045 on page 1, the first line of the paragraph reads, “Advantage also applied to the EUB on September 29, 2007, pursuant to Section 7.001 of the *Oil and Gas Conservation Regulations*, for authorization to operate two existing oil satellites in LSD 16-11-53-10W5M and LSD 3-12-53-10W5M respectively.” The sentence, with the change in bold, should read, “Advantage also applied to the EUB on **September 29, 2006**, pursuant to Section 7.001 of the *Oil and Gas Conservation Regulations*, for authorization to operate two existing oil satellites in LSD 16-11-53-10W5M and LSD 3-12-53-10W5M respectively.”

The Board considers that the corrections to the paragraphs as noted above properly reflect the evidence and the Board’s intention in *Decision 2007-069*. Therefore, the Board approves the above-noted corrections to *Decision 2007-069*.

Dated in Calgary, Alberta, on September 5, 2007.

ALBERTA ENERGY AND UTILITIES BOARD

<original signed by>

T. M. McGee
Presiding Board Member



Advantage Oil & Gas Ltd.

Applications for Facility Licences
Chip Lake Field

September 4, 2007

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2007-069: Advantage Oil & Gas Ltd., Applications for Facility Licences, Chip Lake Field

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**ADVANTAGE OIL & GAS LTD.
APPLICATIONS FOR FACILITY LICENCES
CHIP LAKE FIELD**

**Decision 2007-069
Applications No. 1481043,
1481044, and 1481045**

1 DECISION

Having carefully considered all of the evidence, the Alberta Energy and Utilities Board (EUB/Board) hereby approves Applications No. 1481043, 1481044, and 1481045 with no conditions.

2 INTRODUCTION

2.1 Applications

Advantage Oil & Gas Ltd. (Advantage) applied to the EUB for licences to operate a multiwell oil battery and two oil satellites, as detailed in the following sections. The applied-for facilities are located about 8.6 kilometres (km) southwest of Wildwood. The maximum hydrogen sulphide (H₂S) concentration in the inlet gas stream of the battery and satellites would be 0.75 moles per kilomole (mol/kmol) (0.075 per cent).

2.1.1 Application No. 1481043

Advantage applied to the EUB on September 29, 2007, pursuant to Section 7.001 of the *Oil and Gas Conservation Regulations*, for authorization to operate one existing multiwell oil battery in Legal Subdivision (LSD) 5 of Section 13, Township 53, Range 10, West of the 5th Meridian (5-13 battery site). The multiwell oil battery would consist of a group inlet separator building, two test separator buildings, an oil treating vessel, five 400-barrel storage tanks, one 400-barrel water tank, a 67-kilowatt (kW) compressor, a nonregenerative gas sweetening system, an electric 23-kW water disposal pump, a vapour recovery compressor package, and a flare system. The purpose of the multiwell oil battery would be to separate and measure area production for multiple wells, collect the production for storage and transportation to market or injection, and gather the gas for sweetening and conservation.

2.1.2 Applications No. 1481044 and 1481045

Advantage also applied to the EUB on September 29, 2007, pursuant to Section 7.001 of the *Oil and Gas Conservation Regulations*, for authorization to operate two existing oil satellites in LSD 16-11-53-10W5M and LSD 3-12-53-10W5M respectively. The equipment at each satellite would consist of a multiwell valve manifold and test separator package. The purpose of the satellites would be to measure area production from multiple wells.

2.2 Interventions

The Board received objections to the applied-for facilities from a number of area landowners, some of whom formed the Chip Lake Group (see Appendix 2). Concerns expressed related to the potential impact of the applied-for facilities on the environment, human and animal health, and

property values. Submissions to the hearing were received only from members of the Chip Lake Group.

Prior to the hearing, the Board received withdrawal of objections from the members of the Chip Lake Group and was advised that they had signed an agreement with Advantage through the appropriate dispute resolution (ADR) process. However, as neither submissions to the hearing nor withdrawal of objection had been received from those interveners who were not part of the Chip Lake Group, the Board decided to open the hearing. Those interveners, who had not signed the agreement with Advantage as well, did not appear at the hearing. Therefore, as no interveners appeared at the hearing, the Board did not hear evidence from any of these parties. Rather, the Board heard a statement from Advantage regarding an agreement made with the Chip Lake Group.

2.3 Hearing

The Board held a public hearing in Wildwood, Alberta, on August 8, 2007, before Board Member T. M. McGee (Presiding Member) and Acting Board Members D. D. Waisman and F. Rahnama. A site visit was conducted on August 7, 2007. Those who appeared at the hearing are listed in [Appendix 1](#).

3 BACKGROUND

Following a hearing in November 2005, the Board issued *Decision 2006-007: Advantage Oil and Gas Ltd., Applications for a Multiwell Oil Battery Licence and Two Multiwell Oil Satellite Licences, Chip Lake Field*, denying Advantage's applications for the facilities that are the subject of this decision. Advantage's predecessor company, Defiant Energy Corporation, had constructed the facilities in the absence of necessary approvals. In denying the applications, the Board gave Advantage until October 2, 2006, to either prepare and file new applications or remove its equipment from the sites. Advantage, after a lengthy community consultation program, elected to file applications in September 2006. In the interim, the Board permitted the battery to continue operating as a single oil battery with no H₂S, while suspending the satellites.

4 APPROPRIATE DISPUTE RESOLUTION

At the hearing on August 8, 2007, Advantage stated that it had participated in ADR with the Chip Lake Group, which resulted in the withdrawal of objections by 14 of 18 interveners. Advantage further stated that an agreement, based on a document entitled "Commitments Between Advantage Oil & Gas Ltd. and the Chip Lake Group," was reached between the parties as a result of ADR. Advantage requested that this document be added to the Board's decision report on these applications.

W. L. McElhanney, counsel for the Chip Lake Group, acknowledged that his clients had withdrawn their objections based on the commitments document. He agreed that this document be added to the Board's decision report, but clarified that he did not expect it to be used for the purpose of enforcement by the Board in the event of a breach of the agreement.

The Board understands that Advantage and the Chip Lake Group engaged in ADR. The Board appreciates that "Commitments Between Advantage Oil & Gas Ltd. and the Chip Lake Group" was a part of the agreement reached between the parties as a result of ADR.

5 CONCLUSION

The Board notes that Advantage and the Chip Lake Group agreed to have “Commitments Between Advantage Oil & Gas Ltd. and the Chip Lake Group” become part of the public record by way of including it in the decision report on these applications. The Board stresses that under normal circumstances, agreements resulting from ADR remain confidential between the parties and separate from the Board’s decision-making process. In this case, however, due to the fact that both parties to the agreement have requested that the document become part of the public record, the Board has agreed to attach it as Appendix 3 to this decision.

The Board cautions that such agreements are not enforceable by the EUB, as they are private agreements between the parties reached through a process separate from the Board’s adjudicative process. Therefore, a breach of the agreement between the parties would not trigger enforcement action by the EUB. The EUB will follow its usual compliance and enforcement practices, in accordance with the applicable rules and regulations, irrespective of the any agreement reached independently between parties.

The Board appreciates the efforts invested by Advantage and the Chip Lake Group in resolving their issues prior to the hearing.

As such, having carefully considered all of the evidence, the Board approves Applications No. 1481043, 1481044, and 1481045 with no conditions.

Dated in Calgary, Alberta, on September 4, 2007.

ALBERTA ENERGY AND UTILITIES BOARD

<original signed by>

T. M. McGee
Presiding Board Member

<original signed by>

D. D. Waisman, C.E.T.
Acting Board Member

<original signed by>

F. Rahnama, Ph.D.
Acting Board Member

APPENDIX 1 HEARING PARTICIPANTS

Principals and Representatives
(Abbreviations used in report)**Witnesses**

Advantage Oil & Gas Ltd. (Advantage)
K. Miller, Counsel

D. Cronkhite
Advantage Oil and Gas Ltd.

Chip Lake Group
W. L. McElhanney, Counsel

Alberta Energy and Utilities Board staff
T. Bews, Board Counsel
R. Reid
C. Giesbrecht

APPENDIX 2 INTERVENERS**Members of the Chip Lake Group**

John Adamache
Jesse Adamache
Jim Kudera
Carl Leakvold
Jim McCool
Donna Anderson
Steve Roga
Lorie Vankosky
Addie Shaw
Bonnie Winfield and Dannie Winfield
Steve Otway
Alain Gros-Louis
Audrey Doege

Interveners Not Part of the Chip Lake Group

Rudolf Hermann and Maria Hermann
Heinz W. Hertwig-Jaksch
Steve Nikolayuk

APPENDIX 3 COMMITMENTS BETWEEN ADVANTAGE OIL & GAS LTD. AND THE CHIP LAKE GROUP

Definitions

"Advantage" means Advantage Oil & Gas Ltd.

"Battery" means a multi-well sour oil battery located at 5-13-53-10-W5M.

"Chip Lake Operating Area" means any lands within the geographic area of 53-10-W5M for which Advantage, at any time, holds the right to explore for and produce oil or natural gas.

"Chip Lake Group" means the group of individuals represented by Bill McElhanney and who intervened and objected in respect of three applications filed by Advantage with Alberta Energy and Utilities Board ("EUB") on September 29, 2007 for the Battery (Application No. 1481043) and two multi-well sour oil satellites at 16-11-53-10-W5M (Application No.1481044) and 3-12-53-10-W5M (Application No.1481045), being [list each individual], and includes each individual's heirs, successors and assigns.

SECTION 1 - SITE SPECIFIC COMMITMENTS OF ADVANTAGE

1. A noise and air quality survey will be conducted on the Battery under normal conditions within two months of start-up and the results provided directly to members of the Chip Lake Group (or presented in a meeting scheduled under the Section 3 Commitments ("Chip Lake Group Meetings")). In the event that any member of the Chip Lake Group has any concerns at any other time concerning noise or air quality, Advantage will investigate the complaint, conduct the appropriate surveys if considered reasonable in the circumstances and provide the results of the investigation and any survey conducted to the members of the Chip Lake Group as requested. Noise Surveys will be conducted in accordance with EUB Directive 38 (Noise Control).
2. Advantage will construct a 3 meter high berm around the Battery, paint the tanks a neutral colour, and plant and maintain 10 to 17 foot trees around the facility to improve the aesthetics and reduce the visual impact to the neighbouring residents. This commitment is subject to the agreement of adjacent landowners to allow Advantage to acquire the land needed on which to place the subject berm and trees. If adjacent landowner consent is obtained, Advantage will consult with the Chip Lake Group to seek agreement regarding the species, number and placement of trees.

3. The Battery site will be well maintained at all times and the storage of equipment will be minimized to include only normal oilfield equipment such as tubing, wellheads and related oilfield equipment. The temporary storage of machinery is permitted. The access gate to the Battery will be locked unless Advantage personnel are on site or not in the Chip Lake Operating Area.
4. Advantage shall request that the EUB inspect the Battery within 2 months of start-up.
5. The proposed gas sweetening system for the Battery is a closed operation with no continuous flaring and no continuous sulphur emissions. In the event that flaring must occur due to maintenance or emergencies, the affected residents will be notified in accordance to EUB Directive 60 (Upstream Petroleum Industry Flaring Guide). If flaring is anticipated, a notification to the affected residents will occur prior to the incident or, in the case of an emergency, immediately following the incident. Advantage's Emergency phone number is 1-800-266-5623.

SECTION 2 – OPERATIONS COMMITMENTS OF ADVANTAGE

6. Should prolonged flaring be required at the Battery or, subject to Commitment 7, at a wellsite, Advantage will have continuous air monitoring in place around the Battery or wellsite in the same manner as is required in Directive 60 (Upstream Petroleum Industry Flaring Guide). For short-term flaring due to maintenance or emergencies, continuous air monitoring would not be required. Advantage will install continuous sulphide monitoring boxes at the Battery. Updates of any incidents will be provided in scheduled Chip Lake Group Meetings.
7. In order to eliminate the need for flaring during the testing of future wells within the Chip Lake Operating Area, Advantage will use either incineration or in-line testing.
8. Advantage will coordinate rig moves, trucking, service and support traffic under its control so that they do not coincide with school bus operating hours (i.e., 7:00 to 8:00 a.m. and 4:00 to 5:00 p.m. or as specified by the school board) and quiet times between 10:00 p.m. and 6:00 a.m. Advantage operations staff is permitted to travel during these off-hours to address operational and emergency issues. All speed limits along the trucking route must be strictly adhered to. Advantage will take immediate and effective action against its employees or contractors if complaints are received from the Chip Lake Group regarding traffic violations and will provide the Chip Lake Group with evidence of this action.
9. Advantage will repair roads damaged, due to its use, as soon as is practical and Advantage will implement dust control measures requested and approved by the community.

10. Advantage's emergency shutdown equipment in the Chip Lake Operating Area will be tested and documented every second month by Advantage, or its qualified representative, to ensure the integrity of the equipment for the period during which any wells produce. This is in accordance to the Industry Recommended Practices (IRP) IRP-5 (Minimum Wellhead Requirements)¹. Results will be reported at the scheduled Chip Lake Group Meetings.
11. Advantage agrees to undertake a baseline BOP water quality and quantity test (the "Tests") of the Chip Lake Group's water wells, dug-outs, and the creeks identified as follows: _____ (names or as marked on an attached map) (the "Water Sources" for resident use) within an 800 meter radius of the Battery. Advantage also agrees to conduct the Tests, prior to and after any seismic, drilling or completion operations, of the Chip Lake Group's water wells that are within a 600 meter radius of the activity.
12. If Advantage's drilling, completion, production or seismic operations in the Chip Lake Operating Area cause problems with quality or quantity of the Water Sources for members of the Chip Lake Group, Advantage will address and remedy the situation with the affected members at Advantage's expense, including but not limited to hauling in potable water for the affected Chip Lake Group member (Seismic Operations is directed under the OH&S Act – Explosives Safety Regulations). In the event of a dispute between a member of the Chip Lake Group and Advantage regarding the existence and/or cause of detrimental change in water quality or quantity, Advantage will engage an independent hydrogeologist, at its own cost, to conduct an assessment and to determine the cause of any detrimental effect on any water wells. The written results of the independent assessment and determination will be shared with the disputing Chip Lake Group member and Advantage.
13. Advantage will assume careful control and will properly manage the penetration rates, mud quality, and cement job in the surface hole portion of any new wells, in order to protect ground water.
14. Advantage will conduct annual site inspections of its facilities per Directive 55 (Storage Requirements for the Upstream Petroleum Industry) and Directive 64 (Requirements and Procedures for Facilities). Advantage will provide an explanation of the results of such inspections during Chip Lake Group Meetings.
15. Advantage will prepare and maintain a voluntary Site Specific Safety Protocol for the Chip Lake Operating Area as per EUB Directive 71 (Emergency Preparedness and Response Requirements for the Petroleum Industry) and will review and discuss it with the Chip Lake Group. Advantage will maintain and apply its Corporate Emergency Response Plan, which is registered with the EUB.

¹ Industry Recommended Practice (IRP) is sanctioned by ENFORM and DACC (Drilling and Completions Committee).

16. Advantage will include all specific resident information provided to it by residents in the Site Specific Safety Protocol for the Chip Lake Operating Area.
17. Advantage will work with the Chip Lake Group to provide information about emergency response planning and mitigative measures specific to Advantage's operations within its Chip Lake Operating Area.
18. Advantage will participate in the area air shed zone which covers the Chip Lake Operating Area and will join and participate in the activities of the West Central Airshed Society. Advantage will report on these activities at Chip Lake Group Meetings.
19. Weather permitting, the pipeline connected wellsites will be cleaned-up and restored as soon as possible. Single well battery equipment such as temporary production tanks, will be removed and weed control measures will be undertaken.

SECTION 3 - MEETING/COMMUNICATIONS COMMITMENTS OF ADVANTAGE

20. Advantage commits to work with members of the Chip Lake Group, on a reasonably expedited basis, to develop a mutual understanding of the content and form of communication that the Chip Lake Group wishes to obtain and the timing and extent to which the company can share information that is reasonably requested. Both parties will commit to remain engaged in the process, for such time as required, to develop a communication strategy that is acceptable to both parties. If by November 1, 2007, either the Chip Lake Group or Advantage is not satisfied with progress made towards development of a communication strategy and plan, then Advantage shall, at its own expense, hire a mediator who is satisfactory to both parties, in order to conclude the task.
21. Advantage will meet with the Chip Lake Group as soon as possible to discuss and identify any concerns of the Chip Lake Group. After that and in the first year, Advantage will meet with members of the Chip Lake Group on a quarterly basis and thereafter on a frequency considered appropriate by the Chip Lake Group and Advantage to discuss and address Advantage's activities in the area and any questions or concerns of the Chip Lake Group. A schedule and timeline will be prepared to seek resolution of any outstanding concerns related to Advantage's facilities or operations in its Chip Lake Operating Area, as contemplated by Commitment 24.
22. In addition to Commitments 20 and 21, and in addition to Directive 56 (Energy Development Applications and Schedules), and Directive 60 (Upstream Petroleum Industry Flaring Guide), Advantage will provide written notification to all members of the Chip Lake Group (unless a member advises in writing otherwise), prior to proceeding with activity within the Chip Lake Operating Area

(e.g. seismic, drilling, well completion, testing, incineration, tie-in, major well servicing (such as well stimulation), changes to the plans for future development, and termination of operations). As part of the notification process, Advantage will consult with affected landowners and residents, as well as members of the Chip Lake Group, to determine and consider any concerns respecting the particular activities.

23. Advantage will not increase the size of any of the facilities located at the Battery site beyond the size required to produce the Rock Creek formation. Should Advantage need to increase the Battery for this purpose, it will not do so without full and complete consultation and disclosure to members of the Chip Lake Group. Further, if, as a result of any activity which has occurred within the Chip Lake Operating Area, it is contemplated that there would be any changes to the operations or requirements of the Battery, Advantage will undertake adequate consultation meetings and discussions with members of the Chip Lake Group, prior to initiating any application to the EUB. In accordance with Directive 56, Advantage will consult with members of the Chip Lake Group should there be any changes to the operations or requirements of the Battery.
24. Respecting past, present and future operations and activities by Advantage within its Chip Lake Operating Area, Advantage will address concerns raised by members of the Chip Lake Group and affected landowners or residents and to the extent that there would be a benefit to members of the Chip Lake Group in obtaining legal or technical assistance, Advantage will reasonably consider requests for the funding of such advice based on the scale of costs allowed under EUB cost recovery guidelines (energy).
25. Any unplanned incidents that are reportable to the EUB, such as uncontrolled releases of water or gas, which may occur within the Chip Lake Operating Area, shall be reported to members of the Chip Lake Group, complete with a subsequent action plan, including corrective action to protect against potential similar incidents in the future.

SECTION 4 – MISCELLANEOUS COMMITMENTS OF ADVANTAGE

26. All of Advantage's commitments reflected in this document shall be transferred with any sale, transfer or assignment of any of the facilities or interests, which Advantage may have within the Chip Lake Operating Area, to any new owners, assignees or other interest holders.
27. Advantage has and will maintain a drug and alcohol policy that informs all personnel, consultants, contractors and sub-contractors that the use of drugs and alcohol are prohibited on all of Advantage's job/work sites.
28. Advantage has and will maintain a corporate insurance policy for its operations in the Chip Lake Operating Area.

29. Advantage shall commit to at all times utilizing technology that is compliant with applicable regulatory requirements and standards. Advantage shall also review and consider new and improved technology as it becomes available and will advise the Chip Lake Group its findings at Chip Lake Group Meetings.
30. Advantage commits to deal with landowners in the Chip Lake Operating Area in good faith and on a consistent basis respecting compensation for surface rights, but recognizing that there would be differences in compensation paid as among landowners in the Chip Lake Operating Area due to differences in - the market value at the respective time that the grant for land is obtained, the use of the land, the extent of adverse effect and severance, and the level of nuisance and inconvenience.
31. With respect to proposed new wellsites, on request by the Chip Lake Group landowner, Advantage commits to obtain at its own expense a base line soil sample from the area at or near the proposed wellsite to be taken by an independent contractor.

SECTION 5 – COMMITMENTS OF MEMBERS OF THE CHIP LAKE GROUP

32. Each member of the Chip Lake Group commits to act reasonably and in good faith at all times in their dealings with Advantage concerning its facilities and operations in the Chip Lake Operating Area.
33. Each member of the Chip Lake Group acknowledges that Advantage must and will equally consider and address the opinions, positions and potential concerns of other landowners and residents who are not members of the group regarding existing and future oil and gas facilities and operations in the Chip Lake Operating Area.
34. Each member of the Chip Lake Group acknowledges that notwithstanding the commitments of Advantage, in particular Commitment 22, Advantage continues to have the right to raise with the EUB the issue of intervener standing² for any member of the Chip Lake Group that chooses to file an objection to any application for facilities located on the lands of another landowner in the Chip Lake Operating Area.

² In order to have intervener standing, the EUB currently applies the test of whether the objecting party is someone who may be directly and adversely affected by the particular application.

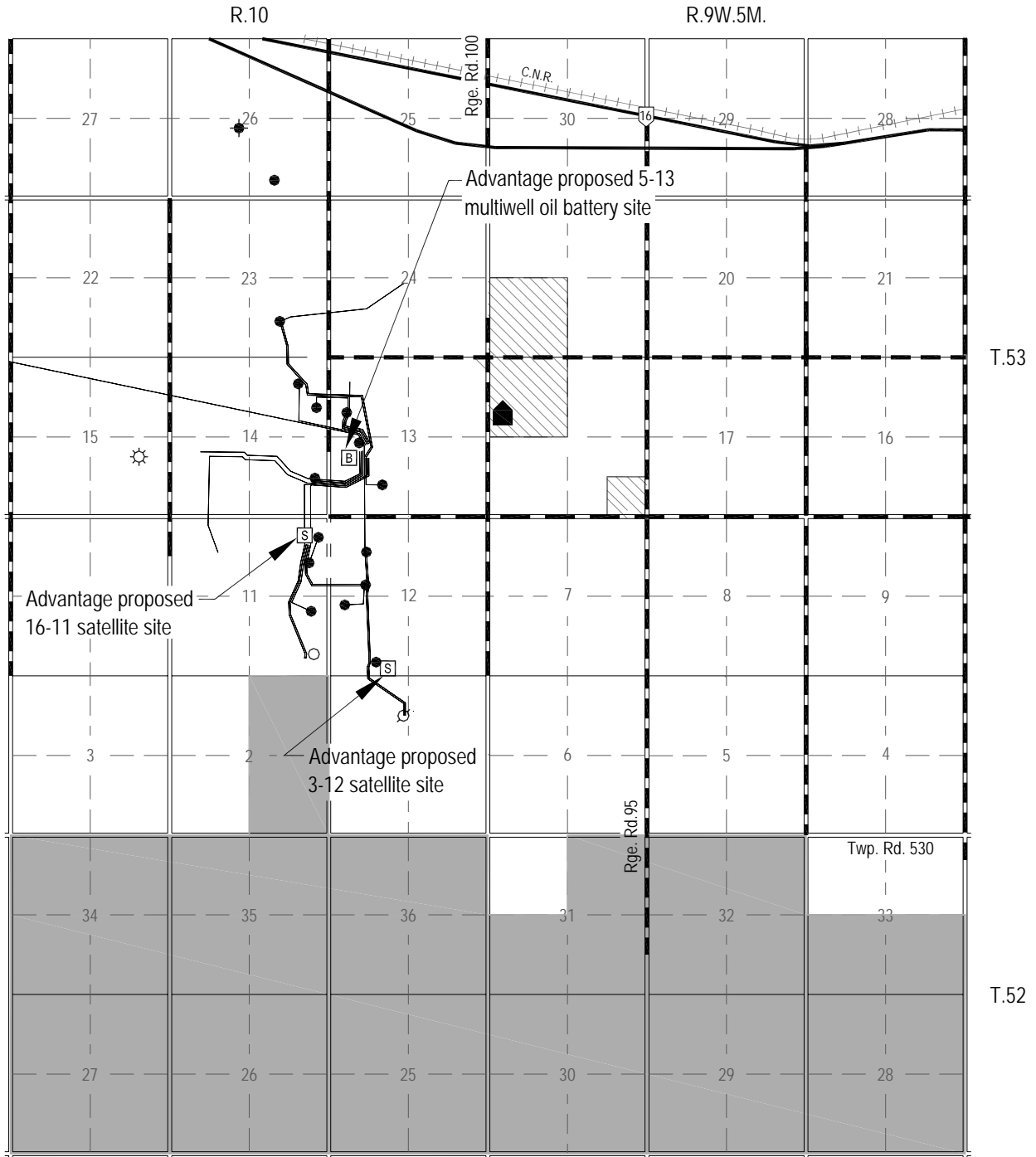


Figure 1. Proposed facility locations and intervener lands and residences