

Via Email

February 27, 2017

John Winchester

Calgary Head Office
Suite 1000, 250 – 5 Street SW
Calgary, Alberta T2P 0R4
Canada

Dear Sir:

www.aer.ca

**RE: Request for Regulatory Appeal by John Winchester (Mr. Winchester)
Petrus Resources Corp. (Petrus)
Application Nos.: 1861228; 1867410 (Applications)
Licence Nos.: 0481082; 0481083; 49411 (Licences)
Regulatory Appeal No. 1872471 (Regulatory Appeal)**

The Alberta Energy Regulator (AER) has considered your request under section 38 of the *Responsible Energy Development Act (REDA)* for a regulatory appeal of the AER's decision to issue the Licences. The AER has reviewed your submissions and the submission made by Petrus.

For the reasons that follow, the AER has decided that you are not eligible to request a regulatory appeal in this matter. Therefore, your request for a Regulatory Appeal is dismissed.

The applicable provision of *REDA* in regard to regulatory appeals, section 38, states:

38(1) An eligible person may request a regulatory appeal of an appealable decision by filing a request for regulatory appeal with the Regulator in accordance with the rules.

Section 36(a) of *REDA* defines an "appealable decision". For the present purposes, the relevant definition is contained in subsection 36(a)(iv). It says an appealable decision includes:

(iv) a decision of the Regulator that was made under an energy resource enactment, if that decision was made without a hearing.

"Eligible person" is defined in section 36 (b)(ii) as:

A person who is directly and adversely affected by a decision referred to in clause (a)(iv).

Analysis

This matter relates to your request for a regulatory appeal of the AER's decision to issue Licences to Petrus for two wells and a facility located at 01-08-039-08W5M ("1-8 site") The decision to approve the Applications and grant the Licences was made pursuant to an energy enactment, the *Oil and Gas Conservation Act*, and without holding a hearing. Thus, you have satisfied the "appealable decision" component of s. 38(1) of *REDA*. However, the information before the AER does not demonstrate that you are directly and adversely affected by issuance of the Licences and therefore you are not eligible to request a regulatory appeal.

Eligible Person

You have outlined concerns with respect to noise, groundwater aquifer problems, flaring and alternate site locations with regard to Petrus' development located at the 1-8 site. You have concerns about noise and contend that it will be constant and even though within guidelines there will be a lack of sleep which is upsetting to people and animals. You have further concerns about who to call early in the morning if you have complaints about operational matters such as cementing, handling pipe, tripping or during general drilling operations. In response, Petrus confirms that it will adhere to the AER requirements in *Directive 038: Noise Control*. It further indicates that it will consider a noise barrier should this become necessary during the construction and completion of the development and should you have any

operational concerns, such as a noise complaint during drilling, this can be addressed with an AER field office.

With respect to groundwater aquifer issues, you expressed concerns about the impact on water wells, and that drilling would interfere with the hardpan. Additionally, you expressed a concern that the proposed well site is a natural waterway until freezing and question why the land was cleared in advance of the well license if regulations were followed. You further indicate that working in the wetlands increases the risk of soils getting mixed and contaminating the water source. In regards to flaring, you have expressed concerns about the long-term effects on fresh water and air quality, which are unknown. In response, Petrus indicates that the proposed wells will be constructed, cased and drilled correctly, thereby protecting groundwater and aquifers in this area. It also indicates that it will offer to perform pre-drilling and post completion water well testing to ensure sufficient information is available to evaluate the successful protection of groundwater and aquifers. In regards to flaring concerns, Petrus confirms that there will not be any continuous flaring from this development and that it will comply with *Directive 060: Upstream Petroleum Industry Flaring, Incinerating, and Venting* and if applicable will provide additional notice to you prior to the test phase.

In addition to the above, you have expressed concerns as to why Petrus is not utilizing an alternative location for the site of the proposed development one-mile to the north with the wells being drilled to the south to keep issues such as noise, groundwater aquifer problems and flaring away from your property and that of nearby residents. Petrus responded to these concerns by indicating that when it did look into the location to the north at 1-17-39-8W4M ("1-17") it was determined that this would cause impacts on other residences and additional dust control and maintenance issues on approximately two extra kilometers of roadway. In addition, Petrus notes that drilling the wells from the planned location at the 1-8 site from the south to the north will assist in maximizing reservoir contact, and hydrocarbon recovery. Petrus further confirmed that it is committed to working with the county to coordinate dust control and implement a 50 km/h speed limit for traffic related to this development. Petrus also investigated the potential of relocating the developments contemplated in the Licences to 2-17-39-8W5M ("2-17") and determined that from this location it encountered concerns from a landowner who would be directly affected and was not interested in development on his land. Furthermore, there was significantly more land disturbance, pipeline length and potential conflict with industry competitors. Petrus also argues that one of the conceptual pipeline alignments affects the same landowner and occupant on the issued Licences and submits that it would unfairly prejudice him.

You also expressed a concern with the current Petrus field representative and to address that concern Petrus states that it is willing to provide a different day to day on site representative than the contact you have been engaged with to answer any questions or concerns you may have during the activity.

The AER does not find that these submissions and the other information before it demonstrate that you are directly and adversely affected and therefore you do not meet the definition of an "eligible person" for a regulatory appeal. The proposed project is not located on your land, and your concerns are general in nature and do not provide specific information demonstrating that you are or may be directly and adversely affected by the issuance of the Licences.

Your general concerns regarding your health and safety related to noise, water well contamination and flaring are concerns only. You have not provided information supporting these concerns to establish that you are or may be directly and adversely affected by the Licences. It is noted in this matter that Petrus will be required to meet all AER requirements including *Directive 060: Upstream Petroleum Industry Flaring, Incinerating and Venting* and *Directive 038 Noise Control*. Additionally, Petrus will be required to follow its water protection plan in accordance with *Directive 008: Surface Casing Depth Requirements*. The AER requirements combined with Petrus' commitments to comply and be responsive to concerns at the 1-8 site (Petrus to consider a noise barrier during construction and completion and water well testing) indicate to the AER that you will not be directly and adversely affected by the issuance of the Licences.

Conclusion

Given the foregoing, the AER finds that you are not directly and adversely affected by the decision to issue the Licenses and therefore not an “eligible person” under section 36(b)(ii) of the *REDA*. Accordingly, the AER dismisses your request for regulatory appeal.

The AER further notes that in its submissions Petrus has made a number of commitments related to water well testing and dust abatement during drilling and completion operations. The AER expects Petrus to follow through with those commitments. If you have any operational concerns during the drilling, completion or operational phases, you may contact the Red Deer Field Centre 403-340-5454 and for emergencies the 24 Hour Response Line 1-800-222-6514.

Sincerely,

[Original Signed by:]

Kevin Parks, P. Geo.
Vice President, Reserves and Resources

[Original Signed by:]

Tom Byrnes, P. Eng.
Senior Advisor, Oil and Gas

[Original Signed by:]

K. Fisher
Manager, Regulatory Effectiveness