

May 27, 2020

By Email Only

Terry McCallum, CEO
Free Rein Resources Limited

Statement of Concern No. 31725
Imperial Oil Resources Limited (Imperial)
Application No. 1927256

Dear Mr. McCallum,

You are receiving this letter because you filed a statement of concern (SOC) about Application No. 1927256. The Alberta Energy Regulator (AER) has reviewed your SOC, along with the application, and all applicable requirements and other submissions or information about the application. The AER has decided that a hearing is not required to consider the concerns outlined in your SOC.

In our review of your concerns, we considered the following:

- The majority of the wells that penetrate the Leduc D-3A Pool have been abandoned with techniques that meet or exceed the requirements of *Directive 020: Well Abandonment*. In addition, the requirements of *Directive 065: Resources Applications for Oil and Gas Reservoirs* and *Directive 051: Injection and Disposal Wells – Well Classifications, Completions, Logging, and Testing Requirements* address fluid containment risks, including the safety risk of sour fluids from acid gas disposal operations migrating to the surface from the deeper Beaverhill Lake formation.
- Imperial's fluid containment methods include an operating pressure limit below the initial reservoir pressure for the gas storage scheme. With Imperial's containment methods and the existence of a 47-metre-thick top seal above the Leduc D-3A Pool, this mitigates geo-mechanical effects on the Nisku formation from gas storage operations.
- Free Rein's concern with respect to site safety is addressed through Imperial's ongoing and required compliance with *Directive 065: Resources Applications for Oil and Gas Reservoirs*, and all applicable AER safety rules and regulations associated with the activities.
- Free Rein's request that the AER require Imperial to complete additional 3rd party wellbore integrity and geotechnical engineering reports is not considered necessary with *Directive 020* and

Directive 065 requirements being met, the operating pressure limits, and the thick caprock which mitigate any effects on the Nisku formation from gas storage operations.

Based on the above, the AER has concluded that it is not necessary to hold a hearing before making a decision on the application. The AER has issued the applied-for approval and this is your notice of that decision. A copy of the approval 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>.

You may file a regulatory appeal on the AER's decision to issue the approval if you meet the criteria within section 36 of the *Responsible Energy Development Act*. Filing instructions and forms are located here: <https://www.aer.ca/regulating-development/project-application/regulatory-appeal-process>.

If you have any questions please contact SOC@aer.ca.

Sincerely,

<Original signed by>

Steve Thomas
Director, Oil & Gas Subsurface, Waste & Storage
Regulatory Applications

Attachment (1): Approval

cc: Tracy Wickstrom, Imperial Oil Resource Limited
Jason Iwanika, Imperial Oil Resource Limited
Vanessa Dixon, Imperial Oil Resources Limited
Lanre Maliki, AER
Silken Leach, AER
SOC Inbox, AER
ADR Inbox, AER
Edmonton Field Centre, AER