



December 18, 2025

By email only

Warren Sinclair LLP

Paladin Services Group Ltd.

Attention: Michael Keyes

Attention: Kevin Baumann

Dear Parties:

RE: Request for Regulatory Appeal by Todd Simpson (Requestor)

Paladin Services Group Ltd. (Paladin)

Well Licence No. 0519207

Location: 15-36-44-1 W5

Request for Regulatory Appeal No.: 1958427 (Regulatory Appeal)

The Alberta Energy Regulator (AER) has considered Todd Simpson's request under section 38 of the *Responsible Energy Development Act (REDA)* for a regulatory appeal of the AER's decision to issue well licence No. 0519207 to Paladin. The AER has reviewed Mr. Simpson's submissions and the response submissions made by Paladin.

For the reasons that follow, the AER has determined that Mr. Simpson is not, for the purposes of the *REDA*, an "eligible person" to request a regulatory appeal in this matter. Therefore, the request for a Regulatory Appeal is dismissed.

The applicable provision of the *REDA* in regard to requests for 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.

[emphasis added]

The term "eligible person" is defined in section 36(b)(ii) of the *REDA* to include:

a person who is directly and adversely affected by a decision [made under an energy resource enactment]...

The term "appealable decision" is defined in section 36(a)(iv) of the *REDA* to include:

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

Section 38(1) creates a three-part test for a regulatory appeal. First, the requester must be an eligible person as defined in section 36(b) of the *REDA*. Second, the decision from which the requester seeks regulatory

appeal must be an “appealable decision” as defined in section 36(a) of the *REDA*. Third, the request must have been filed in accordance with the *Alberta Energy Regulator Rules of Practice (Rules)*.

Reasons for Decision

Background

On March 5, 2025, Paladin applied to the AER for approval to construct, drill and operate a new disposal well at a surface location of 15-36-44-1 W5M, with the purpose being to dispose waste/water into the Cooking Lake Formation. The well would be licensed for a maximum H₂S content of 14.5 mol/kmol (1.45 percent). The emergency planning zone (EPZ) radius for the well has been calculated to be 0.02km, which occurs during the drilling of the well, since Paladin will be drilling through the Ellerslie and Nisku Formations, which have the potential to have sour content. There would not be an EPZ for completions, servicing, or suspension of the well.

On April 1, 2025, the AER received a statement of concern (SOC) from Mr. Simpson in relation to Paladin’s application. On July 4, 2025, the AER issued correspondence to Mr. Simpson in relation to his SOC, advising that a hearing was not required in order to decide the application. On the same day, the application was approved and well licence no. 0519207 was issued to Paladin.

On July 11, 2025, Mr. Simpson submitted a request for a Regulatory Appeal to the AER under section 38 of the *REDA*, in relation to the AER’s decision to issue well licence no. 0519207 to Paladin on July 4, 2025. Mr. Simpson’s request included a request that the AER direct an interim suspension or stay of the well licence pending the disposition of the appeal (stay request).

On July 17, 2025, Paladin confirmed that “no activities have commenced at the subject location” and that “no activities will commence until this matter is resolved or complete”. As a result of Paladin’s confirmation, the AER notified Mr. Simpson that the AER would not issue a formal decision in relation to his stay request.

Mr. Simpson’s Submission

In his submissions for his request for regulatory appeal, Mr. Simpson indicates that the proposed well site will be situated approximately 550 metres from his property located in the Southeast quarter of Section 4-45-28W4M. He asserts that he is directly and adversely impacted by the licence for the reasons outlined below.

Mr. Simpson asserts that the value of his property will decline due to its proximity to the disposal well. He references studies and real estate assessments indicating that industrial developments, including disposal wells, may result in long-term devaluation, regardless of whether contamination occurs. Local property values are influenced by factors such as perceived safety, environmental quality, and potential for future development.

Mr. Simpson also raises concerns about Paladin’s inadequate consultation with him about its well application and submits it lacks sufficient detailed disclosure, follow up and meaningful response to his concerns. He submits that the failure to provide follow up or to incorporate landowner input falls short of the engagement

principles in *Manual 003: The Stakeholder Engagement Framework* and undermines the transparency goals of the AER's Integrated Compliance Assurance Framework.

Mr. Simpson argues that constructing, drilling, and operating the well could pose environmental and groundwater risks. He points out that the Cooking Lake Formation lies beneath aquifers used for domestic water supply and is particularly sensitive. This groundwater is essential for agriculture, livestock, and household use in the region. A failure of the well could threaten both his and his neighbours' water sources. He further submits that *Directive 008: Surface Casing Depth Requirements* and *Directive 009: Casing Cementing Minimum Requirements* are baseline engineering standards and do not address long-term geochemical migration or the site-specific hydrogeological characteristics of the Cooking Lake Formation. The risk to the aquifers should be independently verified, as per the precautionary principle supported in *Directive 035: Baseline Water Well Testing*. According to Mr. Simpson, Paladin's proposal to conduct water well testing before and after drilling does not offer adequate protection if there is potential for permanent damage.

Mr. Simpson's submissions include a report dated September 26, 2025 by Mr. Alex Haluszka, a hydrogeologist with Rounded Geoconsulting Corp., who was retained to identify issues that need to be brought before an appeal hearing. In his report, Mr. Haluszka points out that the proposed project, while not located within the Battle Lake Tier 1 Area as defined by *Directive 056: Energy Development Applications and Schedules*, shares several features with this area—such as being near the headwaters of tributaries flowing into the downstream Battle River. However, the report notes there is no discussion from Paladin's September 8, 2025 letter about potential groundwater or surface water risks from drilling waste contamination, nor are any mitigation measures described.

Mr. Haluska notes that additional licences and permits are required when a disposal well becomes operational, such as under *Directive 051: Injection and Disposal Wells – Well Classifications, Completions, Logging, and Testing Requirements* and *Directive 065: Resources Applications for Oil and Gas Reservoirs*. He further states that it is not possible to assess whether the proposed well and related facilities comply with *Directive 055: Storage Requirements for the Upstream Petroleum Industry* based on the available information; more details regarding site grading, materials to be used, and types of storage facilities are needed. Additionally, Mr. Haluszka highlights that Paladin has not conducted a seismic hazard assessment, which is addressed in Directive 065. He also notes that “[w]hile full compliance with D51 and D65 are not necessary to license and drill the well, additional data collection and evaluation will be required and submitted to the regulator to ensure full compliance before the well goes into operation should it be successful”.

With respect to Directives 008, 009 and 035 referenced in the AER's July 04, 2025 disposition letter advising that a hearing was not required in order to decide the application, Mr. Haluszka submits the following:

- Directive 008 does apply but is redundant/cited within other directives he has cited that describe the same requirements including Directive 056 and 051.

- Both Directive 008 and 009 are referenced within Directive 056 and apply to this well but Directive 051 contains additional specific requirements for disposal wells so would supersede those directives where applicable.
- Directive 035 does not apply directly to disposal wells, it was intended for coal bed methane development.

Mr. Simpson's submissions raise concerns about air quality and health risks to himself, his family and his neighbours. He notes that an emergency planning zone (EPZ) of 20m for the well fails to reflect atmospheric dispersion of gases, especially volatile organic compounds and potential H₂S leaks. He submits that low concentrations of H₂S can cause chronic health symptoms over time and that odours and poor air quality also diminish quality of life and mental well-being. He further submits that disposal well sites often emit low-level contaminants not limited to H₂S including benzene, toluene, ethylbenzene, and xylene (BTEX), which are known carcinogens and neurological toxins. The long-term presence of such emissions, even at a level technically within regulatory limits, can cause cumulative health effects, especially in immunocompromised individuals. He also notes that no health baseline study has been performed in this area and rural residents have limited access to medical support to monitor chronic exposure. Although *Directive 60: Upstream Petroleum Industry Flaring, Incinerating, and Venting* governs flaring, venting and incineration, it does not fully encompass chronic low-level exposure to emissions beyond site boundaries. Mr. Simpson submits that a formal health impact assessment should be required in line with *Directive 071: Emergency Preparedness and Response*.

Mr. Simpson also raises traffic, noise and public safety concerns with the decision to issue the well licence. Specifically, he submits concerns about road wear, dust clouds and increased accident risk on rural roads not designed for heavy industrial traffic. Dust emissions are a respiratory hazard and affect crop health and yield. The temporary nature of noise from drilling does not justify the lasting disruption caused by continuous truck movements.

Mr. Simpson submits that he will be directly and adversely affected by the disposal well because noise generated by trucks operating day and night disrupts residential life and agricultural operations, elevated noise levels disrupt sleep and mental well-being, and there will be effects of continuous equipment noise from compressors, pumps and generators operating 24 hours a day and reduced enjoyment of his property for residential and recreational use due to constant industrial soundscape.

He further submits that *Directive 038: Noise Control* does apply to operational noise but does not capture the cumulative effects of transportation-related disturbances. Traffic volume frequency and timing should be evaluated within a risk-based framework consistent with the goals of *Directive 071* which emphasizes integrated planning for public safety and emergency responses.

Mr. Simpson's submissions include a report dated September 26, 2025 by Mr. Patrick Froment, principal partner with ACI Acoustical Consultants Inc., who was retained to conduct an investigation into the requirements of disposal wells as they relate to Directive 038 and to identify matters that need to be referred

to an appeal hearing. His review focused on whether the proposed disposal well meets regulatory noise assessment requirements under Directive 038 and whether appropriate mitigation strategies have been considered.

In his report, Mr. Froment refers to requirements 11) and 15) of Directive 038, which state:

11) Licensees must conduct an NIA to ensure that possible noise impacts are considered before a facility is constructed or in operation.

15) An applicant must complete an NIA before submitting an application for any new facility or for modifications to existing facilities where there is a reasonable expectation of changes in noise source. The AER may also require an NIA for a facility where the AER thinks one is warranted.

Mr. Froment submits that Paladin should have conducted a noise impact assessment (NIA) because the well site is on uneven terrain; Paladin mentioned there are natural elevation changes between the well and Mr. Simpson's property. In Directive 039, simplified or informal calculations are only acceptable under limited circumstances, and appendix 2 provides conditions under which the estimate may be used. Mr. Froment highlights that section 2.3 of Appendix 2 states "Simplified or other information calculations are only acceptable for a smaller stationary single source facility without any existing industrial infrastructure and with flat ground." Based on this, Mr. Froment contends that Paladin was required to complete an official NIA.

Mr. Froment also notes that Paladin is mistaken that Mr. Simpson resides in Red Deer and understands that he and his family reside full time at the location adjacent to the well site. With respect to Paladin's submission that there are existing vegetative buffers for noise mitigation strategy, trees are typically not considered an effective noise mitigation strategy. He notes that only after 200 feet of thick, dense vegetation, do the noise levels drop by 3dBA. A full NIA could investigate more effective noise mitigation strategies to reduce the impact of the project on Mr. Simpson.

Is the Decision an Appealable Decision

The decision to issue the well licence to Paladin is an appealable decision, as the well license was issued under an energy enactment, the *Oil and Gas Conservation Act*, and issued without a hearing.

Was the Request Filed In Accordance with the Rules

Subsection 30(3) of the *Rules* requires that a request for regulatory appeal be made within 30 days after the making of the decision for which an appeal is sought. Mr. Simpson's request for regulatory appeal was submitted within 30 days as required. Therefore, the request for regulatory appeal was filed in accordance with the *Rules*.

Is the Requester an Eligible Person

The remaining and deciding component of the test to request a regulatory appeal under subsection 38(1) of the *REDA* is the question of whether Mr. Simpson is an “eligible person” according to the definition in subsection 36(b)ii of the *REDA*.

In order to establish that Mr. Simpson is an eligible person, Mr. Simpson must demonstrate that he is directly and adversely affected by the AER’s decision to issue the well licence.

Legislative Test

The AER typically applies a “may be directly and adversely affected” test when determining eligibility to request a regulatory appeal under section 38 of the *REDA*. To do otherwise would be to impose a near impossible threshold on requesters, since the actual effects resulting from a decision, especially to issue an approval which authorizes an underlying physical activity, often cannot be known with any certainty in advance.

In *Court v Alberta (Environmental Appeals Board)*¹, the Court of King’s Bench in Alberta examined the interpretation of the phrase “is directly affected” as it is used in section 95 of the *Environmental Enhancement and Protection Act (EPEA)*. Subsection 95(5)(a)(ii) of the *EPEA* allows the Environmental Appeals Board (EAB) to dismiss a notice of appeal submitted under certain provisions of the *EPEA* if the EAB is of the opinion that the person submitting the notice of appeal is not directly affected by the decision.

The reviewing Justice found that, in order to establish eligibility for appeal, “the appellant must prove, on a balance of probabilities, that he or she is personally directly affected by the approval being appealed”². Further, the Justice found that “the appellant need not prove, by a preponderance of evidence, that he or she will in fact be harmed or impaired by the [decision]. The appellant need only prove a ‘potential’ or ‘reasonable probability’ for harm.”³ [emphasis added]

Based on the above, the “is directly and adversely affected” requirement under subsection 36(b) of the *REDA* does not require a higher standard of demonstrating actual effect.

AER Findings

As the requester of a regulatory appeal, Mr. Simpson bears the onus of showing that he meets the requirements set out in section 38 of the *REDA* in order for his request to be granted.

Paladin’s well licence authorizes the drilling and testing of the well for its intended use as a disposal well. The company plans to use the well to dispose of waste/water in the Cooking Lake formation. Paladin will need to file additional applications under *Directives 065* and *051* if it chooses to proceed with disposal operations, and

¹ [2003 ABQB 456](#) (Court). Court was a judicial review of a decision of the EAB to dismiss a notice of appeal, a regulatory process very similar to the AER’s request for regulatory appeal process.

² *Ibid.*, at para 69.

³ *Ibid.*, at para 71.

those applications must be approved before Paladin can inject any fluids into the well. Similarly, any proposed construction of facilities at the well site will necessitate further applications. Paladin must comply with all notification requirements for any future applications, and notice of those applications will be posted on the AER's website upon receipt of the applications.

In his request, Mr. Simpson raises concerns about potential contamination of groundwater in the area by the well, and particularly contamination of his water well. As already noted, the well licence does not permit injection of any fluids into the well. Concerns about a seismic hazard assessment not being filed are premature at this stage.

The decision to approve an energy activity, such as the drilling of a well assumes operational compliance with all AER requirements and approval conditions. Paladin must operate in accordance with all AER operating requirements. This includes AER's *Directives 008* and *Directive 009*, the primary purpose of which is to design appropriate depths of surface casing and meet the casing cement requirements to assist with well control and groundwater protection. During drilling operations, surface casing will be set below the base of groundwater protection to isolate the wellbore from groundwater aquifers. Further, an application is required under *Directive 051: Injection and Disposal Wells – Well Classifications, Completions, Logging, and Testing Requirements* to ensure wellbore integrity and ongoing containment of the disposal fluid in the disposal zone and isolation of nonsaline groundwater-bearing zones.

It is a contravention of AER requirements to impact groundwater sources due to energy activities. Any such contravention would be subject to AER enforcement action, which may include suspension of operations and other remedial action. The AER notes that Paladin has gone beyond AER requirements by committing to perform baseline and a follow-up test of Mr. Simpson's water well. The AER expects that the water well tests will be performed and analyzed under the direction of a qualified professional registered with APEGA, and provided to Mr. Simpson.

With respect to Mr. Simpson's concerns about devaluation of his property due to the proximity of the well to his property, the AER notes that the well is not located on his property, rather the well is approximately 550 meters from his property. Mr. Simpson makes a general statement that studies and real estate assessments indicate that industrial developments, including disposal wells, may result in long-term devaluation, regardless of whether contamination occurs. Potential impacts from the well on Mr. Simpson's property value cannot be assessed from the general information Mr. Simpson has submitted. As such, the AER is not persuaded that Mr. Simpson's property may decrease in value as a result of the decision to issue the well licence.

Mr. Simpson raises general concerns with respect to air quality, odours and potential health risks to him, his family and neighbours as a result of the well being drilled. The well is licensed for a maximum H₂S content of 14.5 mol/kmol (1.45 percent) during the drilling of the well. It has a corresponding EPZ of 0.02km or 20 metres, meaning that if there was a release of H₂S, in a worst-case scenario, the H₂S plume would disperse before reaching the end of the well lease site.

Licensees, such as Paladin, are required by *Directive 071* to use the ERCBH2S computer software to calculate EPZs. The AER has carefully selected the numbers or inputs used in the ERCBH2S calculations to ensure that the resulting EPZ meets emergency planning objectives. The EPZ calculations include multiple conservative assumptions. Uncertainty and variability in key parameters for calculating an EPZ are accounted for to ensure that the resulting EPZ errs on the side of public safety and an EPZ that may be larger than necessary. This affords a greater distance for initial response than would be needed in practice during a sour gas release.

The well is required to be cased and cemented off which will prevent the release of gases, including any associated H₂S, into the atmosphere. With respect to concerns about odours, these are operational issues, and Paladin must meet the requirements of *Directive 060: Upstream Petroleum Industry Flaring, Incinerating and Venting*. If there are any concerns with odours coming from the well, they may be directed to the Energy and Environmental 24-hour Response Line at [1-800-222-6514](tel:1-800-222-6514).

Mr. Simpson raises noise concerns, submitting that he will be affected by noise generated by trucks operating day and night, as well as equipment noise from compressors, pumps and generators operating 24/7. The well licence does not permit any compressors, pumps and generators or other facilities to be installed at the well site. Mr. Simpson has the opportunity to file a statement of concern with respect to any future applications. Furthermore, Paladin anticipates the drilling of the well to take approximately 10 days and the noise during the drilling of the well will be temporary in nature. Paladin must comply with the requirements set out in Directive 038, which defines permissible noise levels for all activities associated with oil and gas operations and Paladin is responsible for noise control at the well site. Noise concerns are operational in nature and should Mr. Simpson have concerns about noise, those concerns may be directed to the Energy and Environmental 24-hour Response Line at 1-800-222-6514. With respect to concerns about Paladin not submitting an NIA under Directive 038, the directive does not require Paladin to submit an NIA for a well application. Mr. Froment's report cites the NIA requirements for facilities, which differ from requirements for wells. As noted above, further applications will need to be filed by Paladin if it wishes to add a facility to the well site and Paladin will need to meet all applicable requirements in Directive 038 for those applications.

Mr. Simpson raises concerns about traffic, including concerns about road wear, dust clouds and increased accident risk on rural roads not designed for heavy industrial traffic. In its response, Paladin submits that on February 27, 2025, it received approval from Alberta Transportation for the construction of a new approach off of Highway 611 and will be closing the existing approach located east, closer to Mr. Simpson's property. Paladin's access road connects directly to Provincial Highway 611 eliminating the need to use residential or county-maintained gravel roads. Paladin also submits that speed reduction measures, signage and sightline assessments were reviewed and approved by Alberta Transportation. Mr. Simpson's concern with respect to traffic on rural roads is outside of the AER's jurisdiction; roads and road safety fall under the purview of the county of Ponoka.

After considering the submissions, and for the reasons stated above, the AER is not persuaded that Mr. Simpson may be directly and adversely affected by the decision to issue well licence no. 0519207. Therefore, the AER finds that Mr. Simpson is not an eligible person for the purposes of section 38(1) of *REDA* and the request for a regulatory appeal is dismissed.

Sincerely,

<Original signed by>

Michael Bevan
Senior Advisor, Water

<Original signed by>

Michael Brown
Senior Advisor, Air

<Original signed by>

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

cc: Sylvia Ulrich, AER