

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**REGENT RESOURCES LTD.
APPLICATIONS FOR A PIPELINE PERMIT
AND REVIEW OF A WELL LICENCE
LSD 14-17-3-8W4M
PENDANT D'OREILLE FIELD**

**Examiner Report 2000-6
Applications No. 1044287 and 1064453**

1 RECOMMENDATION

Having carefully considered all of the evidence, the examiners recommend that

- Well Licence No. 227406 as amended at the hearing for the well REGENT ET AL PENDOR 14-17-3-8 remain in good standing.
- Application No. 1064453 as amended at the hearing be approved.

Reasons for the recommendations are outlined in the report.

2 APPLICATIONS AND HEARING

2.1 Applications and Intervention

On July 22, 1999, Regent Resources Ltd. (Regent) submitted Application No. 1044287 to the Alberta Energy and Utilities Board (EUB/Board) on a nonroutine basis, pursuant to Section 2.020 of the Oil and Gas Conservation Regulations (the Regulations) for a licence to drill a sweet gas well. The well would be drilled directionally from a surface location 401.3 metres (m) south and 467.0 m west in Legal Subdivision 15 of Section 17, Township 3, Range 8, West of the 4th Meridian (LSD 15) to a projected bottomhole location also in LSD 15 (15-17 well). The purpose of the 15-17 well would be to obtain gas production from the Bow Island Formation and Sunburst sand. On October 13, 1999, the EUB issued Well Licence No. 227406 on the understanding that there was resolution to the outstanding objections related to the 15-17 well.

On November 10, 1999, the EUB received an objection to the application from Joseph and Delores Harty (the Hartys), who are residents and landowners in the north half of Section 17-3-8W4M (Section 17).

After further discussions with the Hartys, Regent amended Application No. 1044287 on April 26, 2000. The applicant proposed to relocate the 15-17 well to a surface location 265.0 m south and 505.0 m west in Section 17 with a projected bottomhole location in LSD 15.

Regent also submitted Application No. 1064453 on April 26, 2000, pursuant to Part 4 of the Pipeline Act, to construct and operate a pipeline from the proposed 15-17 well to an existing natural gas pipeline located in LSD 15. The proposed pipeline would be approximately 100 m in length and would have an outside diameter of 114.3 millimetres. The pipeline would transport sweet natural gas.

Accordingly, the Board directed, pursuant to Sections 43 and 29 of the Energy Resources Conservation Act, that a public hearing be held to consider both applications.

At the hearing, Regent amended both of its applications. Regent proposed to move the surface location of the proposed well approximately 400 m northwest of the 15-17 well site to LSD 14 of Section 17. The well would be directionally drilled from the amended surface location to a bottomhole location also in LSD 14 (14-17 well). The new surface location would also result in an altered pipeline route from the 14-17 well east to the existing natural gas pipeline located in LSD 15 and an increase in the pipeline length to approximately 176 m.

2.2 Hearing

The applications were originally scheduled to be heard on June 8, 2000, in Medicine Hat, Alberta. Following a request by the Hartys, the hearing was rescheduled to June 22, 2000. A further request by the applicant and the intervener resulted in the applications being considered at a public hearing on June 23, 2000, in Calgary, Alberta, before Board-appointed examiners C. A. Langlo, P.Geol., H. W. Knox, P.Eng., and D. B. Fairgrieve, P.Geol.

Those who appeared at the hearing and abbreviations used in this report are listed in the following table.

THOSE WHO APPEARED AT THE HEARING

Principals and Representatives (Abbreviations Used in Report)	Witnesses
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Regent Resources Ltd. (Regent)
B. K. O’Ferrall

W. A. Pridham, P.Geol.
W. P. Melnychyn, P.Eng.
J. W. Spencer,
of Canadian Landmasters Resource
Services (Med.Hat) Ltd.

G. Harty and D. E. Harty
S. K. Luft
T. Weiss

D. E. Harty
J. G. Harty

Alberta Energy and Utilities Board staff
J. P. Mousseau, Board Counsel
S. Kelemen, C.E.T.
A. Rose

2.3 Preliminary Matters

At the opening of the hearing, Regent and the Hartys stated that they had reached an agreement on issues dealing with the location of the well, pipeline, and access road and on measures to mitigate any impacts. The applicant and interveners provided a general discussion regarding the agreement and other matters pertaining to the applications.

3 CONSIDERATION OF THE APPLICATIONS

Regent submitted that it held a valid Crown lease for petroleum and natural gas for the Bow Island Formation and Sunburst sand underlying Section 17. Regent stated that the 14-17 well was needed to evaluate the resource potential of its mineral interests in Section 17. Utilizing seismic data, Regent identified a very localized Sunburst accumulation within LSD 14 and noted that this was its primary exploration target. The applicant also identified the Bow Island Formation as a secondary target for the 14-17 well. It interpreted that the proposed bottomhole location would intersect the western limit of the Bow Island gas accumulation and noted that both zones would be encountered off target within the section. The Sunburst sand would not be subject to an off target penalty, as Regent and its partners hold these mineral rights in the section to the north. Regent was prepared to accept an off-target penalty for Bow Island production but stated that moving the well location any farther to the north would increase the penalty to the point of making the zone uneconomic to produce.

As a result of the agreement reached with the Hartys, Regent proposed to move the surface location of the well and the pipeline to the northwest quarter of Section 17. As part of this agreement, Regent committed to test the Hartys' water well before drilling the proposed well, immediately after drilling, and six months after completion of the drilling operation. Regent also stated that it would immediately take steps to rectify any problems if there were a change in quality or quantity of the well. In response to other concerns raised by the Hartys, Regent agreed to construct and maintain acceptable fencing around the installations on the proposed well site, to inform the Hartys prior to the commencement of operations, and to make all reasonable efforts to minimally disturb the topsoil in and around the surface location of the proposed well.

The Hartys live on the northeast quarter of Section 17 and carry on a feedlot operation encompassing about eight sections of land with approximately 200 cow-calf pairs. The Hartys stated that they were generally not opposed to oil and gas activity on their lands, as indicated by existing gas wells. They were concerned, however, with the 15-17 well locations and the pipeline on their home quarter primarily because of the proximity of the well and pipeline to their residence, water well, vegetable garden, livestock handling facilities, and livestock. The Hartys believed that noise, traffic, flaring, and general disruptions associated with the drilling and operation of the 15-17 well would negatively affect their cattle, especially during the calving season.

The Hartys' preference was that the well be located to the northwest of their residence and cattle operation in LSD 14 of Section 17. The Hartys believed that this would be the least intrusive location, since the well site would not impede expansion of the feedlot and would be farther away from their residence, water well, and feedlot. They also noted that a row of trees would provide a visual and sound buffer between the well site and the home quarter.

The Hartys stated that they were aware of the need to communicate and to work cooperatively with mineral rights owners of their lands. The Hartys submitted that they were satisfied with the amended 14-17 surface location and were prepared to accept the mitigative measures Regent proposed. The Hartys also acknowledged the time and effort expended by Regent, themselves, and the Board staff to resolve this issue.

The examiners accept that Regent has the right to explore for and produce petroleum and natural gas underlying Section 17 and that a well is needed to evaluate the target zones. The examiners note that if the proposed 14-17 well is successful, a pipeline would be required to transport production from the well to a gas processing facility.

The examiners acknowledge the efforts of both Regent and the Hartys to negotiate an agreement and believe that the mitigating measures put forward are appropriate and adequate to deal with the concerns raised by the Hartys. The examiners note that the proposed 14-17 well location and pipeline route are acceptable to both Regent and the Hartys and are satisfied that the applications as amended meet EUB requirements. The examiners also note that none of the parties raised any other issues for the Board to consider.

DATED at Calgary, Alberta, on June 27, 2000.

(Original signed by)

C. A. Langlo, P.Geol.

(Original signed by)

H. W. Knox, P.Eng.

(Original signed by)

D. B. Fairgrieve, P.Geol.