



ERCB Monthly Enforcement Action Summary

December 2010

ENERGY RESOURCES CONSERVATION BOARD
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High Risk Compliance Category Statistics				
ERCB	Compliance Category	December 2010		
		Initial Audits/ Inspections	Number of High Risk Noncompliance	Compliance Rate with High Risk Noncompliance
Applications Branch				
Facilities Applications Group Audit Section	Participant Involvement	13	0	100%
	Facilities Technical	13	0	100%
	Pipelines/Pipeline Installations Technical	5	0	100%
	Wells Technical	14	0	100%
Resources Applications Group Enforcement & Surveillance Section	Groundwater Protection	n/a	3	n/a
	Commingling	n/a	3	n/a
Subtotal		45	6	87%
Field Surveillance and Operations Branch				
Technical Operations Group	Glycol Dehydrator Benzene Emissions	n/a	1	n/a
Field Operations Group	Drilling Operations	20	1	95%
	Well Servicing	11	1	91%
	Oil Facilities	224	3	99.0%
	Gas Facilities	94	1	99.0%
	Pipelines	117	9	92%
	Drilling Waste	8	1	88%
	Well Site Inspections	207	9	96%
	Waste Management	3	0	100%
Subtotal		684	26	96%
Geology, Environmental Science and Economics Branch				
Reserves and Pore-Space Management Group Oil Reserves and Allowables Section	Oil Overproduction	353	0	100%
Subtotal		353	0	100%
Total Audit/Inspections High Risk		1082	32	97.1%

High Risk Enforcement Action (HREA) ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
1	Barrick Energy Inc.	Field Operations/ Well Site Inspections	Noncompliant with other ERCB requirement – Failure to notify appropriate ERCB field centre via the DDS system of planned flaring, incinerating, or venting activity at least 24 hours in advance.	December 23, 2010	03-05-035-04W5 Clearwater County	Operations were already suspended at the time of the inspection. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
2	Base Resources Inc.	Resources Applications/ Commingling	Improper use of the decision tree (Figure 3.4).	December 8, 2010	10-25-045-09W5 Clearwater County	Licensee confirmed in writing that the noncompliance has been addressed and that the well has been shut in and will remain shut in until the requisite approval is obtained. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
3	Canadian Natural Resources Limited	Technical Operations/ Glycol Dehydrator Benzene Emissions	Individual dehydrator(s) or site dehydrator benzene emissions over the limit.	December 6, 2010	07-36-058-03W6 M.D. of Greenview	Suspension of operations at this time was not deemed appropriate as the audit was a review of 2009 data. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action (HREA) ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
4	Connacher Oil and Gas Ltd.	Oil Sands Branch/ Thermal Operations, Athabasca Oil Sands Area	Altering/modifying scheme design or equipment without approval.	December 6, 2010	Approvals No. 10587 and 11253	Licensee must submit separate applications to amend the schemes. The applications are to be updated to include all changes, including modifications to drainage areas, well development schedules, and facilities that were not included in the applications previously submitted. Licensee required to have a plan to address the noncompliance and prevent future occurrences. Currently under review.
5	ConocoPhillips Canada Operations Ltd.	Field Operations/ Drilling Waste Inspections	Failure to obtain landowner approval for off-site drilling waste disposal.	December 20, 2010	16-07-041-07W5 Clearwater County	Operations were not suspended as the incident occurred prior to the inspection. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action (HREA) ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
6	ConocoPhillips Canada Resources Corp.	Field Operations/ Well Site Inspections	Noncompliant with other ERCB requirements – Well being used for injection or disposal without ERCB approval.	December 23, 2010	12-13-083-07W4 Regional Municipality of Wood Buffalo	Steam injection operations suspended. Licensee obtained a <i>Directive 051: Injection and Disposal Wells - Well Classifications, Completions, Logging, and Testing Requirements</i> approval to commence injection operations. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
7	Cutpick Energy Inc.	Field Operations/ Pipelines	Internal corrosion control – no records in corrosive environment. Pipeline is operating but is shown as discontinued or abandoned in ERCB records. Cathodic protection system not operational or not installed. Internal corrosion control no monitoring and mitigation in corrosive environment.	December 13, 2010	14-12-040-13W4 04-32-040-13W4 12-12-040-14W4 Flagstaff County	Operations were not suspended as corrosion surveys are currently being conducted and recommendations will be immediately implemented. Licensee implemented a cathodic protection and corrosion control program. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action (HREA) ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
8	Emerge Oil & Gas Inc.	Field Operations/ Pipelines	Substance is different from that stated on licence and the line is operating. Pressure control devices or pressure relief device installations unsatisfactory.	December 20, 2010	02-34-049-01W4 M.D. of Wainwright	Operations suspended. Licensee had the licence amended and adjusted the pressure shutdown control to the correct pressure. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
9	Husky Oil Operations Limited	Field Operations/ Pipelines	Damage by others – proper procedures were not followed.	December 9, 2010	07-05-026-12W4 Special Area 2	Operations suspended. Licensee repaired the pipeline and made changes to internal procedures on ground disturbance. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
10	Newalta Corporation	Field Operations/ Pipelines	There is no documented monitoring or mitigation program in place and/or company is not following program.	December 9, 2010	12-13-087-09W5 M.D. of Opportunity	Operations were already suspended at the time of the inspection. Licensee implemented a mitigation program and updated internal procedures on its corrosion control program. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action (HREA) ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
11	Nuloch Resources Inc.	Resources Applications/ Groundwater Protection	Failure to immediately notify the ERCB of water production above the threshold.	December 14, 2010	07-01-056-04W5 Lac Ste. Anne County	Operations were not suspended, in accordance with <i>Directive 044: Requirements for the Surveillance, Sampling, and Analysis of Water Production in Oil and Gas Wells Completed Above the Base of Groundwater Protection</i>. Licensee determined the source and composition of the produced water and provided a water analysis. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
12	Penn West Petroleum Ltd.	Field Operations/ Well Site Inspections	Noncompliant with other ERCB requirement – failed to meet the requirements of <i>ID 2003-01</i> : 1) Isolation Packer Testing, Reporting, and Repair Requirements; 2) Surface Casing Vent Flow/Gas Migration Testing, Reporting, and Repair Requirements; 3) Casing Failure Reporting and Repair Requirements.	December 9, 2010	14-20-065-10W5 M.D. of Big Lakes	Operations were not suspended as the noncompliance occurred in the past and has since been corrected. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action (HREA) ¹						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
13	Progress Energy Ltd.	Resources Applications/ Commingling	Improper use of the decision tree (Figure 3.2).	December 8, 2010	13-23-069-06W6 M.D. of Greenview	Licensee confirmed in writing that that the well was recoded and the noncompliance has been addressed. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.
14	Quatro Resources Inc.	Resources Applications/ Commingling	Improper use of the decision tree (Figure 3.3).	December 13, 2010	01-04-042-02W5 Ponoka County	Licensee confirmed in writing that the noncompliance has been addressed and that the well has been shut in and will remain shut in until the requisite approval is obtained. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved.

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High Risk Enforcement Action (Persistent Noncompliance) ²						
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High Risk Enforcement Action (Demonstrated Disregard) ³						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response

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High Risk Enforcement Action (Failure to Comply) ⁴						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Response
1	Enquest Energy Service Corp.	Field Operations/ Well Site Inspection	Noncompliant with other ERCB requirement. (Failure to post a 24-hour emergency number by way of a conspicuous sign erected at the primary entrance to a well.)	December 17, 2010	08-19-036-01W5 Red Deer County 14-29-032-27W4 Mountain View County	This is an escalation of a previous enforcement action reported on September 17, 2010. Operations were already suspended at the time of inspection. Licensee required to • post correct signage, • maintain a responsible agent/operator that resides in the Province of Alberta, in accordance with ERCB <i>Directive 067: Applying for Approval to Hold EUB licences</i>, and • pay the 2010 Orphan Fund Levy, plus 20% penalty. Licensee required to have a plan to address the noncompliance and prevent future occurrences. Licensee must review the action plan with ERCB Red Deer Field Centre in a meeting. On March 14, 2011, the Red Deer Field Centre referred the file to the ERCB Corporate Enforcement Section for follow-up.

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Low Risk Enforcement Action – (Global Refer)⁵

#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Follow-up
1	362948 Alberta Ltd.	Corporate Enforcement/ Environmental and Public Safety	Failure to pay abandonment costs.	December 21, 2010	04-29-052-25W4 16-30-052-25W4 Edmonton	Global Refer status. Issuance of Abandonment Cost Order No. ACO 2010-03. Licensee required to pay the invoiced costs plus a 25% penalty. 362948 Alberta Ltd. failed to comply. The ERCB had a writ of enforcement registered through the Alberta Court of Queen's Bench and subsequently registered at the Personal Property Registry. 362948 Alberta Ltd. failed to comply. ERCB is evaluating further actions.
2	A. Sartore	Corporate Enforcement/ Environmental and Public Safety	Failure to pay abandonment costs.	December 21, 2010	04-29-052-25W4 16-30-052-25W4 Edmonton	Global Refer status. Issuance of Abandonment Cost Order No. ACO 2010-04. Licensee required to pay the invoiced costs plus a 25% penalty. A. Sartore failed to comply. Licensee has been deemed defaulting and its debt has been sent to the Orphan Well Association for payment.

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Low Risk Enforcement Action – (Global Refer) ⁵						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Follow-up
3	Dove Energy Inc.	Corporate Enforcement/ Noncompliance with Liability Management Program Requirements	Failure to pay security deposit.	December 21, 2010	N/A – Against Licensee	Global Refer status. Issuance of Miscellaneous Order No. MISC 2010-69. Licensee required to pay the security deposit and provide a written explanation acceptable to the ERCB addressing the failure to respond and detailing steps to prevent future occurrences. Dove Energy Inc. failed to comply. Closure Order No. C 1239 and Abandonment Order No. AD 2011-19 were subsequently issued. Dove Energy Inc. failed to comply. ERCB is evaluating further actions.
4	Saphonyx Energy Inc.	Corporate Enforcement/ Noncompliance with Liability Management Program Requirements	Failure to pay security deposit.	December 9, 2010	07-12-026-03W4 12-12-026-03W4 14-12-026-03W4 09-12-026-03W4 M.D. of Acadia	This is an escalation of a previous enforcement action reported on November 25, 2010. Global Refer status. Issuance of Closure Order No. C 1234. Suspension and closure of the well licences. Licensee required to pay the security deposit and provide a written explanation to the ERCB addressing the failure to respond and detailing steps to prevent future occurrences. Saphonyx Energy Inc. failed to

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Low Risk Enforcement Action – (Global Refer) ⁵						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Follow-up
						comply. Abandonment Order No. AD 2011-4 and Closure/Abandonment Order No. AD 2011-5 were subsequently issued. Saphonyx Energy Inc. failed to comply. The ERCB is acting on the breached abandonment orders and will pursue cost recovery from Saphonyx Energy Inc. once completed.

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Legislative/Regulatory Enforcement Action ⁶						
#	Licensee	ERCB Group/ Compliance Category	Noncompliance Event	Date of Enforcement	Surface Location	ERCB Action(s) and Licensee Follow up
1	Avondale Energy Inc.	Corporate Enforcement/ Petroleum and Natural Gas Rights Expiry	Failure to prove to the satisfaction of the ERCB that Avondale Energy Inc. has a valid entitlement to the right to produce the well.	December 17, 2010	16-36-034-27W4 Red Deer County	Global Refer status. Issuance of Closure Order No. C 1235. Suspension and closure of the well licence. Licensee required to complete one of the following: a) reacquire or reinstate the mineral rights and surface lease, b) acquire well approval from the Department of Energy and the ERCB for water disposal or injection, c) transfer the well licence to a viable licensee that has the right to hold, or d) abandon the well. In addition, licensee required to provide a written explanation to the ERCB addressing the failure to respond and detailing steps to prevent future occurrences. Avondale Energy Inc. failed to comply. Abandonment Order No. AD 2011-7 was subsequently issued. Avondale Energy Inc. failed to comply. ERCB is evaluating further actions.

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Endnotes

¹ **Directive 019—High Risk Enforcement Action (HREA)**

In accordance with *Directive 019: ERCB Compliance Assurance*, the ERCB initiates an HREA against a licensee if it identifies a high risk noncompliant event(s). To address an HREA, the licensee must: immediately correct and address the high risk noncompliant event(s) identified by the ERCB; if necessary, suspend operations, either partially or fully and when safe to do so, to remove the existing or potential impact or hazard resulting in the noncompliance (any suspension of operations must not occur if it will increase the impact or risk to either the public or the environment; compliance must be achieved prior to start-up); develop and implement a written action plan within 60 calendar days or in the time specified by the ERCB group (a licensee may also be required to submit the written action plan and meet with the ERCB group to discuss both the action plan and the licensee's compliance history); and notify the ERCB group that it has corrected and addressed the high risk noncompliance. The ERCB may also apply or require one or more of the following: noncompliance fees; self-audit or inspections; increased audits or inspections; partial or full suspension of operations (until the licensee corrects/addresses the noncompliance); suspension and/or cancellation of the permit, license, or approval.

² **Directive 019—High Risk Enforcement Action (HREA) (Persistent Noncompliance)**

In accordance with *Directive 019: ERCB Compliance Assurance*, the ERCB initiates an HREA (Persistent Noncompliance) against a licensee with an unacceptable rate, ratio, percentage or number of noncompliant events, either in the same or in different compliance categories. To address an HREA (Persistent Noncompliance), the licensee must: immediately correct and address the high risk noncompliant event(s) identified by the ERCB; if necessary, suspend operations, either partially or fully and when safe to do so, to remove the existing or potential impact or hazard resulting in the noncompliance (any suspension of operations must not occur if it will increase the impact or risk to either the public or the environment; compliance must be achieved prior to start-up); develop, implement, and submit a written action plan within 30 calendar days or in the time specified by the ERCB group (the action plan should address the root causes of any previous noncompliance(s) and detail how the licensee will prevent future noncompliant events); meet with the ERCB group to discuss the high risk noncompliant event(s), the licensee's compliance history, and the written action plan; and notify the ERCB group that it has corrected and addressed the high risk noncompliance(s). The ERCB may also apply or require one or more of the following: noncompliance fees; self-audit or inspections; increased audits or inspections; partial or full suspension of operations (until the licensee corrects and addresses the noncompliance(s)); suspension and/or cancellation of the permit, license, or approval.

A licensee must operate in compliance for a period of 60 calendar days (or in a time specified by the ERCB) in the same compliance category before achieving overall compliance.

³ **Directive 019—High Risk Enforcement Action (HREA) (Demonstrated Disregard)**

In accordance with *Directive 019: ERCB Compliance Assurance*, the ERCB initiates an HREA (Demonstrated Disregard) against a licensee if the licensee knows or should know about a high risk noncompliant event(s) but does not act to correct and address the noncompliance(s). The ERCB assesses demonstrated disregard on a case-by-case basis. To address an HREA (Demonstrated Disregard), the licensee must: immediately correct and address the high risk noncompliant event(s) identified by the ERCB; if necessary, suspend operations, either partially or fully and when safe to do so, to remove the existing or potential impact/hazard resulting in the noncompliance(s) (any suspension of operations must not occur if it will increase impact or risk to either the public or the environment; compliance must be achieved prior to start-up); develop, implement, and submit a written action plan (the action plan should address the root cause(s) of the noncompliant event(s) and detail how the licensee will prevent future noncompliant events); meet with the ERCB group to discuss the high risk noncompliant event(s), the licensee's compliance history, and the written action plan; and notify the ERCB group that it has corrected and addressed the high risk noncompliance(s). The ERCB may also apply or require one or more of the following: noncompliance fees; self-audit or inspections; increased audits or inspections; partial or full suspension of operations (until the licensee corrects and addresses the noncompliance(s)); suspension and/or cancellation of the permit, license, or approval; issuance of an Order (Miscellaneous, Closure, or Abandonment); "Refer" status (focused or global).

A licensee must operate in compliance for a period of 180 calendar days (or in the time specified by the ERCB) in the same compliance category before achieving overall compliance.

⁴ **Directive 019—High Risk Enforcement Action (HREA) (Failure to Comply)**

In accordance with *Directive 019: ERCB Compliance Assurance*, the ERCB initiates an HREA (Failure to Comply) against a licensee if it failed to comply with the direction of the ERCB in an ERCB Notice of High Risk Noncompliance, HREA, HREA (Persistent Noncompliance), HREA (Demonstrated Disregard), or a previous HREA (Failure to Comply). To address an HREA (Failure to Comply), the licensee must: immediately correct and address the high risk noncompliant event(s) identified by the ERCB; if necessary, suspend operations, either partially or fully and when safe to do so, to remove the existing or potential impact or hazard resulting in the noncompliance(s) (any suspension of operations must not occur if it will increase the impact or risk to the public or the environment; compliance must be achieved prior to start-up); develop, implement, and submit a written action plan (the action plan should address the root cause(s) of the noncompliant event(s) and detail how the licensee will prevent future noncompliant events); meet with the ERCB group to discuss the high risk noncompliant event(s), the licensee's compliance history, and the written action plan; and notify the ERCB group that it has corrected and addressed the high risk noncompliance(s). The ERCB may also apply or require one or more of the following: noncompliance fees; self-audit or inspections; increased audits or inspections; partial or full suspension of operations (until the licensee corrects and addresses the noncompliance); suspension and/or cancellation of permit, license, or approval; issuance of an Order (Miscellaneous, Closure, or Abandonment); "Refer" status (focused or global).

A licensee must operate in compliance for a period of 180 calendar days (or in the time specified by the ERCB) in the same compliance category before achieving overall compliance.

⁵ **Directive 019—Low Risk Enforcement Action (LREA) (Global Refer)** In accordance with *Directive 019: ERCB Compliance Assurance*, the ERCB initiates an LREA (Global Refer) against a licensee who failed to comply with the direction of the ERCB in a Notice of Low Risk Noncompliance. To address an LREA, the licensee must: immediately correct and address the low risk noncompliant event(s) identified by the ERCB; notify the ERCB group that it has addressed the low risk noncompliant event(s); and develop, implement, and submit written action plan within 30 calendar days or in the time specified by the ERCB group; and meet with the ERCB group to discuss the low risk noncompliant event(s), the licensee's compliance history, or the written action plan. The ERCB may also apply or require one or more of the following: noncompliance fees, partial or full suspension, suspension and/or cancellation of permit, license, or approval; issuance of an Order (Miscellaneous, Closure, or Abandonment); "Refer" status (focused or global).

⁶ **Legislative/Regulatory Enforcement Action**

The ERCB initiates a Legislative/Regulatory Enforcement Action for noncompliance with ERCB requirements that fall outside the administration of *Directive 019: Compliance Assurance*. The ERCB relies upon its statutory and regulatory authority to initiate the enforcement action against the licensee by applying a Refer status against the licensee and possibly issuing an Order (Closure, Miscellaneous and Abandonment). The ERCB generally initiates these enforcement actions because of a mineral or surface lease expiry, an environmental and public safety concern, or a failure to demonstrate the right to the purpose of the wellbore, the right to access the surface, and working interest ownership in the property.

Refer Status—Focused or Global

This status indicates a licensee's inability or unwillingness to comply. If applied against a licensee, the ERCB will consider the status when deciding to approve or deny future and pending applications and may apply conditions for continued operation.

For further information on ERCB Enforcement Actions, see *Directive 019: Compliance Assurance* or contact the ERCB Compliance Assurance Section at compliancecoordination@ercb.ca.

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