

PROCESS CLARIFICATION FOR SURFACE FACILITY LICENSING ISSUES (JANUARY 2008)

The Energy Resources Conservation Board (ERCB) Facilities Applications Group has recognized through application audits, ERCB field inspections, production audits and liability management processes that additional clarification to the licensing of surface facilities is required. To provide clarification to the *Directive 056: Energy Development Applications and Schedules* facility licensing process, the Facilities Applications Group has identified the most common licensing oversights associated with the facility licensing process.

Multiwell facilities

A multiwell battery or satellite licence must be acquired when the surface equipment on site meets the *Directive 056* licensing requirements and:

- a single well has segregated production from more than one zone (i.e., not commingled in the wellbore) producing to the battery or satellite;
- an additional inlet, which include as a minimum, measurement for a second well is added to an existing single well battery or satellite; or
- multiple single-well batteries or satellites are operating within one surface lease.

Compressor stations

This includes compressors associated with gas gathering systems that were incorrectly considered exempt during the Retrospective Licensing process.

Bitumen facilities

Surface facilities associated with the operation of an approved in-situ crude bitumen scheme must acquire a facility licence. Injection facilities, related to an in-situ process only require a facility licence when the injection facility is located on a separate lease from the production facility lease.

Multiple licensed facilities

Many facilities have received multiple facility licences relating to different aspects of the facilities operations or duplicate licences for the same facility operation. In most circumstances, the ERCB does not require more than one licence at a facility site.

With the release of *Directive 056* (September 2005), the ERCB provides further clarity on the types of surface facilities requiring a licence and more precisely defined gas batteries in Appendix 9. Although some facilities were previously exempt from licensing or ERCB licensing requirements were unclear, it is a requirement that all surface facilities identified in *Directive 056*, Table 5.1, be licensed. Any facilities that are identified through an internal review or as a result of an ERCB Field inspection, will need to be licensed in accordance with the options described below.

APPLICATION OPTIONS

The following application process options have been developed to address the licensing of existing surface facilities where:

- error corrections are required on an existing facility licence;
- duplicate facility licences exist for one surface location;
- a new facility licence is required for a facility currently in operation;
- a new facility licence is required for a facility in operation prior to the ERCB's Retrospective Licensing Program (2001) but was not captured in that licensing process; or
- a new facility licence is required as a result of new licensing requirements set out in *Directive 056*.

If the licensing circumstances at the surface facility are not described above, you are required to contact Facilities Applications for direction.

To submit an application to correct any of the conditions noted in the above, you must determine which application option is applicable and then submit a complete *Directive 056* application that includes:

- a cover letter explaining which application option is applicable
- Schedules 1 and 2,
- all related diagrams
- and if applicable, Schedules 2.1, 2.2, 2.3, and/or 2.4

Applications submitted through the ERCB Electronic Application System (EAS) must select the Self-disclosure check box on Schedule 1, indicating that the applicant is self-disclosing a licensing issue. The required self-disclosure cover letter must be attached to the EAS application or included with a paper copy submission. Applications submitted in paper copy must be directed to Gavin McClenaghan, Facilities Application Audit.

For the bulk disclosure of unlicensed facilities, please submit a spreadsheet that indicates the location and type of facilities. In addition, please provide a letter that explains when the individual applications will be submitted. Please take note, that once a facility has been disclosed to the ERCB as being unlicensed, the company has 90 days to acquire the appropriate licence. After 90 days has elapsed, the ERCB may take enforcement action.

OPTION 1: Facilities constructed and operated prior to October 1, 2003

If the surface facility was constructed and/or amended prior to the release of Guide 56 (October 2003) and has been operating **with no known concerns or objections**, you may apply using the following procedure:

- Attach a cover letter that self-discloses the situation, provides all available background of the facility, approximate date of construction, and an explanation of why the facility was not licensed. If applicable, please include reference to any previous approval received. This letter must confirm that there are no known concerns or objections to the operations at the site.
- Consultation and notification will not be a mandatory requirement in these cases. Include a complete *Directive 056* application indicating “No” for the public and industry consultation requirements in Step 2 of Schedule 2. If the company is able to provide documentation that demonstrates all participant involvement requirements had been met prior to construction of the facility, it may record a response of “Yes” to these questions.
- Include an explanation regarding any other nonroutine technical issue that is identified in any associated application Schedules. These issues will be addressed through the normal nonroutine application process.
- Attach the appropriate process flow diagram and plot plan or recent survey of the site.
- If the licensing oversight was identified during an ERCB field inspection, include a copy of the Field Inspection Report with your application.

OPTION 2: Facilities constructed and operated after October 1, 2003

If a surface facility was constructed and/or amended after the release of Guide 56 (October 2003), you are required to fulfill the applicable participant involvement requirements of *Directive 056* prior to submitting the application and adhere to the following procedure:

- Attach a cover letter that self-discloses the situation, provides all available background on the facility, approximate date of construction, and an explanation of why the facility was not licensed. This letter must also confirm that there are no known concerns or objections to the operations at the site.
- Include a complete *Directive 056* application indicating “No” for the public and industry consultation requirements in Step 2 of Schedule 2. Although consultation and notification is required, you must answer “No” to these questions as the facility was constructed prior to the completion of the participant involvement program. If the company is able to provide documentation that demonstrates that all participant involvement requirements had been met prior to construction, it may record a response of “Yes” to these questions.
- Include an explanation regarding any other nonroutine technical issue that is identified in any associated application Schedules. These issues will be addressed through the normal nonroutine application process.
- Attach the appropriate process flow diagram and a plot plan as required by *Directive 056*.
- If the licensing oversight was identified during an ERCB field inspection, include a copy of the Field Inspection Report with your application.

Objections

If concerns or objections are known to exist or are identified during participant involvement work, the application must be submitted through the non-routine process described in *Directive 056*, Section 3.8.2.

Multiple and Duplicate Facility Licences

If you have received multiple licences for different portions of the facility’s operations, you are required to file a licence amendment application for the surviving licence that amalgamates all of the surface equipment under one licence. Your application must also include a list of the reporting production codes to be moved to the surviving licence. The application should be submitted following the procedures described under Option 1.

In cases where duplicate licences exist, you are required to submit a letter to Facilities Applications Group that identifies the surviving licence, the licence that requires cancellation and a list of the reporting production codes to be moved to a surviving licence.

Please note that gas processing facilities and oil production facilities located on the same lease must have separate licences. If both operations are taking place on one lease, a licence for each activity is required.

ENFORCEMENT ACTION

Enforcement action will not normally be applied when a company self-discloses a licensing noncompliance. If an ERCB field inspection identifies that a facility is unlicensed or incorrectly licensed, the Facilities Applications Group will be notified of the situation. The ERCB Field Inspector will instruct the operator to submit a *Directive 056* application to correct the issue. In addition, the Field Inspector will apply enforcement action in accordance with *Directive 64: Requirements and Procedures for Facilities*. Should this occur, Facilities Application will not apply enforcement action for the same noncompliance.

If a facility licensing issue is identified during the course of a production audit, the Facilities Applications Group will be notified of the licensing issue and initiate measures to address the matter, which may include enforcement action.

LICENCE CANCELLATION AND ABANDONMENT

For licensed surface facilities where the licence will not be acted on, the licensee may submit a request to the Facilities Applications Group to cancel the licence. Please provide a letter confirming that the facility was never constructed and no preliminary construction or lease preparation took place at the site. The ERCB's Field Surveillance staff may visit the site to confirm the licence was never acted upon before cancellation of the licence occurs. Where a company no longer intends to operate a licensed facility and has initiated reclamation work (i.e. remove equipment and associated infrastructure), the licence status should be changed to 'abandoned' through the Digital Data Submission (DDS) system.

To ensure the above information remains current and applicable, this document will be reviewed and updated in January 2009.

Questions regarding the above may be directed to:

Gavin McClenaghan: (403) 297-6847 gavin.mcclenaghan@ercb.ca

Robert MacLeod: (403) 297-5270 robert.macleod@ercb.ca

Cathy Webb: (403) 297-2860 cathy.webb@ercb.ca