



ERCBC Monthly Enforcement Action Summary

December 2007

ENERGY RESOURCES CONSERVATION BOARD
ST108: ERCB Monthly Enforcement Action Summary, December 2007

April 2008

Published by

Energy Resources Conservation Board
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| High Risk Compliance Category Statistics | | | | |
|---|---|--------------------------------|---|---|
| EUB | Compliance Category | December 2007 | | |
| | | Initial Audits/ Inspections | Number of High Risk Noncompliance | Compliance Rate with High Risk Noncompliance |
| Applications Branch | | | | |
| Facilities Applications Group Audit Section | Participant Involvement | 71 | 1 | 99% |
| | Facilities Technical | 14 | 0 | 100% |
| | Pipelines/Pipeline Installations Technical | 16 | 0 | 100% |
| | Wells Technical | 57 | 4 | 93% |
| Subtotal | | 158 | 5 | 97% |
| Compliance and Operations Branch | | | | |
| Operations Group Production Operations Section | Production Measurement & Reporting | 0 | 1 | n/a |
| | Directive 060 Economic Evaluation Audits | 2 | 1 | 50% |
| Subtotal | | 2 | 2 | 0% |
| Public Safety/Field Surveillance Branch | | | | |
| | Drilling Operations | 27 | 0 | 100% |
| | Well Servicing | 7 | 1 | 86% |
| | Oil Facilities | 141 | 3 | 98% |
| | Gas Facilities | 76 | 4 | 95% |
| | Pipelines | 79 | 5 | 94% |
| | Drilling Waste | 9 | 1 | 89% |
| | Well Site Inspections | 90 | 1 | 99% |
| | Waste Management | 1 | 0 | 100% |
| Subtotal | | 430 | 15 | 97% |
| Resources Branch | | | | |
| Geology and Reserves Group Reserves & Allowables Section | Oil Overproduction | 471 | 0 | 100% |
| Subtotal | | 471 | 0 | 100% |
| Total Audit/Inspections High Risk | | 1061 | 22 | 97.9% |

Note: Compliance category data are evaluated annually and results presented in *ST99: ERCB Provincial Surveillance and Compliance Summary*.

| High Risk Enforcement Action 1 ¹ | | | | | | |
|---|------------------------|---|---|------------------------|---|--|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| 1 | Angle Energy Inc. | Field Surveillance/ Pipelines | Damage by others – proper procedures were not followed. | December 7, 2007 | 15-27-037-07W5 Clearwater County | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee updated their manual and implemented the changes. Compliance achieved. |
| 2 | Apache Canada Ltd. | Facilities Applications/ Participant Involvement | Incomplete public and/or industry personal consultation and notification prior to filing the application. | December 4, 2007 | 100/05-27-001-24W4/0 Cardston County | Licence cancelled. Require a plan to address the noncompliance and prevent future occurrences. Compliance achieved. |
| 3 | Berkana Energy Corp. | Field Surveillance/ Drilling Waste | Disposal is closer than allowable limits to surface water. | December 14, 2007 | 07-20-042-03W5 Ponoka County | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee removed all landsprayed fluids and re-spread in another area as per EUB requirements. Compliance achieved. |
| 4 | Canetic Resources Inc. | Field Surveillance/ Gas Facilities | H ₂ S emissions off lease. | December 9, 2007 | 07-34-054-25W4 Sturgeon County | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee made repairs to the tank that was the source of the odours. Compliance achieved. |

If you require further information, contact Customer Contact Centre, 403-297-8311 or Inquiries@ercb.ca.

| High Risk Enforcement Action 1 ¹ | | | | | | |
|---|------------------------|---|--|------------------------|-------------------------------------|--|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| 5 | Canetic Resources Inc. | Field Surveillance/ Oil Facilities | Flame type equipment without workable flame arrester less than 25m from a process vessel. Surface runoff control – release criteria in Directive 055/ Directive 058 not met prior to release. | December 18, 2007 | 08-05-048-07W5 Brazeau County | Operations were not suspended as the flame arrester noncompliance was corrected immediately and the surface water release noncompliance occurred prior to the inspection. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee installed bolts/nuts on the flame arrester. Licensee updated their manual and implemented the changes. Compliance achieved. |
| 6 | Canetic Resources Inc. | Facilities Applications/ Well Technical | Failure to acquire a mineral lease continuation – no agreement with Department of Energy. | December 24, 2007 | 12-17-042-02W5 Ponoka County | Licence cancelled. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved. |
| 7 | Daylight Energy Ltd. | Field Surveillance/ Pipelines | Release reporting (Pipeline Act 35(1); IL 98-1) Operator is aware of a reportable release but neglects to report it. Area is unsafe and steps not taken to restrict access. | December 13, 2007 | 16-17-069-22W5 M.D. of Greenview | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee installed barriers to restrict access. Compliance achieved. |

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| High Risk Enforcement Action 1 ¹ | | | | | | |
|---|------------------------------|---|---|------------------------|---|--|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| 8 | EnCana Corporation | Facilities Applications/ Wells Technical | Failure to design the surface casing to meet all applicable requirements. | December 5, 2007 | 102/01-09-022-17W4/0 County of Newell | Licence not cancelled or suspended as well is drilled and cased. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved. |
| 9 | EOG Resources Canada Inc. | Facilities Applications/ Wells Technical | Failure to acquire the rights to the intended formation. | December 6, 2007 | 100/08-34-031-25W4/0 100/11-34-031-25W4/0 100/16-34-31-25W4/0 Mountain View County | Licences cancelled. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved. |
| 10 | Husky Oil Operations Limited | Field Surveillance/ Gas Facilities | H ₂ S emissions off lease. | December 11, 2007 | 10-10-109-08W6 M.D. of Mackenzie | Operations were not suspended as the noncompliance was corrected immediately. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee made repairs to the tank that was the source of the odours. Compliance achieved. |
| 11 | Loma Oil & Gas Ltd. | Field Surveillance/ Well Site Inspection | Pumping well not equipped with pressure switch. | December 28, 2007 | 15-10-044-05W4 M.D. of Wainwright | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee installed pressure switch. Compliance achieved. |

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| High Risk Enforcement Action 1 ¹ | | | | | | |
|---|--------------------------|---------------------------------------|---|------------------------|---|--|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| 12 | Outrider Energy Ltd. | Field Surveillance/ Well Servicing | Noncompliant with other EUB requirement – as per Directive 033, documented practices not available at the well site for the safe management of the potential for explosive mixtures and ignition in wells and associated surface equipment. | December 7, 2007 | 13-04-062-10W5 Woodlands County | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee updated their manual and implemented the changes. Compliance achieved. |
| 13 | Pengrowth Corporation | Field Surveillance/ Pipelines | Proper procedures were not followed (pipeline was not properly located and marked during the excavation). | December 7, 2007 | 15-11-035-20W4 County of Stettler | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee updated operating procedures. Compliance achieved. |
| 14 | Penn West Petroleum Ltd. | Field Surveillance/ Oil Facilities | Flame type equipment without workable flame arrester less than 25 m from a process vessel. | December 18, 2007 | 09-35-089-11W5 Northern Sunrise County | Operations were not suspended as the noncompliance was corrected immediately. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee replaced the fire tube access port cap. Compliance achieved. |

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| High Risk Enforcement Action 1 ¹ | | | | | | |
|---|------------------------------|--|--|------------------------|---|---|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| 15 | Penn West Petroleum Ltd. | Field Surveillance/ Oil Facilities | Flame type equipment without workable flame arrestor less than 25 m from a process vessel. Underground tank(s) not tested at the required 3- year frequency/operator cannot demonstrate integrity. | December 18, 2007 | 08-02-083-14W5 Northern Sunrise County | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee replaced the sight glass. Licensee provided tank integrity test results. Compliance achieved. |
| 16 | Profound Energy Inc. | Field Surveillance/ Gas Facilities | H ₂ S emissions off lease. | December 3, 2007 | 07-32-049-10W5 Brazeau County | Operations were not suspended as the noncompliance was corrected immediately. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee installed an auto-igniter on the flare system. Compliance achieved. |
| 17 | Revolution Resources Ltd. | Facilities Applications/ Wells Technical | Failure to acquire the abandoned wellbore rights. | December 5, 2007 | 100/07-31-086-04W6/2 M.D. of Clear Hills | Licence cancelled. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved. |
| 18 | Rising Sky Energy Ltd. | Operations Group/ Directive 060 Economic Evaluation Audits | Decision tree process not completed for new, existing, and temporary flares and vents as required. Exceeding oil and gas well test flaring/ incinerating and venting duration limits. | December 19, 2007 | 00/07-01-089-03W6 M.D. of Clear Hills | Operations suspended. Licensee conducted economic evaluations for solution gas conservation for all facilities in the Grande Prairie Field Area. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved. |

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| High Risk Enforcement Action 1 ¹ | | | | | | |
|---|----------------------|--|---|------------------------|---|---|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| 19 | Sogar Resources Ltd. | Operations Group/ Production Measurement and Reporting | Measuring device(s) calibrated/ proved inappropriately and not within required frequency. | December 12, 2008 | 00/06-13-035-04W5/00 Red Deer County | Operations were not suspended, as there was no immediate or potential hazard/ impact to the public and/ or environment. Licensee provided a plan to address the noncompliance and prevent future occurrences. Compliance achieved. |
| 20 | Sunrise Energy Ltd. | Field Surveillance/ Gas Facilities | Facility operating without approval. | December 10, 2007 | 05-21-011-05W4 M.D. of Ranchlands | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee submitted an application for a licence; application approved. Compliance achieved. |
| 21 | Sunrise Energy Ltd. | Field Surveillance/ Oil Facilities | Facility operating without approval. | December 10, 2007 | 14-15-011-05W4 M.D. of Ranchlands | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Licensee submitted an application for a licence; application approved. Compliance achieved. |

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| High Risk Enforcement Action 1 ¹ | | | | | | |
|---|-------------------------|-----------------------------------|---|------------------------|--|---|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| 22 | Syncrude Canada Ltd. | Field Surveillance/ Pipelines | Operator does not take immediate steps to shut off source of liquid release. | December 10, 2007 | 10-01-093-11W4 Regional Municipality of Wood Buffalo | <p>Operations suspended.</p> <p>Licensee provided a plan to address the noncompliance and prevent future occurrences.</p> <p>Licensee is providing monthly updates to the EUB until it comes into compliance.</p> <p>Licensee needs to complete an evaluation of water chemistry as well as upgrade the facility.</p> <p>Compliance not yet achieved.</p> |

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| High Risk Enforcement Action 2 (Persistent Noncompliance) ² | | | | | | |
|--|----------|-----------------------------------|------------------------|------------------------|----------------|--|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| | None | | | | | |

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| High Risk Enforcement Action 3 (Failure to Comply or Demonstrated Disregard) ³ | | | | | | |
|---|------------------------------------|-----------------------------------|--|------------------------|--|--|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/ Area | EUB Action(s) and Licensee Response |
| 1 | Husky Oil Operations Limited | Field Surveillance/ Pipelines | Hand excavation: Mechanical excavation takes place within 5 m of existing pipeline prior to hand exposure. | December 21, 2007 | 16-25-053-02W4 County of Vermilion River | Operations suspended. Licensee provided a plan to address the noncompliance and prevent future occurrences. Ground disturbance manual has been updated and implemented by licensee. Licensee repaired and retested the pipeline. Licensee met with the EUB to review the action. Compliance achieved. |

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Low Risk Enforcement Action – Global REFER Summary⁴

| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/Area | EUB Action(s) and Licensee Follow-up |
|---|---------------------|---|----------------------------------|------------------------|--|--|
| 1 | 979708 Alberta Ltd. | Corporate Compliance/ Orphan Levy | Failure to pay Orphan Fund Levy. | December 7, 2007 | 00/10-03-092-13W5 Northern Sunrise County | Global Refer Status. Issuance of Abandonment Order: AD 2007-7. Licensee required to pay the Orphan Fund Levy and provide a written explanation acceptable to the EUB addressing the failure to respond and detailing steps to prevent future occurrences. 979708 Alberta Ltd. failed to comply. |
| 2 | Horizontal Oil Ltd. | Corporate Compliance/ Noncompliance with Liability Management Program Requirements | Failure to pay security deposit. | December 20, 2007 | N/A – Against licensee | Global Refer status. Issuance of Miscellaneous Order No. MISC 2007-17. Licensee required to pay the security deposit and provide a written explanation acceptable to the EUB addressing the failure to respond and detailing steps to prevent future occurrences. Horizontal Oil Ltd. failed to comply. Closure Order No. C 1099 issued. Payment of security deposit was subsequently received; however the written action plan was not submitted. Licensee remains noncompliant with EUB requirements. |

If you require further information, contact Customer Contact Centre, 403-297-8311 or Inquiries@ercb.ca.

| | | | | | | |
|---|------------------------------|--------------------------------------|----------------------------------|------------------|--|--|
| 3 | Trophy Petroleum Corporation | Corporate Compliance/ Orphan Levy | Failure to pay Orphan Fund Levy. | December 7, 2007 | 00/08-35-085-11W5 Northern Sunrise County | <p>Global Refer Status.</p> <p>Issuance of Abandonment Order: AD 2007-8.</p> <p>Licensee required to pay the Orphan Fund Levy and provide a written explanation acceptable to the EUB addressing the failure to respond and detailing steps to prevent future occurrences.</p> <p>Trophy Petroleum Corporation submitted the full 2007 Orphan Fund Levy amount; however, the written action plan was not submitted. Licensee remains noncompliant with EUB requirements.</p> |
|---|------------------------------|--------------------------------------|----------------------------------|------------------|--|--|

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| Legislative/Regulatory Enforcement Action ⁵ | | | | | | |
|--|----------|-----------------------------------|------------------------|------------------------|---------------|---|
| # | Licensee | EUB Group/ Compliance Category | Noncompliance Event | Date of Enforcement | Location/Area | EUB Action(s) and Licensee Follow up |
| | None | | | | | |

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Endnotes

¹ **Directive 019 – High Risk Enforcement Action 1 Summary**

In accordance with *Directive 019: ERCB Compliance Assurance–Enforcement*, High Risk Enforcement Action 1 is initiated against a licensee when the ERCB identifies a High Risk noncompliance event. To address High Risk Enforcement Action 1, the licensee must: immediately correct/address the High Risk noncompliance; if necessary, suspend operations (partial or full), when safe to do so, to remove the existing or potential impact/hazard (suspension will not occur if it results in an increased impact/hazard to the environment or public; compliance must be achieved prior to start-up); develop and implement a written action plan within 60 days (or in the time specified by the ERCB group); notify the ERCB group that the High Risk noncompliance has been corrected/addressed in the specified time. In addition, the ERCB will also apply one or more of the following enforcement actions as its authority provides: noncompliance fees; self-audit or inspections; increased audits or inspections; partial or full suspension until the noncompliance is corrected/addressed; suspension and/or cancellation of permit, licence, or approval.

² **Directive 019 – High Risk Enforcement Action 2 (Persistent Noncompliance) Summary**

In accordance with *Directive 019: ERCB Compliance Assurance–Enforcement*, High Risk Enforcement Action 2 is initiated against a licensee who has an unacceptable rate, ratio, percentage or number of noncompliances, either in the same or in different compliance categories. To address High Risk Enforcement Action 2, the licensee must: immediately correct/address the High Risk noncompliance; develop and implement a written action plan within 30 days (or in the time specified by the ERCB group) addressing the root causes of previous noncompliance events and detailing what the licensee will do to prevent future noncompliance events in this compliance category/categories; if operations were suspended, have the action plan approved by the ERCB group before start-up; and review the action plan with the ERCB group in a meeting. In addition, the ERCB will also apply one or more of the following enforcement actions as its authority provides: noncompliance fees; self-audit or inspections; increased audits or inspections; partial or full suspension; suspension and/or cancellation of permit, licence, or approval.

³ **Directive 019 – High Risk Enforcement Action 3 Summary**

In accordance with *Directive 019: ERCB Compliance Assurance–Enforcement*, High Risk Enforcement Action 3 is initiated against a licensee who has failed to comply with the requirements of High Risk Enforcement Action 1, 2, or 3, or has demonstrated disregard of ERCB requirements that have been identified as High Risk. To address High Risk Enforcement Action 3, the licensee must: immediately correct/address the High Risk noncompliance; if necessary, suspend operations (partial or full), when safe to do so, to remove the existing or potential impact/hazard (suspension will not occur if it results in an increased impact/hazard to the environment or public); develop and implement a written action plan acceptable to the ERCB group that addresses the root causes of noncompliance events and details what the licensee will do to prevent future noncompliance events in this compliance category; and meet with the ERCB group to review and have the action plan approved before start-up of operations if operations were suspended. The ERCB will also apply one or more of the following enforcement actions as its authority provides: noncompliance fees; self-audit or inspections; third-party audits or inspections; partial or full suspension; suspension and/or cancellation of permit, licence, or approval; issuance of an Order (Miscellaneous, Closure, or Abandonment); “Refer” status: focused or global.

High Risk Enforcement Action 3 with global Refer results in formal orders to comply (Closure, Miscellaneous and Abandonment) and the imposition of the global Refer status against the licensee. The global Refer status indicates a licensee’s inability or unwillingness to comply. The status will be considered by the ERCB when deciding to approve or deny future and pending applications by the licensee to the ERCB. In addition, conditions for continued operation may be applied to the entire company.

⁴ **Directive 019 – Low Risk Enforcement Action – Global Refer Summary**

In accordance with *Directive 019: ERCB Compliance Assurance–Enforcement*, Low Risk Enforcement Action – global Refer is initiated against a licensee who has failed to correct/address a Low Risk noncompliance event in the time specified by the ERCB group. Low Risk Enforcement Action – global Refer enforcement results in the imposition of the global Refer status against the licensee and may result in formal orders to comply (Closure, Miscellaneous and Abandonment). The global Refer status indicates a licensee’s inability or unwillingness to comply. The status will be considered by the ERCB when deciding to approve or deny future and pending applications by the licensee to the ERCB. In addition, conditions of continued operation may be applied to the entire company. To address Low Risk Enforcement Action, the licensee must: immediately correct/address the Low Risk noncompliance within the time specified by the ERCB group; notify the ERCB group that the Low Risk noncompliance has been corrected/addressed in the specified time; and provide a written explanation acceptable to the ERCB group addressing the failure to respond and detailing steps to prevent future occurrences.

⁵ **Legislative/Regulatory Enforcement Action Summary**

In accordance with certain legislative authorities, Legislative/Regulatory enforcement results in the imposition of the global Refer status against the licensee and may result in formal orders to comply (Closure, Miscellaneous and Abandonment). The global Refer status indicates a licensee’s inability or unwillingness to comply. The status will be considered by the ERCB when deciding to approve or deny future and pending applications by the licensee to the ERCB. In addition, conditions for continued operation may be applied to the entire company. Enforcement actions that are not administered through *Directive 019*, but rather through existing legislation, and for which enforcement proceeds directly to a formal order and global Refer are: mineral lease expiry, surface lease expiry, environmental and public safety concerns, and failure to demonstrate the right to the purpose of the wellbore, the right to access the surface, and a working interest ownership in the property.