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Sour gas: Public safety is never compromised

Why must we produce sour gas in Alberta? Considering that sour gas is natural gas that contains measurable amounts of hydrogen sulphide (H₂S)—an undeniably toxic substance—this is a valid question.

The answer focuses on our world's very real need for large quantities of energy. Alberta plays a major role in supplying energy via natural gas production, and sour gas plays an important role in that—making Alberta the third largest gas producer and the second largest gas exporter in the world.

Alberta's sour gas production for one year is enough to heat about 7.5 million homes

Consider this: In 2002, Alberta produced 136 billion cubic metres of natural gas. About one-third of all the natural gas produced in the province is sour, which translates into about 42 billion cubic metres of sour gas.

To put that into perspective, one billion cubic metres is enough gas to heat 180 000 homes for a year, according to the Petroleum Communications Foundation. So, Alberta's sour gas production for one year is enough to heat about 7.5 million homes. With natural gas prices as high as they are, the sour gas produced in Alberta becomes a very important component of the overall supply.

BUT IS IT SAFE?

Sour gas has been produced safely in Alberta for decades. Commercial-scale production began in 1952, when the first sulphur-recovery plant to remove the sulphur from H₂S was built at Jumping Pound in the foothills west of Calgary.

Alberta is a world leader in safely producing sour gas, and the EUB has established the world's most rigorous set of sour gas regulations. Visitors from countries such as China, Oman, and

Australia have recently travelled to Alberta to seek sour gas regulatory advice as they begin or continue sour gas production.

Much of Alberta's oil also contains H₂S, resulting in what is called "sour oil." This is also produced and handled very carefully within a comprehensive set of regulations designed to maximize public and worker safety.

Today, Alberta has thousands of sour gas and sour oil wells, many of which are close to various Alberta towns and cities, including Pincher Creek, Calgary, Red Deer, Edmonton, and Grande Prairie. There are more than 12 500 kilometres of sour gas pipelines and 240 sour gas processing plants located around the province. As the regulator, the EUB's vision is to have a regulatory framework that inspires public confidence. So, despite having the toughest, most comprehensive sour gas regulatory regime in the world, the EUB believes it can do better.

PUBLIC SAFETY AND SOUR GAS

In 2000, the EUB asked a multistakeholder committee to speak to Albertans and to review the current sour gas regulations. This committee spoke to thousands of people all over Alberta and came back with a set of 87 recommendations aimed at improving how sour gas is developed. These recommendations focused on four areas:

- creating better understanding of sour gas,
- improving the sour gas regulatory system,
- reducing the impacts of sour gas on public health and safety, and
- improving the consultation that takes place with the public on all sour gas matters.

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EUB connects with kids



KIDZONE

<http://www.eubkidzone.gov.ab.ca>

Check out the EUB's Kidzone, a fun and interactive Web site for kids of all ages. Click on *Petroleum Play* to explore the world of oil and gas development and *Power Play* to explore the world of electricity.

About the EUB

Our mission is to ensure that the discovery, development, and delivery of Alberta's energy resources and utilities services take place in a manner that is fair, responsible, and in the public interest. We regulate oil, natural gas, oil sands, coal, hydro and electric energy, pipelines, and transmission line development.

On the utilities side, we regulate investor-owned natural gas, electric, and water utilities to ensure that customers receive safe and reliable service at just and reasonable rates. Regulation is done through two core functions: adjudication and regulation, information and knowledge.

For Your Information...**Recent EUB publications****Bulletins**

August 4: Bulletin 2004-22: Notice of Intention to Amend Existing Regulations on Financial Security for Oilfield Waste Management Facilities

July 23: Bulletin 2004-21: Petroleum Registry of Alberta Changes to Well Statuses for Wells Completed in Coals and Tracking of Coalbed Methane Activity in Alberta

July 16: Bulletin 2004-20: Coalbed Methane Well List to December 31, 2003

July 14: Bulletin 2004-19: Electronic Application Submission (EAS): Phase I Resources Applications

July 5: Bulletin 2004-18: Directive 036: Drilling Blowout Prevention Requirements and Procedures

News Releases

July 20: NR2004-25: EUB issued Decision 2004-060, which approves an application by Fortis Alberta Inc. (Fortis) to refund approximately \$30 million to customers

July 2: NR2004-24: EUB establishes utility rates of return and capital structure

Other Publications

July 30: Guide 14: PVT and Core Studies Index

July 27: Interim Shut-In Order 04-003

July 23: LLR Program Performance Summary to June 2004

July 16: Notice - WRS Amendment Submissions

July 14: Public Safety and Sour Gas (PSSG) Project Status – Advisory Committee Update June 04

July 5: Announcement for EUB Guide 65 Applicants on Electronic Application Submission (EAS)

July 5: Directive 036: Drilling Blowout Prevention Requirements and Procedures

June 24: EUB 2003 Year in Review: The EUB's 2003 Year in Review provides Albertans with information about what the EUB did that year, along with an overview of activity in Alberta's energy and utilities sectors

Decisions

August 3: Decision 2004-063: AltaGas Utilities Inc. 2003/2004 General Rate Application – Phase I Request for Approval of Negotiated Settlement and Memorandum of Agreement

July 28: Decision 2004-054: ATCO Electric Ltd. Code of Conduct Exemptions

July 27: Decision 2004-062: Review of Wells with Wabiskaw-McMurray Intervals Previously Allowed to Produce Gas by Decision 2003-023 Chard Area and Leismer Field

July 20: Decision 2004-061: ENMAX Power Corporation 2005-2006 Regulated Rate Tariff Energy Application Part B: Request to Participate in a Negotiated Settlement for an Energy Price Setting Plan

July 20: Decision 2004-060: Fortis Alberta Inc. Interim 2004 Transmission Adjustment Rider

July 13: Decision 2004-057: ATCO Utilities Benchmarking Terms of Reference Pursuant to Decisions 2003-073 & 2004-026 ATCO I-Tek Master Services Agreement Module

July 13: Decision 2004-055: ATCO Utilities Second Compliance Filings Pursuant to Decisions 2003-073 & 2004-026 - ATCO I-Tek Master Services Agreement Module

July 13: Decision 2004-056: (with Board Member Report): Bumper Development Corporation Ltd. Review of Well Licence No. 0287658, Davey Field

July 2: Decision 2004-052: Generic Cost of Capital AltaGas Utilities Inc., AltaLink Management Ltd., ATCO Electric Ltd. (Distribution), ATCO Electric Ltd. (Transmission), ATCO Gas, ATCO Pipelines, ENMAX Power Corporation (Distribution), EPCOR Distribution Inc., EPCOR Transmission Inc., Fortis Alberta (formerly Aquila Networks), NOVA Gas Transmission Ltd.

June 29: Decision 2004-053: ENMAX Power Corporation 2005-2006 Regulated Rate Tariff Energy Application Request for Approval to Commence a Negotiated Settlement for an Energy Price Setting Plan

June 29: Decision 2004-051: AltaLink Management Ltd. 2004-2007 General Tariff Application Request for Approval to Commence a Negotiated Settlement

June 24: Decision 2004-050: Shell Canada Limited Applications for New and Amended Sour Gas Pipelines Moose/Jumping Pound Fields, Prehearing Meeting Decision

June 24: Decision 2004-049: ATCO Utilities Review of ATCO Executive Compensation Allocated to the ATCO Utilities

Sour gas: Public safety is never compromised *(continued from page 1)*

The EUB committed to address all 87 recommendations and set up a team of senior staff across the organization to work on them. By the end of June 2004, about 40 of the recommendations had been completed, and work was under way on the remaining 47.

Various teams of EUB staff continue to work with members of the public, industry, and other government departments and agencies in areas such as

- health effects and sour gas research,
- sour gas development planning and approval,
- sour gas operations,
- emergency preparedness, and
- information, communications, and consultation.

It is important for the public, government, and industry to understand that the EUB recognizes the seriousness of sour gas development and will not compromise in any way on public or environmental safety.

For the future of sour gas and other energy development in Alberta, perhaps the greatest challenge facing the public and industry is the need to build strong relationships. Together, better decisions are made. Within the Public Safety and Sour Gas initiative, staff are constantly assessing what we do and how we do it, seeking the safest, best possible practices and processes and working with Albertans to develop a valuable resource. ❖



Field Surveillance reports higher industry compliance

The EUB recently released its annual *Field Surveillance Provincial Summary, January–December 2003* (Statistical Series 57), which provides stakeholders with information on industry compliance, EUB enforcement actions, and the wide range of activities carried out by EUB Field Centre staff.

In 2003, the EUB reported record-breaking levels of activity, including a 29 per cent increase in drilling licences issued: 17 108, compared to 13 192 in 2002.

Despite the increased activity, the EUB recorded improved overall industry performance, including a 23 per cent decrease in major unsatisfactory inspections. In addition, the number of corrosion-related pipeline failures dropped 22 per cent, and there were 6 per cent fewer public complaints received about industry operations and activities.

The EUB is encouraged by the improvement in industry's overall compliance rate. In 2004, field staff continue to focus on pipeline corrosion, noncompliant licensees, air monitoring activities, facilitation between landowners and industry, reduction of odours, and improving communication with synergy groups and communities throughout the province.

Inspection Definitions

A **satisfactory inspection** finds that all regulations and requirements are met.

A **minor unsatisfactory inspection** finds a contravention of regulation(s) and/or requirement(s) that does not result in a direct threat to the public and/or the environment and does not adversely affect oil and gas operations.

A **major unsatisfactory inspection** finds a contravention of regulation(s) and/or requirement(s) that an operator has failed to address and/or that has the potential to cause an adverse impact on the public and/or the environment.

A **serious unsatisfactory inspection** finds a total disregard for regulation(s) and/or

requirement(s) that is causing or may cause significant impact on the public and/or the environment.

Enforcement

The EUB is confident that most Alberta energy companies strive to comply with EUB regulations, requirements, and programs. However, companies that fail to meet requirements or follow EUB direction are subject to enforcement consequences. Enforcement actions always include deadlines for fixing a problem and may be reinforced by penalties, such as temporary or long-term suspension of operations.

Well Control Occurrences

Over 70 000 wells have been drilled over the past five years. This has resulted in challenges for both industry and the EUB to ensure that well drilling and servicing have minimal impact on the environment and the public.

Of the 17 108 wells drilled in 2003, the EUB recorded one blowout and three blows during drilling and four blowouts and seven blows during well servicing.

All were brought under control with minimal environmental impact and no public safety impacts. The EUB will continue to review all blows and blowouts related to drilling and servicing operations.

Oil and Gas Production

EUB staff conducted 3483 oil battery and satellite inspections in 2003, compared to 3443 inspections the previous year. Major/serious inspections decreased from 113 in 2002 to 78 in 2003.

The percentage of minor unsatisfactory inspections decreased to 31.5 per cent in 2003 from 33 per cent in 2002. Improved compliance can be attributed to industry's improved understanding of EUB requirements, self-audits, operator awareness sessions, and presentations by EUB staff.

Pipelines

The EUB recorded 350 internal corrosion failures in 2003, as opposed to 447 in 2002. This represents a 21.7 per cent decline. In addition, external corrosion

failures decreased to 86 in 2003 from 116 in 2002, a 25.9 per cent decrease.

EUB field staff conducted 439 pipeline construction/test inspections in 2003, of which 405 were satisfactory (92.3 per cent of total, up from 283, or 85.8 per cent, in 2002), 25 were minor unsatisfactory (5.7 per cent, down from 40, or 12.1 per cent, in 2002), 8 were major unsatisfactory (unchanged from 2002), and 1 was serious unsatisfactory.

Spills

A total of 1381 spills were reported to EUB Field Centres in 2003, a decrease from 1445 in 2002. Of the 1381 spills:

- 57 were priority 1 (14.7 per cent),
- 264 were priority 2 (19.1 per cent), and
- 1060 were priority 3 (76.8 per cent).

Priority 1 spills represent the greatest potential for environmental and/or public impacts. In Priority 2 releases, there is a significant volume of product released or the potential for environmental impacts. Priority 3 releases tend to be of low to medium volumes with minimal potential for environmental and/or public impacts.

Air Monitoring

In 2003, the EUB's two mobile air monitoring units conducted a total of 695 inspections, compared with 461 the previous year. The percentage of unsatisfactory inspections decreased from 8.7 per cent in 2002 to 4.7 per cent in 2003, a 47 per cent improvement.

Responding to Public Concerns

In 2003, the EUB received and responded to 817 public complaints, compared to 860 in 2002, which is a decrease of 6 per cent.

Public Involvement

In 2003, field staff were involved with 169 facilitations, of which 127 were completed and 94 were successfully resolved. Of the 14 that proceeded to mediation through the EUB's Appropriate Dispute Resolution (ADR) program, 9 were successfully resolved and 1 required a hearing. ❖

This list is subject to change at any time, so please check the complete list of upcoming public hearings on the EUB Web site at <www.eub.gov.ab.ca/bbs/applications/hearings/hearings.pdf>. If you do not have Internet access, contact EUB Information Services at (403) 297-8190.

Upcoming public hearings

Application No.	Applicant	Hearing Purpose
1318645	Shaker Resources Inc.	Application for a Common Carrier Order-Redwater Field
Start date: August 31, at Govier Hall, Energy and Utilities Board Building, 640 - 5 Avenue SW, Calgary		
1327299	EOG Resources Canada Inc.	Application for a proximity critical gas well - Wintergreen Area
Start date: August 31, Day Lodge of the Wintergreen Golf and Country Club near Bragg Creek		
1320488 1329127	Shell Canada Limited	Applications for new and amended sour gas pipelines- Moose/Jumping Pound Fields
Start date: September 14, 261100 Range Road 42 in Cochrane, Cochrane Ranche House, Cochrane		
1336421	AltaLink Management Ltd. and TransAlta Utilities Corporation	Transmission Tariff for May 1, 2004, to December 31, 2007
Start date: October 4, at Govier Hall, Energy and Utilities Board Building, 640 - 5 Avenue SW, Calgary		

Pending decisions

Application No.	Applicant	Hearing Purpose
1306821	EPCOR Distribution Inc.	2004 Distribution Tariff
1317784	ATCO Electric	Application for exemptions from ATCO Group Inter Affiliate Code of Conduct (The ATCO Group)
1306819	ENMAX Power Corporation	2004 Distribution Tariff
1306818	ENMAX Power Corporation	2004 RRT (Non Energy)
1275505	City of Airdrie	Application for determination of terms and price of potential purchase of the Electric Distribution System within the municipality from Aquila Networks Canada (Alberta) Ltd.

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Please send your comments and suggestions to <acrosstheboard@gov.ab.ca>.

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For Alberta Geological Survey (AGS) documents on geological research, contact

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Web: <www.ags.gov.ab.ca>

Questions, complaints, problems?

Utilities: For information or to file a consumer utility complaint, contact us at EUB Utilities Branch, 10th floor, 10055-106 Street, Edmonton, Alberta T5J 2Y2
Fax: (780) 427-6970
Complaints: (780) 427-4903*
E-mail: <utilities.concerns@eub.gov.ab.ca>

Oil and gas: For information or complaints about new or existing oil and gas developments and facilities, we recommend contacting the operating company first. If the company does not respond appropriately, you may contact the nearest EUB Field Centre.

EUB Field Centres (24-hour service)

Bonnyville	(780) 826-5352*
Drayton Valley	(780) 542-5182*
Grande Prairie	(780) 538-5138*
Medicine Hat	(403) 527-3385*
Midnapore	(403) 297-8303*
Red Deer	(403) 340-5454*
St. Albert	(780) 460-3800*
Wainwright	(780) 842-7570*

*To call toll free from anywhere in Alberta, dial 310-0000 and enter the phone number, including area code, or press zero for a RITE operator.

Across the Board Advisory Committee

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