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November/December 2003

Coalbed methane and the EUB's role

Coalbed methane (CBM), also known as natural gas from coal, is in the early stages of development in Alberta. Each coalbed basin in the world has proven to be unique, presenting its own set of issues and challenges, and more research is necessary before the scale of its contribution to Alberta's natural gas supply is fully understood. The EUB has an important role in ensuring that CBM development is conducted in an orderly, efficient, and responsible manner.

Coalbed methane

CBM is natural gas contained in coal. It consists primarily of methane, the gas we use for home heating, gas-fired electrical generation, and industrial fuel. CBM commonly is referred to as an "unconventional" form of natural gas because it is primarily stored through absorption to the coal itself, rather than in the pore space of the rock, like most "conventional" gas.

CBM regulation

CBM is subject to the same EUB drilling, production, and operational rules and regulations as other natural gas. Alberta Energy also treats CBM as natural gas for royalty and tenure purposes. Further information is available in EUB *Informational Letter (IL) 11-91: Coalbed Methane Regulation*. Alberta Environment and Alberta Sustainable Resource Development also have a role in the regulation of CBM development; they handle CBM issues in a similar manner to other natural gas matters.

The need for quality, publicly accessible data to better assess Alberta's CBM reserves and to better understand potential impacts further emphasizes the need for Alberta's CBM developers to continue providing data to the EUB in a timely manner. This includes all CBM test data, particularly water analyses for any cases where water is produced.

Water production

The production of CBM may involve no water production or varying quantities of either saline or nonsaline water. The EUB regulates the production and disposition of water produced in conjunction with all natural gas, including CBM. In addition, a groundwater diversion permit may be required from Alberta Environment if nonsaline water is produced.

If nonsaline water suitable for domestic, farm, or other surface use is produced from any well licensed by the EUB, the production and final disposition of this water is reviewed by both the EUB and Alberta Environment to ensure that it is handled in an environmentally responsible way, representing the best use of the water resource.

The EUB and Alberta Environment continue to work collaboratively to ensure that the necessary approvals are obtained and that procedures related to responsible water use are applied. Additionally, the two agencies are actively involved in reviewing procedures concerning the production, use, and disposal of water associated with all shallower zones.

Surface disturbance (well spacing)

Resources are typically developed beginning with the highest quality reserves and working progressively towards the lower quality portions of the resource. As lower quality gas reservoirs are developed, higher well densities are generally required to optimize gas recovery. This is a long-standing trend in Alberta, and CBM continues this trend towards the closer spacing of gas wells.

To reduce the spacing, EUB regulations require that industry file an application in accordance with *Guide 65: Resources Applications*. The application requirements include the need to notify all landowners

2002 Year-End Review sweeps awards

The EUB's 2002 *Year-End Review* swept the Government/Public Sector category in Oilweek Magazine and June Warren Publishing's 28th Annual Report Awards. The EUB publication, which provides Albertans with information about what the EUB did in 2002, along with an overview of activity in Alberta's energy and utilities sectors, received awards for editorial merit, graphic design, and financial statements and analysis.

The EUB Web site also received an award during the ceremony in the Government/Public Sector category for Best in Class Web Site.

Find the 2002 *Year-End Review* on the Web at www.eub.gov.ab.ca in the About the EUB section.

About the EUB

Our mission is to ensure that the discovery, development, and delivery of Alberta's resources 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 four core functions: adjudication and regulation, applications, surveillance and enforcement, and information.

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

October 20: Bulletin 2003-35: CSA Standard CSA Z662-03 Oil and Gas Pipeline Systems; Interim Directive (ID) 99-7: CSA Standard CSA Z662-99 has been rescinded

Other publications

October 15: Guide 56: Errata to the October 2003 edition

October 9: Letter from EUB: Bitumen Conservation Requirements Athabasca Wabiskaw-McMurray Pressure Data Collection

October 1: Monthly Status Letter from EUB Chairman on Bitumen Conservation Requirements

September 30: Letter from EUB: Bitumen Conservation Requirements Athabasca Wabiskaw-McMurray Pressure Data Collection

September 30: Safety Bulletin 2003-02: Downhole Explosion/Sweet Gas Blowout

Recent decisions

October 28: Decision 2003-075: The EUB issues a decision for Aquila Networks Canada (Alberta) Ltd. regarding its 2002 Transmission Deferral Account

October 7: Decision 2003-074: The EUB issues a decision for EPCOR Energy Services (Alberta) Inc. regarding a negotiated settlement outlining the purchasing process for energy for their 2004/2005 Regulated Rate Tariff

October 3: Decision 2003-071: The EUB issues a decision for ATCO Electric Ltd. regarding their 2003-2004 General Tariff Application for distribution and transmission and Rate Case Deferrals application

October 3: Decision 2003-070: Errata to Decision 2003-070

October 2: Decision 2003-072: The EUB issues a decision for ATCO Gas North and South combined regarding their 2003-2004 General Rate Application

September 30: Decision 2003-069: The EUB issues a decision for Talisman Energy Canada regarding the enlargement of Turner Valley Unit No. 5 in the Turner Valley Field

News releases

October 29: NR 2003-40: EUB Verifies November Natural Gas Cost Recovery Rates

October 21: NR 2003-39: EUB Releases Alberta Coalbed Methane Reports

October 2: NR 2003-37: EUB Releases 2002 Flaring and Venting Industry Performance Report: Solution Gas Flaring Reduced by 62% since 1996

Coalbed methane and the EUB's role *(continued from page 1)*

and occupants in the area proposed for reduced well spacing. Full disclosure and communication of a project's details, impacts, and benefits are expected. The EUB processes hundreds of special oil and gas spacing applications each year, with relatively few public concerns being raised.

Alberta's CBM potential

The amount of natural gas contained in Alberta's coal is very large. However, there are insufficient data at this time to provide a meaningful estimate of what portion of this resource may be recoverable. Limited production from coal has established that CBM production is technically feasible in Alberta. The EUB will continue to monitor CBM production in the province and move to reporting on CBM reserves once sufficient data are available.

Alberta's CBM experience to date

CBM development is proceeding under Alberta's natural gas regulatory framework with few problems and continues to be monitored. However, recognizing that there may be concerns about CBM development, Alberta Energy announced a cross-ministry review and external consultation process in 2002. This process is aimed at determining if changes to Alberta's existing natural gas policies and regulations are required for CBM development.

Visit the EUB Web site at www.eub.gov.ab.ca and click on Public Information to find the EUB's EnerFAQs series, which includes frequently asked questions about CBM. ❖

Applications reach record levels

The applications table shows the number of applications the EUB received in the first two fiscal quarters of 2003/04 (April 1 to September 30) in comparison with the same period in the last three years. Applications were received and disposed of at absolute record levels throughout the second quarter.

EUB application categories include: facilities, resources, utilities, operations, and license transfers.

Facilities applications include wells, pipelines, and production facilities such as oil and gas batteries, satellites, compressor stations, tank farms, and pump stations.

Resources applications are reviewed to ensure the conservation of oil, gas, crude bitumen, and coal resource and to afford each owner the opportunity to obtain its share of a resource. Resources applications also include project-based proposals for mineable and in-situ oil sands developments and coal mines.

Utilities applications include General Rate Applications where the EUB ensures that utility company's rates and terms of service are appropriate, fair, and reasonable; applications for approval to construct power plants, substations, and transmission lines; sale of asset applications; and applications for numerous other matters including franchise agreements, financings, complaints, and minimum producer milk prices.

Operations applications include flaring, emergency response plans, oil field waste management, and special cases in well operations such as surface casing waivers, abandonments, and critical sour well declassifications.

The license transfers reported here reflect the total number of licenses transferred from one company to another, which usually takes place when a facility changes ownership. ❖

Red Deer Field Centre officially opens new offices

On September 24, 2003, the Red Deer Field Centre held an open house to officially open its new offices at the Millenium Centre in downtown Red Deer. The open house was well attended by about 100 members of the public, local and provincial government representatives, industry representatives, and EUB Board Members and staff, along with their family members.

John Nichol, Board Member, Dwayne Waisman, Executive Manager of Field Surveillance, and Leo Touchette, Team Leader of the Red Deer Field Centre, welcomed everyone to the open house.

In his opening remarks, John noted that a field presence has always been an important aspect of the EUB's operations. Oil and gas activity is very high in the Red Deer region, and the rural

population is increasing. This puts increased demands on field staff, particularly in the facilitation of disputes between landowners and industry.

Dwayne acknowledged the success Red Deer staff have had working with industry to find innovative ways to reduce the amount of flare emissions in the area, as well as the work being done to reduce pipeline corrosion incidents.

Leo commented that staff are responsible for the inspection of over 1300 oil facilities and 2000 gas facilities, as well as thousands of wells and pipelines. He noted that, in spite of the high activity, the number of public complaints the office receives remains fairly consistent, due in some part to industry being proactive in dealing with public concerns. As well, there are a number of active synergy groups in the region, which provide an opportunity for the public, industry, and EUB to come together to discuss issues and concerns.

The Red Deer Field Centre is one of eight EUB Field Centres across the province. Its regional area covers approximately 18 000 square kilometres. The boundaries extend east from the British Columbia border to Halkirk, and from a line north of Ponoka, to just south of Carstairs.

As the Oil and Gas Conservation Board, the first area office was in a house on Gaetz Avenue in the late 1950s. In the late 1970s, the then-Energy Resource Conservation Board moved to the Provincial Building and remained there until moving to the Millenium Centre as the EUB.

The Red Deer Field Centre office is located at
 Millennium Centre
 202, 4909 - 49 Street
 Red Deer, AB T4N 1V1
 Phone: (403) 340-5454*
 Fax: (403) 340-5136
 E-mail:
 <reddeer.fieldcentre@gov.ab.ca> ❖

Application and Decision Statistics

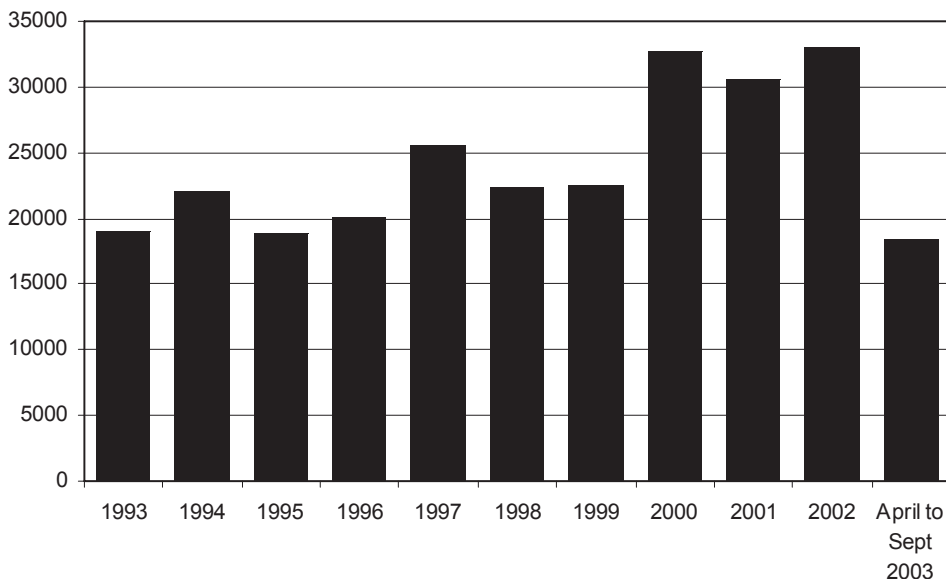
Applications Received (Year to Date: April to September)

	2003/04	2002/03	2001/02	2000/01
Facilities	16 536	10 353	11 865	12 169
Resources	156	243	197	118
Utilities	1 784	1 249	1 192	1 196
Operations	2 067	664	1 294	741
Licence transfers	8 447	9 154	8 577	10 630
Total	28 990	21 663	23 125	24 854

Decisions Issued (Year to Date: April to September)

	2003/04	2002/03	2001/02	2000/01
Energy	9	10	11	16
Utilities	37	45	43	23

Facilities, Resources, and Utility Applications Received



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
1299749	NAL Resources Limited	Application for a licence to construct and operate two salt water pipelines – Little Bow Field
Start Date: December 3 at Ramada Hotel and Suites, 2375 Mayor Magrath Drive South, Lethbridge		
1256763	Vermillion Energy Trust	Request for Board directed transfer of a well licence and application to amend a waterflood approval – Mitsue Field.
1256763		
Start date: December at 15 Metropolitan Centre, 333 – 4th Avenue SW, Calgary		
127980	CalAlta Waterworks Ltd.	Review of the, tolls, charges, and terms and conditions of service for water provided by CalAlta Waterworks
Start Date: December 16 at West Hall, Energy and Utilities Board Building, 640 - 5 Avenue, SW, Calgary		

Pending decisions

Application No.	Applicant	Hearing Purpose
1276521	Polaris Resources Ltd.	Application for a licence to drill a sour natural gas well, compulsory pooling and special well spacing orders – Livingstone Field
1276489		
1085114	Canadian Natural Resources Ltd.	Horizon Oil sands project, Fort McMurray area
1271285	Shell Canada Limited	Jackpine mine - phase I, Fort McMurray Area
1271307		
1271383		
1302342	Rubicon Energy Corporation	Application for a licence to drill a sour well - Ghost Pine Field
1271285	ExxonMobil Canada Ltd.	Application for licence to drill two critical sour gas wells
1271307		
1282973	Solex Gas Processing Corp.	Application for a licence to conduct and operate new pipelines -Harmatton -Elkton Field
1292783	ATCO Pipelines North, South	2003-2004 GRA
1306252	AESO	2003 General Tariff Application (GTA) - Liability Module
1299855	ATCO Electric Ltd. ATCO Gas North, ATCO Gas South	Transfer of retail assets to Direct Energy Marketing Limited and arrangements with Direct Energy to perform certain regulated retail functions
1302109	Direct Energy Regulated Services	Application for a default rate tariff in the ATCO Gas service territory and a regulated rate tariff in the

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Tell us how we're doing

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

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EUB Web site: <www.eub.gov.ab.ca>

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For Alberta Geological Survey (AGS) documents on geological research:

Information Sales
4th Floor, Twin Atria, 4999-98th Avenue
Edmonton, Alberta T6B 2X3
Telephone: (780) 422-1927* Fax: (780) 422-1918
E-mail: <EUB.AGS-InfoSales@gov.ab.ca>
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.

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