



EB-2012-0060

IN THE MATTER OF the Ontario Energy Board
Act, 1998, Schedule B;

AND IN THE MATTER OF an application by Enbridge
Gas Distribution Inc. to the Ministry of Natural
Resources for a license to drill a total of four wells in
the Kimball-Colinville Designated Storage Area.

REPORT OF THE BOARD

June 28, 2012

Enbridge Gas Distribution Inc (the “Applicant” or “Enbridge”) filed an application dated February 14, 2012 with the Minister of Natural Resources for four well drilling licences to drill observation wells in the Kimball-Colinville designated storage area. These applications were referred to the Ontario Energy Board (the “Board”) by the Minister of Natural Resources, Petroleum Resources Centre (the “MNR”) on February 28, 2012, pursuant to section 40 of the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (schedule B).

Recommendation

The Board recommends approval of the Application for the drilling licences; TKC #63, Moore 6-18-VIII; TKC #64, Moore 1-20-VI; TKC #65, Moore 1-14-IV; and TKC #66, Moore 1-16-VIII subject to the conditions of approval attached in Appendix “A” to this Report.

In Ontario, the MNR is the agency overseeing the technical and safety aspects of gas storage pool development and operation including drilling and operation of wells in designated storage areas. *Oil, Salt and Gas Resources Act* and the related regulation, *CSA Z341 “Storage of Hydrocarbons in Underground Formations”* (“CSA Z341”) and *Gas and Salt Resources of Ontario, Provincial Operating Standards, Version 2.0* (the “Provincial Standards”) provide a comprehensive framework for the MNR to oversee all of the design, drilling, technical and safety aspects of well drilling and operation in designated storage pools. Accordingly, the condition 4.1, in the Appendix A of this report, specifically states that the applicant is expected to follow the requirements of the CSA Z341 to the satisfaction of the MNR. This condition encompasses the Drilling Procedure, a Casing Program and well head design specifications for the proposed observation wells.

Enbridge is considered technically competent to undertake the planned drilling programs and the proposed well completion activities. It is expected that the Applicant is able to conduct these activities responsibly and safely and at the level required by the relevant codes and standards.

The Board’s review, described in this Report, is focused on the technical expertise and capability of Enbridge to safely drill the wells, to maintain geological integrity of the designated storage pool, to ensure environmental protection of affected lands, and minimize adverse impacts on affected landowners. The rationale for the favourable

Report is described below including a section on the need for the observation wells.

Application

As noted above, by letter, dated February 28, 2012, the MNR referred applications for four well drilling licences, by Enbridge to the Board seeking licences to drill four observation wells in the Kimball-Colinville designated storage area (the “Kimball-Colinville DSA”)

- TKC #63, Moore 6-18-VIII
- TKC #64, Moore 1-20-VI
- TKC #65, Moore 1-14-IV
- TKC #66, Moore 1-16-VIII

The Board assigned this Application Board File No. EB-2012-0060.

The Kimball-Colinville DSA comprises approximately 1,780 hectares in area and was approved in November, 1963 under Board File No. EBO 5. Enbridge, in its Application requested that the Board, pursuant to section 40 of the Act, prepare a favourable report to the MNR for granting the four well drilling licences in the Kimball-Colinville DSA. The Report is binding on the Minister. The Application, if granted, would help Enbridge in monitoring the gas content and pressure in the underground storage area.

The Proceeding

On March 12, 2012 the Board issued a Notice of Application (“Notice”) and Letter of Direction with respect to this Application. The Notice was served and published as directed by the Board.

The Board granted intervenor status to the MNR and Union Gas Limited (“Union”) on April 18, 2012.

On May 3, 2012 the Board issued Procedural Order No. 1 which set the schedule for a written proceeding including dates to file interrogatories, interrogatory responses, submissions, and a reply submission from the Applicant.

In accordance with the schedule, written interrogatories were filed by Board staff on May 11, 2012. The intervenors did not file any interrogatories. Enbridge responded to all interrogatories on May 22, 2012.

By May 31, 2012 both Board staff and the MNR filed written submissions. The MNR supported the application but asked for clarification on the need for drilling the observation wells. Board staff supported the application and proposed conditions of approval for Enbridge to comment on. On June 11, 2012, Enbridge filed its reply submissions providing additional explanation on the need for the wells and did not comment on Board staff's proposed conditions of approval.

The Need

In response to Board staff interrogatories and the MNR's submissions Enbridge outlined the need for drilling the four observation wells. Enbridge stated that one of the proposed observation wells will be a replacement for a well abandoned in 2010 for integrity reasons. The three other proposed observation wells will help Enbridge gather information to resolve some differences in the A-1 Carbonate geological mapping, found in geological modeling performed in 2011. The MNR, in its submissions supported the application but requested Enbridge to provide greater clarification on the rationale and reasons for drilling the proposed wells in its reply submissions. In its reply submissions Enbridge clarified the rationale and reasons for drilling the proposed wells stating that the operation of observation wells is one element of a program Enbridge has implemented to enhance the information related to inventory management.

The four proposed observation wells would help Enbridge in monitoring the gas content and pressure in the underground storage area.

The four proposed observation wells will not be connected to existing Enbridge natural gas storage pipeline infrastructure.

Drilling Procedure

Enbridge plans to drill the wells by a combination of rotary and cable tool methods. Enbridge stated that it had planned to commence drilling at the end of June, 2012 and to complete it in March, 2013.

The Drilling Procedure, a Casing Program and well head design specifications submitted in support of the drilling licence application should be implemented in accordance with the condition 4.1 to the satisfaction of the MNR.

Environmental Impacts of Drilling and Construction

Enbridge retained Stantec Consulting Limited (“Stantec”) to conduct environmental screening reports (“ESRs”) for each well to evaluate the proposed activities to determine the potential impacts on both environmental and socio-economic features. No significant environmental or socio-economic features were identified and no adverse effects to either environmental or socio-economic features are expected from the project provided the recommended mitigation and protective measures are implemented. Enbridge stated that it will adopt the mitigation measures as recommended in the ESRs.

Landowner Matters

Enbridge has existing contracts with all affected landowners. Enbridge stated that prior to construction all affected landowners will be notified in writing of contact information for the Enbridge employee responsible for the project and the Enbridge land representative for the project. Landowners will be advised to contact these individuals with any comments or complaints related to well drilling activity.

Enbridge also stated that landowners will be compensated for the construction phase of the project and for any extraneous damages.

The Conditions of Approval

The Board has attached a standard set of conditions of approval to this Report. The conditions, which may be found in Appendix “A” of the Report, address general requirements such as term and transferability, compensation to landowners for damages, as well as construction, monitoring, reporting and communication requirements.

ISSUED at Toronto, June 28, 2012

ONTARIO ENERGY BOARD

Original signed by

Paul Sommerville
Presiding Member

APPENDIX A
TO
REPORT OF THE BOARD
BOARD FILE NO. EB-2012-0060
WELL DRILLING LICENCE APPLICATION
CONDITIONS OF APPROVAL

Enbridge Gas Distribution Inc.
EB-2012-0060

Conditions of Approval

Well Drilling Licence

1. General Requirements

- 1.1. Enbridge Gas Distribution Inc. ("Enbridge") shall rely on the evidence filed with the Board in EB-2012-0060 proceeding and comply with applicable laws, regulations and codes pertaining to the construction of the proposed wells.
- 1.2. Authorization for the issuance of the drilling licences is limited to twelve months from the date of the Board's Report to the Ministry of Natural Resources.
- 1.3. The authority granted under this Order to Enbridge is not transferable to another party without leave of the Board. For the purpose of this condition another party is any party except Enbridge Gas Distribution Inc.

2. Construction Requirements

- 2.1. Enbridge shall construct the facilities and restore the land in accordance with its Application and evidence given to the Board, except as modified by this Order and these Conditions of Approval.
- 2.2. Enbridge shall ensure that the movement of equipment is carried out in compliance with all procedures filed with the Board, and as follows:
 - i) Enbridge shall make reasonable efforts to keep the affected landowner as well as adjacent landowners and their respective tenant farmers, or their designated representatives, informed of its plans and construction activities; and
 - ii) the installation of facilities and construction shall be coordinated so as to minimize disruption of agricultural land and agricultural activities.
- 2.3. Enbridge shall, subject to the recommendation by an independent tile contractor and subject to the landowners approval, construct upstream and downstream drainage headers adjacent to the drilling area and access roads that cross existing systematic drainage tiles, prior to the delivery of heavy equipment, so that continual drainage will be maintained.

3. Monitoring and Reporting Requirements

- 3.1 Both during and after construction, Enbridge shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Enbridge shall attach a log of all complaints to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 3.2. The interim monitoring report shall confirm Enbridge's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.
- 3.3 The final monitoring report shall describe the condition of the rehabilitated land and the effectiveness of the mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

4. Project and Communication Requirements

- 4.1 For the purposes of these conditions, conformity of the Applicant with CSA Z341-10, shall be to the satisfaction of the Ministry of Natural Resources.
- 4.2 Enbridge shall designate one of its employees as project manager who will be responsible for the fulfilment of these conditions, and shall provide the employee's name to the Ministry of Natural Resources, the Board and to all appropriate landowners.
- 4.3 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.