



**EB-2012-0391**

**IN THE MATTER OF** the *Ontario Energy Board Act 1998*,  
S.O.1998, c.15, (Schedule B);

**AND IN THE MATTER OF** an Application by Union Gas  
Limited to the Ministry of Natural Resources for a license  
to drill a well in the existing Bentpath Designated Storage  
Area.

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## **REPORT OF THE BOARD**

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**December 20, 2012**

Union Gas Limited (the “Applicant” or “Union”) filed an application dated October 2, 2012 with the Minister of Natural Resources (“MNR”) for a well drilling licence to drill an observation well in the Bentpath designated storage area (the “Application”). The Application was referred to the Ontario Energy Board (the “Board”) by the MNR on October 15, 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 a drilling licence for the Union Bentpath 13, Dawn 8-32-V well 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. The *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, Condition 4.1, in 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 well.

Union 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 Union to safely drill the well, to maintain the 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 well.

## **Application**

As noted above, by letter dated October 15, 2012, the MNR referred an Application, filed by Union, for a well drilling licence to the Board seeking a licence to drill the following observation well in the Bentpath designated storage area (the “Bentpath DSA”):

- Union Bentpath 13, Dawn 8-32-V.

Union’s Application noted that its 2013 Bentpath Rosedale Project (the “Project”) would facilitate an increase in the maximum operating pressure for the Bentpath and Rosedale storage pools (the “Pools”).<sup>1</sup> The Project includes the drilling of an observation well in the Bentpath DSA to monitor pore pressure in the A2 Unit caprock underlying the reservoir. The Project also includes upgrades to 16 wellheads on existing wells. The Board assigned this Application Board File No. EB-2012-0391.

Union, in its Application, requested that the Board prepare a favourable report to the MNR for granting the well drilling licence in the Bentpath DSA. The Report is binding on the Minister.

## **The Proceeding**

On October 26, 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 received no requests for intervenor status or letters of comment in regards to Union’s Application.

On November 27, 2012, the Board issued Procedural Order No. 1, which noted that the Board had been informed that Board staff would not be filing interrogatories in this proceeding. As such, the Board determined that it would move directly to the

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<sup>1</sup> In Ontario Energy Board proceedings EBO 64 / EBLO 147 and EBO 55 / EBLO 147, approval was granted to inject, store and remove gas within the Pools.

submission stage of the proceeding. In Procedural Order No. 1, the Board set out the schedule for the filing of Board staff submissions and a reply submission from Union.

Board staff filed its written submission on December 12, 2012 which supported Union's Application.

On December 13, 2012, Union filed its reply submission which noted Board staff's support for its Application. Union also submitted that it does not see any issues that would prevent the Board from issuing a favourable report to the MNR.

### **The Need for the Project**

In its Application, Union noted that the Project would facilitate an increase in the maximum operating pressures in the Pools. Union noted that the increase in maximum operating pressures will have no impact on the injection and withdrawal capabilities of the Pools.

Union noted that the capacity created will be used to meet the requirements of Union's customers, such as power generators and marketers, and specifically the needs of customers seeking services dealt with by the Board's Decision in the Natural Gas Electricity Interface Review ("NGEIR") (EB-2005-0551).

Union noted that its request will result in an increase in the maximum operating pressure for the Bentpath Pool of 330 kPa and an increase in the Rosedale Pool of 310 kPa. Union stated that these increases are within the limits as prescribed by the CSA Z341.1-10 code. Union noted that the current maximum operating pressure gradient of the Pools is 16.51 kPa/m and the pools have been operating at this pressure since 2001. In the Application, Union proposed to operate the Pools at 17.19 kPa/m. Union noted that it plans to begin operating the Pools at the higher pressure gradient during the 2013 injection season. Union noted that there are no existing Conditions of Approval for these Pools which limit the maximum operating pressures in the Pools.

The proposed observation well (Union Bentpath 13, Dawn 8-32-V) will be used to monitor pressure changes in the A2 Unit during the proposed delta pressuring.

In addition, Union noted that there are no pipeline facilities required for the Project and a Leave to Construct order is not required.

**Drilling Procedure**

Union plans to drill the well using a combination of cable / rotary drilling methods. Union stated that, following approval, drilling will commence in the winter of 2013 and all aspects of the well drilling and design will be completed in accordance with CSA Z341.1-10 and the Provincial Standards.

**Environmental Impacts of Drilling and Construction**

Union filed an Environmental Protection Plan ("EPP") related to the Project. The conclusions of the EPP indicated that the environmental and socio-economic effects associated with construction related to the Project are generally short-term in nature and minimal. Union noted that there are no significant cumulative effects as a result of construction related to the Project.

Union stated that the most current construction specifications, at the time of construction, will be followed. Union also stated that all necessary permits will be obtained prior to construction and a program for environmental inspection will be implemented and that there will be a post-construction review.

Union also stated that the mitigation measures proposed in the EPP will be followed during the well drilling operations.

**Landowner Matters**

The well drilling and construction within the Bentpath DSA will be undertaken pursuant to existing Storage Lease Agreements with the affected landowner (the "Landowner").

Union noted that a Letter of Acknowledgment stating that there is no objection to the commencement of drilling of the well and the construction of a permanent all-weather access road has been obtained from the Landowner.

Union noted that compensation for all crop damage and other surface impacts from the construction will be paid to the Landowner (or tenant farmer) where applicable. Union noted that, at the conclusion of construction, a Full and Final Release will be obtained.

Union noted that it has implemented a comprehensive program to provide landowners, tenants and other interested persons with information regarding the proposed development.

During the construction phase, a Landowners Relations Agent will be available to ensure that commitments made are fulfilled and to address any questions and concerns. After construction, negotiations with the landowner will continue, where necessary, to settle any damages that were not foreseen or compensated for prior to construction.

### **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 as well as construction, monitoring, reporting and communication requirements.

**ISSUED** at Toronto, December 20, 2012

### **ONTARIO ENERGY BOARD**

*Original signed by*

Christine Long  
Presiding Member

*Original signed by*

Marika Hare  
Member

**APPENDIX A  
TO  
REPORT OF THE BOARD  
BOARD FILE NO. EB-2012-0391  
WELL DRILLING LICENCE APPLICATION  
CONDITIONS OF APPROVAL  
Dated: December 20, 2012**

**Union Gas Limited  
EB-2012-0391**

**Conditions of Approval**

**Well Drilling Licence**

**1. General Requirements**

- 1.1. Union Gas Limited ("Union") shall rely on the evidence filed with the Board in EB-2012-0391 proceeding and comply with applicable laws, regulations and codes pertaining to the construction of the proposed well.
- 1.2. Authorization for the issuance of the drilling licence 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 Union is not transferable to another party without leave of the Board. For the purpose of this Condition, another party is any party except Union Gas Limited.

**2. Construction Requirements**

- 2.1. Union 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. Union shall ensure that the movement of equipment is carried out in compliance with all procedures filed with the Board, and as follows:
  - i) Union 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. Union 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, Union 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. Union 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 Union'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 Union 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.