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VIA EMAIL boardsec@oeb.gov.on.ca

April 25, 2008

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
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Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Tipperary Pool Storage Development Project
OEB file no: EB-2008-0075

I am responding on behalf of the Ministry of Natural Resources ("Ministry") to the request made by Union Gas Limited ("Union") in its letter of March 27, 2008 that Tipperary Gas Corp. be exempted from Conditions 1.1.2.1 and 1.1.2.2 of Order EB-2006-0159 as long as Union is the operator of the storage pool. A letter from counsel for Union and Tipperary Gas Corp. dated April 8, 2008 was also submitted in support of the request.

Conditions 1.1.2.1 and 1.1.2.2 require the completion and filing with the Board, the Ministry and all parties to the proceedings the Operations and Maintenance Procedures ("procedures") and Emergency Response Plan ("ERP"). The condition requires an ongoing obligation to provide procedures and plans pursuant to CSA Z341.1-02 Storage of Hydrocarbons in Underground Formations.

The Ministry would be satisfied with a variance of the conditions, as explained below, but it does not support that Union, as the operator, be exempted altogether from the conditions.

Procedures and an ERP be *completed*

The conditions currently require that procedures and an ERP be *completed* and filed. It is the Ministry's position that procedures and an ERP for this storage pool be completed. Union submits that it has procedures and an ERP for its 19 other storage pools. However, this condition clearly requires that procedures and an ERP be *completed* for this particular storage pool.

Canadian Standards Association (“CSA”) Z341 requires that operation, maintenance and emergency response procedures be completed for the storage of hydrocarbons in underground formations (see attached excerpt “Appendix A”). Such procedures are particularly important in this situation because, as was heard in evidence at the hearing, the Tipperary Pool is not typical of Union’s other storage pools: its discovery pressure was 425 psia and the proposed operating pressure is 1096 psia; this represents about a 250% increase in pressure. At this point, it is uncertain how the pool will respond to the higher pressures. Union’s other storage pools, however, are operated at pressures closer to their discovery pressures and would not have been subject to the same uncertainty. Also, the landowners have raised a concern about the possibility that plugged wells in the pool may provide a pathway for leakage at the increased storage pressures.

Procedures and an ERP in accordance with CSA Z341 and unique to this pool therefore are necessary to address public safety, environmental and resource management concerns.

Procedures and an ERP be *filed*

The Ministry appreciates Union’s position with respect to filing of the procedures and the ERP due to commercial and confidentiality concerns. However, it is the Ministry’s position that a balance should be struck between Union’s commercial and confidentiality interests and the public interest regarding safety and the environment. Union also raises security concerns but I note that Union did not raise any security concerns at the hearing when it supported the imposition of these conditions on Tipperary Gas Corp.

To strike a balance between the public interest and Union’s concerns, the Ministry is proposing that a summary of the procedures and the ERP be filed with the Ministry, Board and the parties to the proceeding. The Ministry is proposing that, as a minimum, the following issues be addressed in the summary:

- A schematic of pressure and flow diagram, instrumentation and equipment. This includes the leak detection, high/low pressure alarms and emergency shutdown systems.
- Confirmation that procedures are available on site for the operating and maintenance personnel.
- For this particular application, evidence was presented regarding the proposed increase in injection pressures to bring the pool up to its new design pressure. The operation procedure and any changes to the procedure for this operation should remain public.
- Confirmation that the operation is operated and maintained by qualified personnel who have been trained in the operating and maintenance procedures.

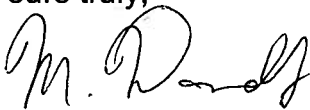
Also confirmation that procedures are reviewed and updated as per CSA Z341.

- Given the information that Union Gas as the new operator now intends to operate the facility from a remote relocation, what additional monitoring and enhanced security methods will be employed- e.g. fencing, remote video monitoring, security patrol services, daily visit by operations personnel?
- The maintenance procedure regarding the frequency of well testing for mechanical integrity as per CSA Z341 and the frequency of pipeline inspections in accordance with CSA Z662.
- Plan to deal with situations such as spills, leaks, blowouts and injuries and the contact information for such emergencies. A procedure on who should be contacted and the contact information in the event of an emergency – both internal to Union and the local, municipal and provincial agencies should be developed and communicated. This information is also important for local residents and local emergency response agencies.

Order requested

The Ministry requests the Board issue an order which varies conditions 1.2.1.1 and 1.2.1.2 requiring Tipperary Gas Corp., while the pool is being operated by Union, to complete the Operating and Maintenance Procedures and an ERP particular to this storage pool and to file with the Board, the Ministry and the parties to the proceeding a summary of the procedures and the ERP including, as a minimum, the points addressed above.

Yours truly,



Melissa McDonald
Counsel

cc Jug Manocha, Petroleum Resources Centre, MNR
Parties listed in attached Appendix "B" to Procedural Order No. 1 EB-2008-0075

APPENDIX A

10 Operations and maintenance

10.1 Procedures

10.1.1 General

Operators shall have documented operating and maintenance procedures and shall

- (a) operate and maintain hydrocarbon storage facilities in compliance with such procedures;
- (b) keep the records necessary to properly administer the procedures;
- (c) modify the procedures as experience dictates and as changes in operating conditions require;
- (d) have written procedures available on site for instructing operations personnel on the particular type of hydrocarbon storage facility in place; and
- (e) ensure that operations personnel are trained in and familiar with the procedures.

10.1.2 Emergency response plan

Operators shall establish an emergency response plan to deal with accidental hydrocarbon release, equipment failure, natural perils, and third-party emergencies. The emergency plan shall

- (a) be developed in accordance with CAN/CSA-Z731;
- (b) include procedures for the safe control and shutdown of the hydrocarbon storage facility, or parts of the facility, in the event of a failure or other emergency, as well as safety procedures for personnel at emergency sites;
- (c) be tested and updated annually, with results documented and records kept on site for five years; and
- (d) include a program to demonstrate operator familiarity with the emergency response plan.

10.1.3 Workover procedures

Blowout preventers shall be installed on a wellhead during well servicing and workover operations. The blowout preventers shall

- (a) have a pressure rating greater than 100% of the maximum operating pressure; and
- (b) be stump tested to their maximum pressure rating before installation.

10.1.4 Wireline and logging procedures

Operators shall ensure that

- (a) logging is conducted through a lubricator and blowout preventers that are rated for the maximum operating pressure of the wellhead assembly;
- (b) before wireline and logging operations are initiated, the following information is provided to the contractor:
 - (i) well configuration and completion details;
 - (ii) a listing and material characterization of all stored hydrocarbons and the presence of hydrogen sulphide or other poisonous or corrosive agents;
 - (iii) the anticipated wellbore and storage zone pressures and temperatures; and
 - (iv) the presence of water or other fluids, deposits, and scales; and
- (c) the complete wireline or logging procedure is reviewed jointly with the contractor.

APPENDIX "B"

to Procedural Order No. 1

EB-2008-0075

April 16, 2008

List of Parties

EB-2008-0075

LIST OF PARTIES

Applicants

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