

Standard Energy Inc.

Application for a Pipeline Licence Grande Prairie Field

November 13, 2007

Alberta Energy and Utilities Board

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2007-089: Standard Energy Inc., Application for a Pipeline Licence, Grande Prairie Field

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

STANDARD ENERGY INC. APPLICATION FOR A PIPELINE LICENCE GRANDE PRAIRIE FIELD

Decision 2007-089 Application No. 1471540

1 DECISION

Having carefully considered all of the evidence, the Alberta Energy and Utilities Board (EUB/Board) hereby approves Application No. 1471540.

2 INTRODUCTION

2.1 Application

Standard Energy Inc. (Standard) applied to the EUB in accordance with Part 4 of the *Pipeline Act* for approval to construct and operate a pipeline for the purpose of transporting natural gas from a central tie-in point at an existing well at Legal Subdivision (LSD) 8-1-72-5WM (8-1 tie-in) to an existing Suncor Energy Inc. (Suncor) compressor station located at LSD 2-19-72-4W6M (2-19 compressor station). The proposed pipeline would be 6.1 kilometres (km) in length, with a maximum outside diameter of 168.3 millimetres, and would transport natural gas with a maximum hydrogen sulphide concentration of 17.0 moles per kilomole, or 1.7 per cent. The proposed pipeline would be operated as a level-1 pipeline, with a corresponding emergency planning zone (EPZ) of 372 metres (m), and would be located about 5 km east of Grande Prairie.

2.2 Interventions

Marlene Birnie-Browne owns the majority of the northwest quarter of Section 7-72-4W6M, on which a portion of the proposed pipeline would be located. John Smith Wells and Alysoun Wells (the Wellses) are the landowners of the south half of Section 18-72-4W6M, on which a portion of the proposed pipeline would be located. Their residence falls within the EPZ of the proposed pipeline. Ms. Birnie-Browne and the Wellses filed an intervention in opposition to the subject application, raising concerns regarding potential impacts on present and future land use and development, land values, public consultation and communications with Standard, and safety and environmental impacts.

Peter Miles and Kari Miles (the Mileses) are the landowners of the northwest quarter of Section 18-72-4W6M, adjacent to land on which the proposed pipeline would be located. Their residence and a portion of their airstrip fall within the EPZ of the proposed pipeline. The Mileses filed an intervention in opposition to the subject application, raising concerns regarding potential impacts on the use of their airstrip, present and future land use and development, land value, public consultation and communications with Standard, and safety and environmental impacts.

Erin Wells participated at the hearing. Ms. Wells is the daughter of the Wellses and resides with her parents in the southwest quarter of Section 18-72-4W6M. She participated at the hearing in

order to make a statement regarding potential impacts of the proposed development and its location on her family's land, future development and land value, compensation, and safety.

2.3 Hearing

The Board held a public hearing in Grande Prairie, Alberta, from June 11 to June 12, 2007, before Board Member T. M. McGee (Presiding Member) and Acting Board Members K. G. Sharp, P.Eng., and R. C. Clark. The Board panel and staff conducted a visit of the general area on June 11, 2007, prior to the opening of the hearing, to view the lands encompassed by and surrounding the proposed pipeline route. Those who participated in the hearing are listed in Appendix 1.

Upon review of the record, the Board determined a need for further evidence and submissions regarding the questions of need and routing. Accordingly, the Board reopened the hearing on August 7, 2007. The additional process was concluded on September 14, 2007.

2.4 Preliminary Matters

At the commencement of the hearing, Standard applied to amend Schedule 3.1 submitted with its *Directive 056: Energy Development Applications and Schedules* application for the subject pipeline such that the applied-for maximum operating pressure would be 6070 kilopascals (kPa), rather than 9930 kPa, to make it consistent with data used in its emergency response plan (ERP). It stated that the amendment to its application was required to correct a clerical error in the original application. The interveners did not contest the application amendment. Having reviewed the revised schedules, the Board is satisfied that *Directive 056* application requirements have been met and accepts the amended application.

3 ISSUES

The Board considers the issues respecting the applications to be

- need for the pipeline
- access to sour gas processing and routing
- impacts on land values and future development
- other matters
- public consultation

In reaching the determinations contained within this decision, the Board has considered all relevant materials constituting the record of this proceeding, including the evidence and argument provided by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Board's reasoning relating to a particular matter and should not be taken as an indication that the Board did not consider all relevant portions of the record with respect to that matter.

4 NEED FOR THE PIPELINE

4.1 Views of the Applicant

Standard submitted that the pipeline was necessary to transport production received at the 8-1 tie-in to the existing Suncor 2-19 compressor station. It stated that production would tie into the Suncor system and then into the EnCana West Sexsmith gas plant located in Township 75-7W6M.

Standard stated that it had stranded capacity of 50 000 cubic metres (m³) per day from current production facilities that could be transported to the 8-1 tie-in and that additional transportation would be required for gas from a well located at 1-36-71-5W6M, which it expected to begin production in July 2007. Standard indicated that the proposed pipeline would also be necessary to transport production from six or seven additional wells that it intended to drill in the area, which it anticipated would result in a total production of 170 000 to 200 000 m³ of gas per day.

4.2 Views of the Interveners

The interveners did not dispute the need for a pipeline to allow Standard to transport its natural gas to a processing facility. However, they argued that Standard had not established a need for the proposed routing of the pipeline.

4.3 Views of the Board

The Board notes that while the interveners questioned the routing of the pipeline, they did not dispute Standard's need to transport its production and access sour gas production. Upon considering the evidence presented, the Board is satisfied that there is a need for the proposed pipeline to provide transportation for Standard's production to a sour gas facility for processing.

5 ACCESS TO SOUR GAS PROCESSING AND ROUTING

5.1 Views of the Applicant

Standard stated that its preference would have been to use existing infrastructure in the area rather than constructing a new pipeline. However, it determined that using existing pipelines and facilities was not a viable option. In this regard, it had pursued tying in production to the Talisman Teepee Creek gas plant through existing Harvest Operations Corp. (Harvest) or Defiant Resources Corporation (Defiant) pipelines. However, it stated that the Harvest pipeline was operated at a lower pressure than Standard's gas wells and that, in fact, its current production had previously been shut out of Harvest pipelines due to this issue. With regard to the Defiant pipelines, it stated that insufficient capacity existed to transport Standard's production and that the use of these pipelines might result in a need for additional compression facilities and increased capacity of the inlet separator at LSD 3-27-72-5W6M.

In its response to Board questions, Standard provided further production details that suggested that the Teepee Creek gas plant had two separate processing trains, only one of which had sour gas processing capabilities. Standard submitted that the sour gas processing capacity was limited to 1000 thousand (10^3) m³/d of the 1555 10^3 m³/d licensed capacity of the Teepee Creek gas

plant, resulting in a spare sour gas processing capacity of only 77 10^3 m^3 /d. Standard provided additional evidence that suggested the spare sour gas processing capacity would be fully utilized by early 2008, thus removing it as a possibility to process its production. Standard indicated that the next best option was to use spare sour gas processing capacity at the EnCana Sexsmith gas plant.

Standard concluded that its best option was to construct the pipeline that it had applied for to transport production to an existing 8-inch Suncor pipeline at the inlet of the Suncor 2-19 compressor station. The Suncor pipeline system would then transport the gas to the existing Sexsmith gas plant, which had spare capacity for sour gas processing.

In response to the Board's additional questions regarding Standard's consideration for transporting production from the 8-1 tie-in to the Sexsmith gas plant using the existing Defiant and Harvest pipeline routes and infrastructure, Standard acknowledged that it was technically possible to use the existing Defiant pipelines but it would require the immediate installation of compression and additional pipeline construction, resulting in a total project cost of about \$5 million, compared to the \$1.6 million cost of the applied-for pipeline. Standard rejected this option because of the additional costs.

Standard stated that it had considered four possible routes from the 8-1 tie-in to the Suncor 2-19 compressor station. Route 1, the applied-for pipeline route, would be 6.1 km in length and travel southeast from the 8-1 tie-in, cross Range Road 50 into Section 6-72-4W6M, and follow an existing pipeline right-of-way (ROW) for 1.6 km. Then it would travel north along a new ROW to the Suncor 2-19 compressor station. Standard indicated that, among other things, this was its preferred route given that it was located within an existing pipeline ROW for 1.6 km and would travel along quarter section lines for the majority of the remaining route, avoiding residences located along developed roadways.

Route 2 would be 7.2 km in length and travel southeast from the 8-1 tie-in, cross Range Road 50 into Section 6-72-4W6M, and then travel northeast diagonally through Section 6-72-4W6M, following an existing pipeline ROW to the southwest quarter of Section 8-72-4W6M. It would then travel along a new ROW north to an existing Talisman pipeline ROW in the southwest quarter of Section 17-72-4W6M and follow that Talisman ROW northwest to the Suncor 2-19 compressor station. Standard stated that this route was not preferred as it would run through quarter sections rather than along their boundaries, might result in sloughing due to a water course crossing, was closer to several houses, would be 1.1 km longer than the proposed route, and would impose additional impacts on a landowner in the southwest quarter of Section 17-72-4W6M who had an existing pipeline on his land.

Route 3 would be 7.2 km in length and travel southeast from the 8-1 tie-in, cross Range Road 50 following an existing pipeline ROW into Section 6-72-4W6M. It would subsequently travel north along a new ROW into Section 7-72-4W6M, cross Range Road 50 into Section 12-72-5W6M, and then run north parallel to Range Road 50 to 24-72-5W6M, before travelling east to the Suncor 2-19 compressor station. Standard stated it had rejected this route for several reasons, including that a 40 m municipal setback from Range Road 50 would result in the pipeline route running through quarter sections rather than along quarter section boundaries, as well as that it was 1.1 km longer. Although Standard understood that municipal setbacks may be waived in some cases, it noted the existence of a clustered development along the road and submitted that,

at minimum, this route would require the pipeline to be located under various landowners' driveways and farmyards.

Route 4 would be 5.6 km in length and would travel northeast from the 8-1 tie-in to a Standard well at LSD 3-23-72-5W6M (3-23 well) and would not follow any existing pipeline ROW. The Standard 3-23 well would tie into the existing Suncor pipeline. Standard indicated that although this was the shortest route considered, it rejected this option because it would run through quarter sections impacting agricultural land, might require additional compression on the pipeline, and would be closer to Grande Prairie than its applied-for route.

Standard stated that it had encountered opposition to all four of the routes considered. It maintained that the applied-for route was the most direct and would have the least impact. It submitted that a location along the east boundary of the southeast quarter of Section 18-72-4W6M, as proposed by the Wellses, would result in the pipeline being closer to residences along Range Road 45, with the potential to impact more individual landowners than its proposed route.

5.2 Views of the Interveners

The interveners submitted that it was possible for Standard to use existing infrastructure to transport its production. They asserted that Standard had not demonstrated adequate effort to upgrade and use an existing pipeline rather than to construct a new pipeline and that it should make greater efforts to work with other existing pipeline licensees to further develop existing infrastructure. They also asserted that the issue of cost should receive minimal consideration in the determination of the most appropriate route.

The interveners argued that Standard had not presented adequate evidence to support its claim that the Teepee Creek gas plant did not have the spare capacity to handle Standard's sour gas production, and that if capacity of the gas plant was its main concern, it should work with Talisman to increase the capacity.

The interveners argued that the route selection process undertaken by Standard was inadequate. They were of the view that Standard had failed to demonstrate that the proposed route would have the least impact and expressed concern that it was chosen because the Wellses had consented to a request to survey. They submitted that Standard had chosen to apply for the route of least resistance and rejected the alternative routes because it had been unable to obtain survey consent from other potentially affected landowners.

Ms. Birnie-Browne stated that she was opposed to a sour gas pipeline being located on her land. The Wellses also opposed the construction of a new pipeline and stated that the pipeline should be located where it would not affect people and their community. If a pipeline was to be located on their land, they indicated that their primary concern was that the proposed route ran between their two quarter sections, dividing their land "in half." They stated that Standard should have considered routing the proposed pipeline along the east boundary of their land in Section 18-72-4W6M as an alternative to the proposed route. They also indicated that Standard failed to adequately consider potential relaxation of setback restrictions along developed roadways in their selection criteria.

The Mileses described their airstrip as running east to west along the length of their quarter section, partially within the EPZ of the proposed pipeline. They acknowledged that Standard had

relocated the proposed pipeline off of their land but expressed concern that, nonetheless, the location of the pipeline might affect their ability to use their airstrip.

The interveners questioned why a new pipeline corridor was necessary when other corridors existed in the area, indicating this was an issue of proliferation. They argued that despite the potential capacity issues relating to the Defiant pipelines, Standard should still follow the existing Defiant corridor for any additional required capacity. They expressed concern that there was a lack of long-term planning and that oil and gas operators should collaborate to limit and mitigate the impacts of oil and gas development on their community and its growth.

5.3 Views of the Board

The Board considered Standard's testimony and subsequent written response pertaining to its submission that the fact that the Teepee Creek gas plant lacked capacity led to Standard's conclusion that it needed to use the existing processing capacity at the Sexsmith gas plant. Accordingly, the Board is satisfied with the explanation for the capacity restrictions at the Teepee Creek gas plant. The Board also considered the operational limitations with the existing Harvest and Defiant pipelines and the additional costs identified by Standard that would be associated with the utilization of the existing Defiant pipelines to transport its production to the Sexsmith facility, and the Board agrees that the costs to modify the existing pipeline network would be a significant additional investment. Having considered the evidence and subsequent clarifications, the Board concludes that a need exists to construct a new pipeline to transport Standard's production and that the most economically attractive alternative is to direct that production to the Suncor 2-19 compressor site and then on to the Sexsmith gas plant for processing, provided that an acceptable route can be found.

Having determined that there is a need for the pipeline to transport production into the Suncor system and then into the Sexsmith gas plant, the Board considered the application before it in terms of whether it is an acceptable route for the proposed pipeline. The Board also evaluated the pipeline route alternatives discussed at the hearing and their relative impacts on the community as a whole and the individual impacted parties.

The Board is of the view that the Suncor 2-19 compressor station is the appropriate end point for the proposed pipeline in order for it to tie into the Suncor system. The Board finds that the applied-for route would travel within an existing ROW for 1.6 km, and then largely along quarter section boundaries to the Suncor 2-19 compressor station. The Board also finds that this route would minimize impacts on existing agricultural uses and future land use. The Board has determined that the applied-for route is the second shortest route proposed and avoids a number of residences located along Range Roads 45 and 50. The Board considered the Wellses' suggestion of an alternative route along the eastern boundary of Section 18-72-4W6M. However, the Board was of the view that this route raises the likelihood of additional residents being included in the EPZ for the proposed pipeline.

Based on these findings, the Board concludes that the proposed routing is appropriate and potentially impacts the fewest landowners.

6 IMPACTS ON LAND VALUES AND FUTURE DEVELOPMENT

6.1 Views of the Applicant

Standard stated that there would be a 15 m ROW associated with the proposed pipeline and that construction would be restricted within this area. However, it submitted that the applied-for pipeline route would have minimal impact on future development, as there would be no setbacks other than those imposed by the ROW, and that it did not believe the proposed pipeline would have an adverse effect on land values.

6.2 Views of the Interveners

The interveners expressed concern regarding the effect the proposed pipeline and its associated setbacks would have on future development opportunities of their properties. They also submitted that the growth plan for Grande Prairie would cause the value of their properties to rise but that the imposition of setbacks associated with a pipeline on their land would negatively impact their potential future land values. They expressed concern that they were, in effect, subsidizing oil and gas development in the area and expressed concern regarding the potential for further oil and gas development in their community.

With regard to plans for future development, Ms. Birnie-Browne indicated that currently she had no plans for further development of her property. The Wellses described the history of their land and indicated that it was a unique, attractive piece of land that had attracted the interest of prospective purchasers. They indicated that they had purchased the southeast quarter when they heard that it would be developed and had considered placing a memorial garden on their land, but had no development plans at this time. The Wellses expressed concern that the proposed pipeline would divide their half section, negatively affecting the potential to develop their land and their land value.

The Mileses expressed concern that the proposed pipeline could affect their future plans to construct a horse barn (stable) in the southeast corner of their property, as well as a future air park and subdivision.

Max Bacon owns property about 4 km west of the general area of these applications. On behalf of the interveners, Mr. Bacon recounted his experiences with a potential sale of his property, which had some oil and gas facilities located on it. His conclusion was that the existence of these facilities caused the sale to fail.

6.3 Views of the Board

The Board considered issues regarding land value as they relate to the potential impacts of the applied-for energy development on the specific land in question. In order to properly evaluate any potential effect, the Board is of the view that a site-specific analysis would be required, which would include consideration of factors such as the nature and location of the applied-for energy development, the nature of the property, existing energy development in the area, and other land uses in the area. After considering all of the evidence, the Board finds that the interveners have not demonstrated that the proposed pipeline has the potential to negatively affect land values. The Board is of the view that after the initial construction, the visual and land use impacts will be minimal.

With respect to developmental restrictions, the Board notes that neither Ms. Birnie-Browne nor the Wellses have current plans to develop their land. In addition, the Board notes that at this time the Mileses' development plans are conceptual in nature and they did not provide evidence as to how the proposed pipeline would affect their development plans negatively. The Board notes that the type of pipeline proposed by the applicant coexists with residential development throughout the province and often can be accommodated within development plans.

7 OTHER MATTERS

7.1 Views of the Applicant

Standard submitted that it had responsibly and properly addressed public safety implications of the proposed pipeline. It stated that the proposed pipeline would be added to the existing production facility ERP for its Bezanson sour gas facilities. It indicated that this production facility ERP had been approved by the Board previously and the proposed pipeline would need to be added as a supplement to the existing plan, which then would require approval from the EUB. It indicated that two of the interveners' residences were within the EPZ of the proposed pipeline.

With respect to the Mileses' airstrip, Standard indicated that it had changed its original routing for the pipeline off of the Mileses' land to avoid direct conflict with the airstrip. It submitted that it understood that any impact on the Mileses' use of the airstrip would be limited to the five to seven days of pipeline construction when equipment would be located within the ROW. It noted that third parties were supposed to ask permission to use the airstrip and submitted that due to the infrequency of use by third parties and the short time of construction and infrequency of use by third parties, limited impact on the airstrip could be expected. Nonetheless, Standard stated that it was open to consulting with the Mileses regarding safety concerns associated with the use of the runway and construction issues.

Standard indicated that there would be pigging of the pipeline once a week but that otherwise there would be no day-to-day activities along the pipeline ROW.

7.2 Views of the Interveners

The interveners expressed concern regarding the effectiveness of Standard's ERP based on their past experiences with other area operators. They expressed concern about their safety in general regarding the sour gas content of the proposed pipeline and the overall increase in oil and gas development in the area, including pipelines, wells, and the associated flaring activities.

The Mileses were concerned about the potential impacts of the construction and operation of the pipeline on the use of their airstrip. They described their airstrip as a grass strip, 2400 feet in length, running east-west in the southern portion of their quarter section, with a taxiway running north-south on the east end of the airstrip. They stated that it was a private lighted airstrip and that in addition to their own private use, third parties were permitted to use the airstrip, as it was registered with NAV CANADA. They indicated that third parties generally contacted them prior to landing, although on occasion they might arrive unannounced. Nonetheless, they noted that the established practice was to complete an approach pattern prior to landing and to request

permission to land. The Mileses also expressed concern regarding liability associated with operating an airstrip in proximity to the proposed pipeline.

7.3 Views of the Board

The Board determined that with respect to technical matters, the application meets all applicable EUB requirements.

The Board is satisfied that the proposed pipeline may be included effectively within Standard's existing production facility ERP for the Bezanson area. In addition, prior to placing the pipeline on production, Standard must obtain EUB approval of the addition of the pipeline to the production facility ERP. The Board finds that the interveners did not identify any specific factors that cannot be addressed through effective and appropriate emergency planning. The Board considers that in order for this planning to occur, Standard must work with the interveners to provide them with appropriate information regarding the EPZ and discuss the purpose of emergency response planning, including possible public safety measures associated with the proposed pipeline.

The Board considers that impacts on the interveners during the construction of the pipeline will, for the most part, be limited and short term in nature. Specifically, the Board is of the view that while the Mileses' use of the airstrip might be partially disrupted during construction of the pipeline, there was no evidence presented to suggest that any long-term impacts would be experienced. The Board also notes that Standard has committed to communicating with the Mileses regarding the timing of construction and on details relating to impacts on the usage of the airstrip during the construction phase. The Board encourages this communication to begin as soon as possible.

The Board notes the interveners' concerns regarding an increase in the volume of energy developments in their community. While mineral leaseholders have the right to explore for and produce the subsurface minerals and subsequently to transport this production, they must also coexist with the communities in which they operate. The Board strongly encourages proponents and the public to participate in ongoing issue identification, problem solving, and planning with respect to local energy developments.

8 PUBLIC CONSULTATION

8.1 Views of the Applicant

Standard submitted that its participant involvement program was compliant with *Directive 056* requirements. It submitted that after survey permission was granted, it had four or five meetings with the Wellses and Ms. Birnie-Browne or their counsel at which all required information regarding the pipeline was provided and questions were addressed. Standard initially contacted the Mileses to request survey consent, which the Mileses refused. Subsequently, notification was provided as required by *Directive 056*, but no further personal consultation was conducted with the Mileses. Nonetheless, Standard indicated a willingness to consult with the Mileses on future projects if the Mileses requested it.

Standard submitted that it believed that its agent, Caribou Land Services Ltd. (Caribou Land), had introduced itself properly and stated that it did not understand the basis of concerns that its communications had been manipulative and deceptive. Standard stated that it had worked diligently to consult with and address the issues raised by the interveners but that the parties had been unable to resolve the issues

8.2 Views of the Interveners

The interveners expressed distrust of Standard and characterized its communications and that of its land agent, Caribou Land, as manipulative and deceptive. They expressed concern that the land agent did not clearly identify himself as acting on behalf of Standard during initial contacts with the landowners. The interveners submitted that the information provided was inadequate and that, for example, further information regarding the specific type or level of development would have assisted their understanding.

The Mileses indicated they had no personal contact with Standard following the initial visit from the land agent seeking survey consent and that the project information they received was delivered to their doorstep. They indicated they felt that as an adjacent landowner they should have been consulted, given the potential impacts on the use of their airstrip.

8.3 Views of the Board

The Board is satisfied that Standard met the requirements of *Directive 056* for the proposed pipeline for the following reasons. The evidence before the Board is that Standard provided notification of the proposed pipeline to all interveners and met with the Wellses and Ms. Birnie-Browne on several occasions to discuss their concerns. As the Mileses were landowners and residents within 500 m, notification was required and was carried out.

The Board notes the high level of concern and dissatisfaction expressed by the interveners that resulted from the consultation process. The Board is also cognizant of the level of distrust expressed by the interveners regarding the communication efforts of Standard and its land agents. However, the Board is encouraged that both Standard and the interveners expressed a willingness to enter into appropriate dispute resolution. In the Board's experience, building a relationship and trust between parties is one of the keys to a successful consultation process. Therefore, the Board strongly encourages Standard to find ways to improve communication and to build trust with the interveners and the community. The Board is of the view that an effective working relationship can be achieved if there is timely exchange of information and the development of a collaborative approach to accommodating multiple land uses in an area.

Dated in Calgary, Alberta, on November 13, 2007.

ALBERTA ENERGY AND UTILITIES BOARD

<original signed by>

T. M. McGee Presiding Member

<original signed by>

K. G. Sharp, P.Eng. Acting Board Member

<original signed by>

R. C. Clark Acting Board Member

APPENDIX 1 HEARING PARTICIPANTS

Principals and Representatives (Abbreviations used in report)	Witnesses
Standard Energy Inc. (Standard) G. S. Fitch, Counsel	 R. Wiebe, of Standard Energy Inc. N. Tatz, P.Eng., of Process Engineering Ltd. B. Comperen, of Process Engineering Ltd. B. Patrick, of Caribou Land Services Ltd.
P. Miles and K. Miles (the Mileses)J. Palmer, CounselJ. Canavan, Counsel	P. Miles and K. Miles
J. S. Wells and A. Wells (the Wellses) D. Carter, Counsel	J. S. Wells and A. Wells
M. Birnie-Browne D. Carter, Counsel	M. Birnie-Browne M. Bacon E. Wells
Alberta Energy and Utilities Board staff C. McMenemy-Savage, Board Counsel G. Bentivegna, Board Counsel C. O'Dea J. Fulford G. McLean	

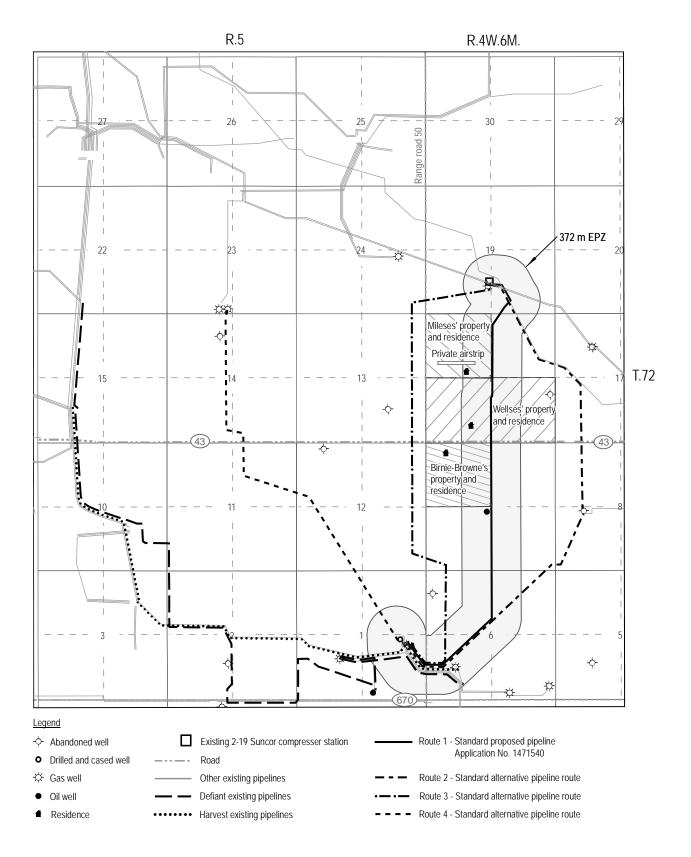


Figure 1. Project area