



ALBERTA
ENERGY

Office of the Minister

*Responsible for
Alberta Energy and Utilities Board*

June 1, 2005

Mr. Bill Bonko, MLA
Edmonton-Decore
201 Legislature Annex
9718 – 107 Street
Edmonton, Alberta T5K 1E4

Dear Mr. Bonko: *Bill*

I want to take this opportunity to provide you with further information in response to your questions in the Legislature on oil well drilling on Crown land.

Alberta Sustainable Resource Development is responsible for issuing Mineral Surface Leases (MSL) to access Crown land, while the Department of Energy administers petroleum and natural gas (P&NG) rights owned by the Province of Alberta (the Crown) in the form of licences or leases. The Alberta Energy and Utilities Board (EUB) approves well licenses.

The work in question at Sawn Lake was in accordance with the Public Lands Act. However, the preparatory work done on the lease site was not in accordance with Section 11 of the Oil and Gas Conservation Act. This section prohibits any preparatory work or incidental operations, other than surveying, at a well site before a well license is issued by the EUB.

A thorough review of the matter shows that on March 3rd the EUB became aware of the company's unauthorized activities and the Board immediately instructed the company to halt work on the site. No further work has been conducted. The company is currently under a suspension order, and will have to apply for a well license under the "Non Routine" process if they intend to move forward with development.

The company has acknowledged it was at fault and responsible for ensuring all approvals are in place. The EUB has a commitment from the company for full reclamation of the site if a well license is not approved.

The drilling, construction and reclamation of an oil or gas well is specifically exempted from requiring an Environmental Impact Assessment. With respect to oil and gas wells, the EUB has full authority, regulations and programs to properly regulate these activities. The EUB can halt activities that contravene Alberta legislation and EUB



regulations pertaining to oil and gas development. Their authority includes consideration of environmental matters, broad public interest and other matters.

In this case, regarding consultation, EUB standards do not require the company to consult with the Lubicon Lake Band for its well license, but the company is required to notify Alberta Crown disposition holders, including local trappers, as their interests may be directly or adversely affected. The interests of all Albertans are considered by the EUB as part of its assessment of any development being in the public interest.

Thank you for the opportunity to respond.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Greg Melchin". The signature is fluid and cursive, with a large initial "G" and "M".

Greg Melchin, FCA
Minister of Energy

cc: Honourable David Coutts, Minister of Sustainable Resource Development
Honourable Guy Boutilier, Minister of Environment
Neil McCrank, Chair, Alberta Energy and Utilities Board