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Published By: NEWS COMMUNICATIONS since 1977

Wednesday December 10th, 2014

LEAKING OIL AND GAS WELLS ACROSS CANADA 'A THREAT TO THE ENVIRONMENT AND PUBLIC SAFETY'

Energy firms are boring another 10,000 wells a year as controversial fracking operations in Western Canada extend their reach

Serge Fortier has been trying for years to raise awareness about leaking oils and gas wells along the St. Lawrence River. Nothing has been quite as effective as setting them on fire.

"The reaction came very rapidly," says Fortier, an environmental activist whose fiery demonstration near Ste-Francoise has prompted the Quebec government to acknowledge it has a problem — one that regulatory officials are often not keen to discuss.

In Alberta, where old wells have been uncovered in schoolyards, backyards and at shopping malls, officials are saying little about a well that has now turned up at Calgary's airport, which is in the midst of a \$2-billion expansion.

"There is an investigation right now with respect to an abandoned well at the airport," Brenda Cherry, vice-

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president of closure and liability at the Alberta Energy Regulator, told Postmedia News. She would not comment on whether the airport well is leaking or if it's under the new 4.2-kilometre runway, saying details are "confidential" until the investigation is complete.

And in British Columbia, where it's estimated as many as 10 per cent of oil and gas wells leak, one leak reportedly cost \$8 million to repair.

More than 550,000 holes have been drilled in Canada since North America's first well gushed "black gold" in southern Ontario

in 1858. And industry is boring another 10,000 wells a year as controversial fracking operations in Western Canada extend their reach.

As the wells proliferate, so do concerns about the way many of the kilometres-deep holes in the ground are leaking because of cracked, poorly formed

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and decaying plugs and seals. Industry says the plumbing problems can be managed, but questions mount over the way the wells are compromising not only the landscape but the water and resources below. Research suggests that tens of thousands of wells are leaking and some experts argue concerns over fracking are misplaced, saying "wellbore leakage" is the bigger threat. The leakage affects fracking, as well as conventional oil and gas wells, and is "the more significant issue affecting the social license of the oil and gas industry," says a recent University of Waterloo report that describes the leaks as "a threat to the environment and public safety." The "fugitive" gases often escape from geological formations that oil

and gas wells slice through on their way down to the energy deposits being targeted. The gas is buoyant and seeps up through cracks and poorly cemented seals on the wells. Much of the leaking gas is methane, the main component of natural gas and a potent greenhouse gas. The gas escapes into the atmosphere, contributing to climate change, and can cause explosions when it accumulates in poorly ventilated areas. The gas also can seep through the ground, potentially contaminating groundwater, which 30 per cent of Canadians depend on for their drinking supply. Industry and government regulators say the leaks can be plugged and "safely" managed. Critics are not convinced.



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"The solution is to stop drilling wells," says Fortier, of the Collectif Moratoire Alternatives Vigilance Intervention, a citizens' group. He does not believe that wells, which cut down through ancient geological formations, can ever be adequately resealed and points to the sorry state of the 700 wells in Quebec as evidence. Methane is leaking from both shale gas wells drilled since 2000 and wells drilled decades ago. At the media event in August in Ste-Francoise, Fortier set fire to the gas venting from a pipe on one well. He also lit gas seeping out of the ground near the wells. The Quebec government announced in October a plan to step up inspections and work with Fortier's group to locate and assess the wells concentrated along the St. Lawrence River. The job of monitoring and repairing Canada's wells could be endless as leaks can develop when wells are operating and long after the oil and gas operators pull out. Researchers say seals, plugs and repair jobs can fail years after wells are abandoned.

The "bridge plugs" commonly used to abandon Canadian wells are prone to "mechanical failure," according to a report done for Alberta's energy regulator.

Geotechnical and groundwater specialists, who assessed the environmental impacts of shale gas fracking for the federal government, pointed to leakage as a "long-recognized yet unresolved problem." They say wells may need to be monitored "in perpetuity because, even after leaky older wells are repaired, deterioration of the cement repair itself may occur."

The panel's report, released this spring, advocated a "go-slow" approach to shale gas fracking.

Quebec and the Maritime provinces have put the brakes on fracking, but "slow" is not a word often associated with the operations underway in northern B.C. and Alberta. More than 2,000 fracking wells have been drilled, and there are plans for thousands more.

Proponents, such as federal Finance Minister Joe Oliver, play down the risks.

"Fracking has been going on in British Columbia, Alberta and Saskatchewan for over 50 years," Oliver said in September. There has not been "a single case" of drinkable water contamination, Oliver said.

Researchers say one reason few problems have surfaced is because little effort is made to find them.

Provincial regulators do require companies to test for and repair "serious" leaks in the casings

of operating wells, known as "surface casing vent flows." This gas vents into the atmosphere.

But this is "most likely only part of the gas that is migrating" because "subsurface emissions remain unquantified," say engineers Maurice Dusseault and Richard Jackson, co-authors of the University of Waterloo report.

In one long-running battle by a landowner, Jessica Ernst has filed a \$33-million lawsuit against the Alberta government and energy company Encana, alleging fracking on her land northeast of Calgary contaminated her well water. A judge ruled in November that Ernst can sue the Alberta government for not properly investigating her concerns about her well water, which contains so much methane she can light it on fire.

Industry says there has never been a proven case of fracking contaminating drinking water, but it acknowledges "surface casing vent flow" is a problem that enables gas to seep up cracked, corroded and poorly sealed and cemented wells.

A new Canadian standard and an industry recommended practice are being developed to address the "challenges" of sealing new wells and the "remedial" repair of old wells, says Brad Herald, vice-president of Western Canada operations at the Canadian Association of Petroleum Producers.

While methane is flammable and a potent greenhouse gas, he notes that the naturally occurring gas is not toxic to humans.

Regulators say they are on top of the leakage issue.

"We have regulations and experts in place to understand and manage the possibility of methane leaks and emissions and we have a 50-year history of safely managing the oil and gas industry," Graham Currie, executive director of corporate affairs for the B.C. Oil and Gas Commission, said by email when asked for comment on the Waterloo report that estimates 10 per cent of wells in B.C. leak.

"We know total GHG emissions

from these wells are less than one per cent of GHG emissions from the upstream oil and gas sector."

Currie does say the commission "is currently working on new industry standards — part of the Canadian Standards Association (CSA) — to deal with these issues in the design phase of new wells."

Jackson and Dusseault agree it is important to keep the risks in perspective. Dusseault suggested that more methane gas is coming out of the hind end of the five million cattle in Alberta, which are a significant



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source of greenhouse gas, than from the leaking wells in the province.

But the engineers also say well leaks "remain poorly quantified." They have been calling for more accountability and monitoring.

Some jurisdictions are stepping up inspection of abandoned wells. The Quebec government announced plans in October to assess the 700 old wells there within the next three years. In Alberta, the Alberta Energy Regulator issued a directive two years ago requiring energy companies to inspect the hundreds of old wells near existing or planned developments, and reassess them at least once every 10 years.

But with more than 160,000 abandoned wells in Canada, there is a long way to go, and Dusseault and Jackson predict the problem "will likely only become worse with time."

OBAMA'S KEYSTONE DIG ON COLBERT SHOW WON'T LEAVE CANADA'S OIL PATCH LAUGHING

Obama listed the project's pros and cons. He dwelled far more heavily on the negative, continuing a recent pattern in which he has sounded dismissive of Keystone.

In the Monday night episode of "The Colbert Report," the joke was on Canada's oil industry.

That's because the featured guest appeared to take a dig at the industry's long-awaited, long-delayed Keystone XL pipeline project.

Unfortunately for project proponents, it just so happened that this skeptical guest was the man who controls its fate: U.S. President Barack Obama.

The issue was raised by pretend news anchor Stephen Colbert. The instant he began touting the potential merits of the plan, the show's young, left-leaning studio audience began booing.

"Obviously these young people weren't polled," Obama said.

The segment was taped at George Washington University in the U.S. capital, where the students left no doubt about their preference and the president didn't appear keen to dissuade them.

Obama went on to list the project's pros and cons. He dwelled far more heavily on the negative, continuing a recent pattern in which he's sounded dismissive of Keystone.

He might have to make a decision as early as next month.

Obama assured the audience that he'll be guided by climate-change considerations because the economic merit is too negligible to be the deciding factor.

"These young people are going to have to live in a world where we already know temperatures are going up," Obama said, referring again to the crowd.

"Keystone is a potential contributor of that... We have to weigh that against the amount of jobs it's actually going to create — which are not a lot."

Obama said the pipeline wouldn't drive down gas prices for Americans,

and experts generally agree with that. But he repeated a far more contested claim, that the pipeline would simply allow Canada to export its oil. He said the pipeline might be good for Canada but would only create a couple of thousand temporary construction jobs for Americans.

There were big cheers for what Obama said next: "We've got to measure that (benefit) against whether or not it's going to contribute to an overall warming of the planet — which could be disastrous."

The reaction of the audience illustrated the political dilemma for the president: Even if a majority of

Americans support Keystone, there's deep opposition to it from the young, energetic base and donor class within the Democratic party, who want him to take a stand against it as part of his legacy on climate change.

And of all the things that might send a chill through the oil patch from what Obama said, it's this: the president appeared to be ignoring parts of his own administration's review that supported the project.

A State Department study this year concluded that the pipeline wouldn't increase greenhouse gases, nor would it be used to export Canadian crude.



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The Canadian government has clung to those facts while arguing its pro-pipeline case. But there was the president again Monday night, talking about greenhouse gases and exports.

If it's any consolation to Canadian oil, he was far more dismissive of another project Colbert endorsed. The faux-anchor suggested building a pipeline to send Mexican migrants to Canada, which would then be too polite to turn them back.

"That sounds like a ridiculous idea," Obama retorted.

"But that's why you're where you are, and why I'm where I am."

The president's main reason for appearing on the show was to urge young, healthy people to sign up for insurance coverage, which would keep down premiums under his signature health plan.

Obama made that pitch while sitting in Colbert's chair for a segment.

As for Keystone, he could be making a decision soon.

He'll either be presented with a Bill from the new, Republican-dominated Congress — which he would then sign or veto. Otherwise, he'd have to choose whether to approve the Alberta-to-Texas pipeline through the more customary process, following a review by his administration.

**8TH ALBERTA WORKER
KILLED ON THE JOB
SINCE NOV. 1**

CNRL worker killed in workplace collision near Fort McMurray

Alberta's Occupational Health and Safety is investigating the eighth workplace death in the province since the beginning of November.

RCMP say a worker was killed Dec 5th morning at the Canadian Natural Resources Limited Horizon Oil Sands mine near Fort McMurray.

The man died at 8:50 a.m. Dec 5th in a collision involving heavy mining equipment, the company said.

RCMP and OHS are investigating, along with a municipal traffic unit and a collision reconstructionist.

Operations at the mine were suspended while the investigation takes place.

According to OHS spokesperson Brookes Merritt there were 51 workplace deaths in the province in 2012 and 52 in 2013. So far in 2014, 52 people have died while on the job.

Merritt said there is no link between the eight deaths in the past month.

"These types of things aren't really ever much more than a series of tragic coincidences," he said.

"When you look at the year, year over year as a whole, the number of workplace fatalities — while every single one is tragic — [it's] not a number that is particularly spiking this year."

**CANADIAN OIL
PRODUCERS BRACE
FOR 'PRICE WAR' AS
OIL HITS FIVE-YEAR
LOWS**

Oil tumbled to five-year lows amid

escalating fears of global oversupply, forcing more Canadian producers to slash budgets as they brace for an extended period of weak prices.

Oil's decline has also hammered Canadian energy shares across the board, and on Monday pushed the S&P/TSX composite index down 2.3 per cent. The capped energy index dropped 6.5 per cent.

Prices have been falling for five months as major energy countries engage in a standoff over production and market share. The Organization

of the Petroleum Exporting Countries last month refused to cut its output and offer support for global prices, sending oil into a tailspin from which it has yet to recover.

U.S. benchmark West Texas Intermediate crude dropped \$2.79 to \$63.05 (U.S.) a barrel in New York on Monday, while global benchmark Brent crude fell \$2.88 to \$66.19.

The dramatic drop comes as a number of key Canadian energy projects are hobbled by opposition from environmentalists, regulatory

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delays and economic uncertainty. The developments include natural gas-export schemes proposed for Canada's Pacific coast, as well as major pipelines, such as Energy East and Keystone XL, that supporters say would boost the value of Canadian oil.

The sudden collapse in oil prices, from more than \$100 in the summer, is set to wash through the Canadian economy in the coming months, hitting the energy industry and Alberta's government revenues in the west, but giving consumers across the country a break on gasoline prices. On the whole, it's likely to act as a drag on the country's modest economic growth in recent years, since the vibrant energy scene was one of the few bright spots nationally.

Bank of Canada Governor Stephen

Poloz last week warned oil's decline would restrain growth in 2015 by a third of a percentage point, but he did note the strong U.S. economy and lower Canadian dollar are giving the economy a boost.

Worries about oil prices have triggered reminders of the Great Recession. A recent report by the investment bank Morgan Stanley said oil prices now face "their greatest threat since 2009," when \$30 oil forced major project cancellations and delays in high-cost regions such as the oil sands.

The firm said Brent crude could touch \$43 a barrel before recovering in the second half of 2015.

The drop in oil prices has dampened enthusiasm for promising shale plays, particularly the Duvernay and Montney in

Alberta and British Columbia. Now, companies ranging from Precision Drilling Corp. to major energy producers such as ConocoPhillips Co. are bracing for reduced activity in Western Canada. "People are starting to realize that

this little price war is not going to go away any time soon, and I think you're seeing a lot of people give in to the fact that this is going to lead to an oversupply for the short term and there's no end in sight," said Phil Flynn, futures account executive at Price Futures Group in Chicago.

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SK	64	77	141	45%
BC	56	13	69	81%
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