

National Energy
BoardOffice national
de l'énergie

File 3400-P097-1
22 January 2002

Mr. Alan Hollingworth
Gowling Lafleur Henderson LLP
Suite 1400, 700 - 2nd Street S.W.
Calgary, AB
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Facsimile (403) 283-9193

Dear Mr. Hollingworth:

**Paramount Transmission Ltd. (PTL)
Cameron Hills Pipeline and Fuel Gas Pipeline (Cameron Hills Pipeline)
Application Pursuant to Section 58 of the *National Energy Board Act* (the NEB Act)**

The National Energy Board (the Board) has considered PTL's application, dated 29 June 2001, and has issued Order XO-P097-02-2002, the effect of which is to approve the construction of the proposed Cameron Hills Pipeline. A copy of the Order is included as Attachment 1. PTL's application was examined by way of a written process, following the Board's letter dated 17 September 2001 inviting persons to state their interest in the application.

The proposed Cameron Hills Pipeline consists of approximately 15 km of new 323.8 mm OD (NPS 12) sour two-phase pipeline and a similar length of 88.9 mm (NPS 3) fuel gas pipeline. The lines would extend from the outlet of the proposed Cameron Hills central battery located at H-03, Grid Area 60° 10' North, 117°30' West in the Northwest Territories to interconnect with Paramount Resources Ltd.'s proposed sour two-phase Bistcho Pipeline and Bistcho Fuel Gas Pipeline, respectively, at 5-24-126-22 W5M in Alberta (see map included in Attachment 2). The two-phase pipeline has a design capability of approximately 500 m³ (3 000 Bbls) per day of oil and approximately 2 700 10³m³ (95 MMcf) per day of natural gas from the central battery to Alberta. The fuel gas pipeline will be capable of transporting 85 10³m³ per day of sweet natural gas to the central battery from Alberta. The estimated cost of the project is \$3.6 million, with construction to take place in winter.

Upon receipt of PTL's application, the Board determined that, pursuant to the *Canadian Environmental Assessment Act* (CEAA), it was a responsible authority (RA) for the purposes of the proposed project and that it was required to conduct an environmental screening. By letter dated 18 July 2001, the Board initiated the screening pursuant to the *Regulations Respecting the Coordination by Federal Authorities of Environmental Assessment Procedures and Requirements* (CEAA Coordination Regulations) and notified other federal regulatory agencies. No agency responded that it would likely be a RA for the purposes of the proposed project; however, Indian Affairs and Northern Development, Fisheries and Oceans Canada and Environment Canada indicated that they could, upon request, provide specialist or expert information and knowledge for the conduct of the screening. These agencies were also identified as expert advisors for the environmental assessment (EA) process carried out by the Mackenzie Valley

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Environmental Impact Review Board (MVEIRB) pursuant to the *Mackenzie Valley Resource Management Act* (MVRMA). The Board is a designated regulatory agency (DRA) under the MVRMA.

The Board and the MVEIRB established a collaborative process for the conduct of the CEAA Screening and the MVRMA EA. The EA was conducted in accordance with the *Work Plan for the Environmental Assessment of the Cameron Hills Gathering System and Pipeline Development* (Work Plan) dated 5 September 2001. The MVEIRB released its *Report on Environmental Assessment for the Cameron Hills Project* on 3 December 2002. By letter dated 9 January 2002, the Board, as a DRA, responded to the recommendations of the report as required pursuant to section 131(b) of the MVRMA. The Board has considered the MVEIRB's report in its conduct of the CEAA environmental screening. The Board prepared a Screening Report pursuant to section 18(2) of the CEAA, a copy of which is included as Attachment 2 for PTL's use.

Condition 3 of the attached Order requires PTL, prior to construction, to file its Environmental Protection Plan (EPP) for approval. The Board expects PTL to incorporate in its EPP all issues that were identified during the EA process as well as those identified for inclusion in the Screening Report in its EPP, including PTL's updated Environmental Commitments Table.

The Board directs PTL to file with the Board evidence that it has submitted a copy of its EPP to the Government of the Northwest Territories (GNWT), and to Environment Canada and Fisheries and Oceans Canada, indicating how it has addressed any concerns raised by both agencies.

By letter dated 9 January 2001, the Board requested comments from First Nations, the Fort Providence Metis Nation and PTL with respect to PTL's Report on Traditional Knowledge (TK) Studies for the Cameron Hills, NWT, 2001. The Board received a response from the Ka'a'Gee Tu First Nation and a joint response from the Deh Gah Got'ie Dene Council and the Fort Providence Metis Nation. The Ka'a'Gee Tu First Nation stated that it will take some time to properly review the TK materials with Elders and others and that it would endeavor to provide initial comments by the end of January. The Deh Gah Got'ie Dene Council and the Fort Providence Metis Nation stated that there are many other Elders that have traditional knowledge and that, recognizing the time constraints of the project, they accept Paramount's offer to incorporate additional traditional knowledge at a future time. They further stated that ample time has been given to provide feedback on the draft report. The Board notes that consultation is an ongoing process and emphasizes that it expects PTL to continue its communication with communities over the life-span of the facilities and to incorporate additional information that becomes available through this process into its environmental protection measures, as appropriate.

The Board has considered the information filed by PTL in relation to the pneumatic pressure procedure and is not satisfied that PTL would be able to detect small leaks using the proposed procedures. The Board therefore, denies PTL's request for pneumatic testing. PTL is, therefore, required to test the pipeline hydrostatically and to file the associated program for approval.

PTL requested exemption, pursuant to section 58 of the Act, from the provision of section 47 of the Act in respect of the requirements for leave to open the Cameron Hills Pipeline. In determining whether to grant exemption from leave to open, the Board generally considers criteria such as: the consequences of a release of service fluid; the compliance history of the company; location of pipeline or pipeline facility; the use of unconventional designs or construction practices; and whether the pipeline and pipeline facilities are intended for sour service. Given that the Cameron Hills Pipeline is intended for sour service, the consequences related to a release of service fluid, and the close proximity between the

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Cameron Hills Pipeline and the Fuel Gas Pipeline, the Board denies PTL's request for exemption from paragraph 30(1)(b) and section 47 of the Act for the proposed facilities. Accordingly, PTL is required to apply for leave to open the proposed facilities pursuant to section 47 of the NEB Act. The Board directs PTL's attention to the information requirements outlined in Part IX of the Board's *Guidelines for Filing Requirements* (1995).

With respect to clearance between the Cameron Hills Pipeline and the Fuel Gas Pipeline, the Board is of the view that the measures proposed by PTL would not appropriately protect the pipelines as required by the Canadian Standard Association CSA Z662-99. A condition has been included in the attached Order to address this concern.

For purposes of the Board's toll and tariff regulation, PTL requested regulation as a Group 2 Company. The Board has decided that for administrative purposes PTL will be regulated as a Group 2 Company in accordance with the Board's *Memorandum of Guidance on the Regulation of Group 2 Companies* dated 6 December 1995. Further, since PTL has advised that there are to be no third party shippers in the near future, the Board, pursuant to subsection 129(1.1) of the NEB Act, grants PTL exemption from the filing of audited financial statements for the Cameron Hills Pipeline until such time as PTL contemplates charging tolls to third party shippers, or if there is to be a significant change in the operation of the pipeline, both of which require PTL to advise the Board accordingly. At that time, the Board may reconsider the exemption from filing audited financial statements. The Board reminds PTL that, even though it has no arm's length third party shippers, it has committed to file copies of both of its proposed natural gas and crude oil transportation agreements with the Board prior to the commencement of operation of the proposed facilities.

The Board advises that the accounting treatment of the cost of this project should conform with generally accepted accounting principles pursuant to subsection 5(2) of the *Oil Pipeline Uniform Accounting Regulations* and the *Gas Pipeline Uniform Accounting Regulations*.

Yours truly,



Michel L. Mantha
Secretary

c.c.: Mr. Joe Acorn, MVEIRB, facsimile (867) 920-4761
Mr. Tom Hong, PTL, facsimile (403) 266-6032

National Energy
BoardOffice national
de l'énergie**ORDER XO-P097-02-2002**

IN THE MATTER OF the *National Energy Board Act* (the Act) and the regulations made thereunder; and

IN THE MATTER OF an application, pursuant to section 58 of the Act, by Paramount Transmission Ltd. (PTL), filed with the National Energy Board (the Board) under File 3400-P097-1;

B E F O R E the Board on 21 January 2002.

WHEREAS the Board has received an application made pursuant to section 58 of the Act by PTL dated 29 June 2001 for the proposed Cameron Hills Pipeline and Fuel Gas Pipeline Project (the Project), consisting of approximately 15 km of new 323.8 mm OD (NPS 12) sour two-phase pipeline and a similar length of 88.9 mm (NPS 3) fuel gas pipeline, from the outlet of the proposed Cameron Hills central battery located at H-03, Grid Area 60° 10' North, 117°30' West in the Northwest Territories to Paramount Resources Ltd.'s proposed sour two-phase Bistcho Pipeline and Bistcho Fuel Gas Pipeline at 5-24-126-22 W5M in Alberta, at an estimated cost of \$3.6 million;

AND WHEREAS pursuant to the *Canadian Environmental Assessment Act* (CEAA), the Board has considered the information submitted by PTL and has performed an environmental screening of the Project;

AND WHEREAS the Board has determined, pursuant to paragraph 20(1)(a) of the CEAA that, taking into account the implementation of PTL's proposed mitigative measures and those set out in the attached conditions, the Project is not likely to cause significant adverse environmental effects;

AND WHEREAS the Board has examined the application and considers it to be in the public interest to grant the relief requested therein;

IT IS ORDERED that the Project described above is exempt from the provisions of paragraphs 30(1)(a), 30(2) and section 31 of the Act, subject to the following conditions:

General

1. PTL shall implement or cause to be implemented all of the policies, practices, and procedures for the protection of the environment referred to in its application and related correspondence.
2. PTL shall cause the approved facilities to be designed, manufactured, located, constructed and installed in accordance with those specifications, drawings and other information or data set forth in its application and related correspondence.

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Prior to Construction

3. PTL shall file with the Board for approval, at least 14 days prior to the commencement of clearing or other construction activities unless the Board otherwise directs, an Environmental Protection Plan, including an updated Environmental Assessment Commitments Table.
4. PTL shall file with the Board, at least 7 days prior to the commencement of clearing or other construction activities, the qualifications and experience of the Environmental Inspector(s) assigned to the project.
5. PTL shall file with the Board, at least 7 days prior to the commencement of construction, a detailed construction schedule identifying major construction activities and shall notify the Board of any modifications to the schedule as they occur.
6. PTL shall file with the Board, at least 7 days prior to the commencement of construction, the following documents:
 - (a) the joining program required pursuant to section 16 of the *Onshore Pipeline Regulations, 1999* (OPR-99), including the sour weld pipeline specifications, acceptance criteria, the welding procedure specifications and supporting qualification records, the welder test procedures, the procedures for spot inspection of interpasses of welds, the percentage of welds that will be inspected and how the inspection will be documented; and
 - (b) the construction safety manual required pursuant to section 20 of OPR-99.

During Construction

7. PTL shall maintain a file in each construction office containing:
 - a) copies of:
 - (i) the Environmental Impact Assessment for the Cameron Hills Transborder Pipeline Project;
 - (ii) the Environmental Protection Plan;
 - (iii) the updated Environmental Assessment Commitments Table;
 - (iv) the Emergency Response Plan; and
 - b) copies of all applicable permits or authorizations containing environmental conditions.

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8. PTL shall file with the Board for approval, at least 14 days prior to the commencement of reclamation activities, its proposed seed mixtures and a monitoring plan to assess the growth and species composition of vegetation on seeded areas. The plan shall be developed in consultation with the Government of Northwest Territories (GNWT), Environment Canada and the local aboriginal communities, where appropriate.
9. PTL shall employ a qualified local person to oversee the clearing, ground breaking and trenching activities for the purpose of identifying aboriginal heritage resources.
10. PTL shall file for approval, at least 14 days prior to lowering-in the pipelines, the proposed means by which it will ensure adequate clearance between the Cameron Hills Pipeline and the Fuel Gas Pipeline, or other proposed means to protect the pipelines from damage that may result from proximity to each other, as required by CSA Z662-99 clause 4.7.2.
11. PTL shall, during construction, maintain for audit purposes at each construction site a copy of the welding procedures and non-destructive testing procedures used on the project together with all supporting documentation.
12. PTL shall file construction progress reports with the Board on a weekly basis in a form satisfactory to the Board. The reports shall include information on the activities carried out during the reporting period, environmental and safety issues and non-compliances, and the measures undertaken for the resolution of each issue and non-compliance.

Prior to Operation

13. PTL shall file with the Board for approval, at least 14 days prior to the commencement of operation, a wildlife monitoring program to be developed in consultation with the GNWT, Environment Canada and the local aboriginal communities, where appropriate.
14. PTL shall file with the Board pursuant to section 7 of the OPR-99, at least 30 days prior to operation, the inhibition program to be implemented for the Cameron Hills Pipeline. The program shall include a comparison to the corrosion mitigation methods used on Paramount Resources Ltd.'s gathering system in the Bistcho Lake area.
15. PTL shall pressure test the approved facilities with a liquid medium and submit the associated test program to the Board for approval at least 14 days prior to the commencement of pressure testing, pursuant to sections 7 and 23 of the OPR-99.

Post Construction

16. PTL shall file with the Board pursuant to sections 7 and 15 of the OPR-99, within 14 days after construction, all radiographic and welding inspection reports for the Cameron Hills Pipeline and Fuel Gas Pipeline.

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17. Within 30 days of the date that the approved facilities are placed in service, PTL shall file with the Board a confirmation, by an officer of the company, that the approved facilities were completed and constructed in compliance with the above conditions. In the case of non-compliance with any of the conditions, the company shall file with the Board a statement of the reasons for non-compliance.
18. PTL shall file with the Board:
 - (a) within six months after the commencement of operation a report identifying and describing each permafrost location encountered, including depth, extent, terrain, vegetation and mitigation implemented; and
 - (b) on an annual basis for a period of five years following construction, a report containing the results of monitoring at each permafrost location identified that includes slope stability, trench subsidence, evidence of floating pipe, vegetation re-establishment and heat effects to vegetation composition.
19. PTL shall file with the Board, within six months after the commencement of operation, a report on the results of the archaeological/heritage monitoring, including the treatment of any archaeological/heritage site encountered during construction and any consultation with regulatory authorities and any affected First Nation.
20. PTL shall file with the Board for approval within six months following the completion of construction and on an annual basis for five years following construction, a report:
 - (a) analyzing in detail the effectiveness of roll-back of slash in limiting unauthorized access along the pipeline right-of-way;
 - (b) including a plan to be developed in consultation with the appropriate provincial or territorial authorities, containing additional measures to be employed to further limit access along the pipeline right-of-way where problems have been observed; and
 - (c) describing the results of PTL's assessment of the establishment of vegetation cover on areas disturbed during construction.
21. PTL shall file with the Board, within 30 days after the installation of the impressed current cathodic protection system, a confirmation of the installation and the date that it was completed.

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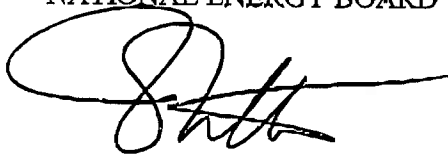
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Expiry of Order

22. Unless the board otherwise directs prior to 31 December 2003, this Order shall expire on 31 December 2003, unless work on the Project has commenced by that date.

NATIONAL ENERGY BOARD

A handwritten signature in black ink, appearing to read 'J. Mantha', with a large, stylized initial 'J' and a horizontal line extending to the right.

Michel L. Mantha
Secretary

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