



November 30, 2012

Dear Community Resident,

**Re: Misinformation circulated about the Lochend Industry Producers Group's Activities**

It has come to our attention that misinformation regarding oil and gas operations, technology and regulatory requirements has recently been circulated throughout the community. We would like to take this opportunity to address some of these items and provide you with accurate information and facts.

We appreciate that oil and gas drilling activity in the Lochend area may be inconvenient for area residents from time to time. As a result, the LIPG member companies are continually striving to reduce impacts by reviewing and updating our policies and procedures that adhere to or, in some cases, exceed the Energy Resources Conservation Board (ERCB) regulatory guidelines. The LIPG will continue to work closely with residents to address their concerns wherever possible.

We are aware of the following areas of concern. Please let us know if there are other issues so that we may address them.

***Misinformation: Oil and gas companies are using excessive amounts of fresh water purchased from the Town of Cochrane for hydraulic fracturing.***

The LIPG member companies source or purchase bulk water for several processes involving the extraction of oil and gas, including hydraulic fracturing. The purchase of water from Cochrane's bulk water station amounts to less than 1% of Cochrane's total sales, according to Mayor McBride. Cochrane water is used only as a secondary source when excess water identified by Rocky View County is not accessible.

The LIPG's first priority is to use excess fresh water from locations that have been identified by landowners or recommended by Rocky View County. All extractions of water from these sources require a permit.

LIPG member companies follow the policies and processes set out by Alberta Environment and Sustainable Resource Development (AESRD) and hold temporary water diversion permits for places such as Cochrane Lakes, Church Ranches Estates, Dogpound Creek, area dugouts and road ditches or gravel pits. We consult Rocky View County to identify areas where there may be excess surface water.

On several occasions, the LIPG member companies have assisted communities where excess water has threatened flooding of nearby homes.

***Misinformation: The LIPG hid a toxic oil spill in the Lochend area.***

One of the LIPG member companies experienced an isolated spill incident as a result of a trucking contractor not following company policy and Government regulations. The incident took place on January 31, 2012 in Rocky View County on Township Road 284 and Range Road 31. The contract trucking company driver did not follow proper company policy and procedures. The driver released what he thought was excess fresh water on the county road and ditch. Unfortunately, the tank had been previously used to transfer oil, resulting in a trace amount of oil in the water. A local resident informed the ERCB of these actions and the ERCB notified the LIPG member company, which immediately activated its Emergency Response Plan. Appropriate equipment for the cleanup and handling was deployed in a timely manner. The ERCB, AESRD, County of Rocky View, Alberta Transportation and the member company's environmental department worked together and cleanup commenced immediately. Soil in the ditch was sampled and tested for contaminants. A small patch of contaminated soil was detected, removed and disposed of in an approved facility. The affected area was restored to its original state within five days. As a result of this incident, the driver of the truck was terminated and the LIPG took the opportunity to remind all contractor companies of the strict policies and consequences for non-compliance. Disposing any fluids anywhere other than a government-regulated facility is in breach of ERCB regulatory requirements.



**Misinformation: Toxic gases are flowing down the valley into Cochrane due to flaring in the Lochend Area.**

There is no evidence to support this statement. The last site flare stack was decommissioned from the LIPG member companies' wells approximately one year ago. In accordance with the ERCB Directive 60, flaring can be used in order to burn off excess gas when producing a well, but the LIPG member companies have voluntarily committed to use incinerators, a more effective practice than flaring. The LIPG member companies have expanded their facilities in November 2012 to increase the area's capacity to handle excess solution gas. As a result, continuing efforts are being made to tie in wells and conserve solution gas, thereby minimizing the use of incineration. LIPG member companies have reduced incineration by almost 60%, and by the first half of 2013 that number will be close to an 80% reduction of current volumes.

**Misinformation: The disposal of flowback water is taking place through the Town's water system.**

Members comply with ERCB Directive 58 regulations when handling flowback (produced or recovered) water which specifies that such water be sent to an ERCB approved waste management facility. Members do not send flowback water to municipal treatment facilities in Cochrane or Calgary's sewage pipeline. The LIPG member companies work together to recycle, where possible, flowback water up to four times.

**Misinformation: Industry has admitted that 50% of cement casings that are used on wells to seal the down hole pipe leak.**

All of LIPG wells are equipped with both surface casing and production casing, which are cemented in place and provide dual protection of groundwater preventing completion and production fluids from entering into the surface on the outside of the casing.

The testing and reporting of the integrity of this particular isolation is a mandatory requirement of the ERCB and is conducted on all wells prior to completion operations commencing. In the rare event that a leak may occur, it is immediately reported and addressed, as dictated by ERCB regulations.

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An Information Session is being held by the ERCB and Rocky View County at the Cochrane RancheHouse on December 6<sup>th</sup> from 4-9pm, to further inform and update the public on the regulatory directives and the monitoring that is enforced, along with safeguards that are in place. Please refer to the ERCB and Rocky View County websites for further details.

Information about the LIPG member companies, along with other tools and resources for understanding oil and gas operations, can be found at our website at [www.lipg.ca](http://www.lipg.ca).

The LIPG is a group of experienced companies who have a proven track record and are committed to integrity, safe and fair practices and to partnering with the community for responsible resource development.

We encourage you to contact us directly if you have any further questions at 403.801.8028.

Sincerely,

**Larry Stewart**  
LIPG Chairman  
General Manager, Western Canada Unconventional Business Unit  
Pengrowth Energy Corporation