

IN THE MATTER of a CONTRAVENTION  
of the *OIL AND GAS ACTIVITIES ACT*  
[SBC 2008] Chapter 36  
before  
The BC OIL & GAS COMMISSION  
Case File 2017-043

BETWEEN

The BC Oil & Gas Commission

AND

Cequence Energy Ltd.

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ADMINISTRATIVE FINDING

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Before

Vice President, Operations, Lance Ollenberger

Representing the BC Oil & Gas  
Commission

Oil & Gas Operations Officer, Noella Valliere

Representing Cequence Energy  
Ltd.

Health, Safety & Environment Manager,  
Michael Rakus

Decision Date

September 06, 2018

## **Introduction:**

1. On December 23, 2016, Cequence Energy Ltd. (Cequence) reported an incident that involved a condensate tank on fire at its meter station, facility #08596 located at C-94-K/94-H-06 (the Silver Facility).
2. A Contravention Report (the Report) was sent to me on April 27, 2018 alleging that Cequence contravened section 47(f) of the *Drilling and Production Regulation* (DPR).
3. The BC Oil & Gas Commission (Commission) sent Cequence a letter and the Report on April 30, 2018 informing Cequence that I was considering making a finding that it contravened section 47(f) of the DPR. The letter informed Cequence of its opportunity to be heard in written form and advised that a finding of contravention could result in the Commission imposing an administrative penalty in accordance with section 63 of the OGAA.
4. Cequence provided a response in a letter dated June 1, 2018 (the Response).
5. The Commissioner of the BC Oil & Gas Commission has delegated me authority under sections 62 and 63 of the OGAA. I will be making a determination with regards to: whether Cequence contravened section 47(f) of the DPR; whether to impose an administrative penalty under section 63 of the OGAA; and the amount of the penalty, if any. I have reviewed the Report and Cequence's Response. In making a determination, I rely on these documents, and the applicable legislation.

## **Applicable Legislation**

6. Section 47(f) of the DPR states, in part, that a permit holder must ensure all vessels and equipment from which ignitable vapours may issue are safely vented to the atmosphere.
7. Maximum penalties for specific violations are set by regulation. Section 5(5) of the *Administrative Penalties Regulation* (APR) provides that a person who contravenes section 47(f) of the DPR is liable to an administrative penalty not exceeding \$50,000.
8. Section 62(1) of the OGAA states that, after providing an opportunity to be heard to a person who is alleged to have contravened a provision of the Act, the regulations, a permit, an authorization or an order, the Commission may find that the person has contravened the provision.
9. Section 62(5) of the OGAA states, in part, that the Commission may not find that a person has contravened a provision of the OGAA or the regulations if the person demonstrates to the satisfaction of the Commission that they exercised due diligence to prevent the contravention.
10. Section 63(1) states that, if the Commission finds that a person contravened a provision of the OGAA or its regulations, the Commission may impose an administrative penalty. Section 63(2) of the OGAA sets out the factors that must be considered when determining whether to impose an administrative penalty under section 63(1) and the amount of the penalty. These include:
  - (a) previous contraventions by, administrative penalties imposed on, or orders issued to the person;
  - (b) the gravity and magnitude of the contravention;
  - (c) the extent of harm to others resulting from the contravention;
  - (d) whether the contravention was repeated or continuous;
  - (e) whether the contravention was deliberate;

- (f) any economic benefit derived by the person from the contravention;
- (g) the person's efforts to prevent and correct the contravention; and
- (h) other prescribed matters.

## **Background**

11. On December 22, 2016, a Cequence operator sent a pig from the Lightstream Resources Ltd. (Lightstream) Silver compressor station to the Silver Facility with 20m<sup>3</sup> of liquids in front of the pig. The Cequence operator went to check the Silver Facility, however, due to unfavourable weather conditions, was unable to access the Silver Facility by way of helicopter. The operator returned to the Lightstream compressor station and was notified the next morning by a Lightstream operator that flames could be seen coming from the tank at the Silver Facility. The inlet was shut-in at the pig barrel and Cequence activated its emergency response plan. The appropriate notifications were made and Cequence called out a firefighting company to monitor and ensure there were no ongoing threats. Within a short period of time, the fire ran out of fuel and extinguished itself.
12. Following notification of the incident at the Silver Facility, Commission personnel were dispatched to the site to investigate. When the inspector arrived at the location, there was no longer any fire or smoke coming from the tank at the Silver Facility. The inspector spoke with several Cequence representatives onsite at the time and they gave an initial explanation of the incident.
13. The Commission inspector requested that Cequence investigate the incident, compare it to a similar incident that occurred in 2014 and submit an investigation report to the Commission once it was complete. Cequence submitted an Interim Incident Report (IIR) on February 24, 2017 and a final Post Incident Report (PIR) on March 30, 2017.

## **Issues**

14. The issues which I will decide are:
  - Did Cequence fail to ensure that all vessels and equipment from which ignitable vapours may issue were safely vented to the atmosphere?
  - If so, did Cequence nevertheless exercise due diligence in its efforts to ensure that all vessels and equipment from which ignitable vapours may issue were safely vented to the atmosphere?
  - Did Cequence contravene section 47(f) of the DPR?
  - If Cequence is found to have contravened section 47(f) of the DPR what if any, administrative penalty to impose?

Did Cequence fail to ensure that all vessels and equipment from which ignitable vapours may issue were safely vented to the atmosphere?

15. The Report alleges that Cequence failed to vent ignitable vapours safely to the atmosphere. The PIR and the Response both indicate that Cequence was aware the condensate in the area was quite volatile. At the time of the incident, the bypass on the separator drain regulating the globe valve was not set to throttle the dump to the tank which controls the flow and over pressure of the tank. The Spectra liquid sales point was locked out as is standard practice when the water cut was too high or condensate proving was not successful and as a result, Cequence's only option was to ship the fluid to the tank to be trucked off the location. The fluid was shipped at a high rate

of speed which caused the thief hatch to open and volatilize the fluid and possibly the gas as well. Cequence did not have any other vapour control installed besides the globe valve for flow control.

16. In its Response, Cequence states that its operator did not operate the equipment in the order required to complete the operation safely. As a result of bad weather, the operator was not able to travel back to the Silver Facility in time to close the valves that control or stop the flow during times that the vapours are excessive and/or the liquids are too volatile. Cequence states that its standard procedure, which it communicated orally, was to have a worker onsite to monitor the flow and manually adjust as necessary.

17. I find that Cequence failed to ensure that all vessels and equipment from which ignitable vapours may issue were safely vented to the atmosphere.

If so, did Cequence nevertheless exercise due diligence in its efforts to ensure that all vessels and equipment from which ignitable vapours may issue were safely vented to the atmosphere?

18. Pursuant to section 62(5) of the OGAA, I may not find that Cequence contravened section 47(f) of the DPR if Cequence demonstrates to my satisfaction that it exercised due diligence to prevent the contravention. The test to be applied is whether Cequence has demonstrated that it took all reasonable steps to prevent the contravention. Cequence is not required to show that it took all possible or imaginable steps to avoid the contravention. The standard is not one of perfection, but rather of a reasonable person in similar circumstances.

19. The production tank at the Silver Facility is equipped with a thief hatch that vents to the atmosphere through a gooseneck. Subsequent to a similar incident in 2014, a globe valve was installed to provide flow control of the product to the tank to reduce vapours and over pressure of the tank. However, the globe valve requires an operator to be at the Silver Facility during operations to manually control the flow.

20. A reasonable step that Cequence could have taken would have been to install and use a vapour control (scrubber) when pigging directly to the tank as suggested would be done in the 2014 Post Incident Report as part of the corrective actions to prevent a similar incident. Additionally, it is reasonable to expect that given the flow control was a manual process, Cequence would have ensured that it had an operator at the Silver Facility prior to initiating pigging operations or would have waited until weather conditions were favourable to guarantee that travel to the site was possible. Furthermore, a step Cequence could have taken following the first incident was to have a documented written procedure in place instead of simply relying on verbal communication to its personnel.

21. Cequence has failed to satisfy me that it took all reasonable steps to prevent the contravention.

Did Cequence contravene section 47(f) of the DPR?

22. I find that Cequence has failed to comply with section 47(f) of the DPR. I am not satisfied that Cequence exercised due diligence to prevent the contravention. As such, I find that Cequence contravened section 47(f) of the DPR.

If Cequence is found to have contravened section 47(f) of the DPR what if any, administrative penalty is to be imposed?

23. Section 63 of the OGAA sets out factors that the Commission must take into consideration when determining whether or not to impose an administrative penalty. In the following paragraphs, I consider the applicability of those factors to this contravention.

24. There have been no previous contraventions, administrative penalties or orders issued against Cequence.
25. The gravity and magnitude of the contravention is relatively minor as there were no impacts to the environment or risk of harm to the public. The fire was relatively small, due to the small volume of liquids involved, however the fire could have been much more significant if the volumes had been greater. Additionally, Cequence had no control at the receiving end to mitigate possible hazards.
26. There was no harm to others as a result of the contravention.
27. The contravention was not repeated or continuous, however, there was a prior incident of a similar nature that occurred in 2014.
28. The contravention was not deliberate.
29. There is no evidence that there was any economic benefit derived from the contravention, however, additional funds could have been expended to install a vapour control unit or some similar technology, and to ensure there were additional personnel at the Facility prior to releasing the pig.
30. Cequence reviewed its process and developed a written procedure in January 2017 and shut-in the Facility on August 1, 2017. Cequence is currently awaiting approval of a permit transfer to a new owner in order to dispose of the Facility.

### **Conclusion**

31. I have found Cequence contravened section 47(f) of the DPR. Based on the above discussion of the various factors set out in section 63(2) of OGAA, I am imposing an administrative penalty of \$5000.



Lance Ollenberger  
Vice President, Operations  
BC Oil & Gas Commission

Date: September 6, 2018