

IN THE MATTER of a CONTRAVENTION
of the *OIL AND GAS ACTIVITIES ACT*
[SBC 2008] Chapter 36
before
The OIL and GAS COMMISSION
Case File 20-007FSJ

BETWEEN

The Oil and Gas Commission

AND

Venturion Oil Limited

ADMINISTRATIVE FINDING

Before

Vice President, Operations, Andy Johnson

Representing the Oil and Gas
Commission

Compliance Officer, Emma Edwards

Representing Venturion Oil
Limited

Vice President, Production and Operations,
Brian Goodfellow

Decision Date

September 24, 2020

Introduction

1. On January 12, 2020, a fire ignited within a compressor building located at the 10-36-81-14 WGM processing battery, operated by Venturion Oil Limited (Venturion). The fire was a result of condensate spraying out of ½ inch tubing. An operator disconnected the ½ inch tubing from the manual drain on the fuel gas scrubber in an attempt to use a baker pump with methanol to address a hydrate within the drainage line. On January 13, 2020, the BC Oil and Gas Commission received an Incident Report from Venturion, capturing the level 2 incident that occurred on January 12, 2020.
2. On April 25, 2020, a Contravention Report (the Report) was sent to me alleging that Venturion contravened section 37(1)(a) of the *Oil and Gas Activities Act* (OGAA) and sections 10(1) and 11(1) of the Emergency Management Regulation (EMR).

Applicable Legislation

3. Section 37(1)(a) of the OGAA states that a permit holder, an authorization holder and a person carrying out an oil and gas activity must prevent spillage.
4. Section 1 of the OGAA states that “spillage” means petroleum, natural gas, oil, solids or other substances escaping, leaking or spilling from (a) a pipeline, well, shot hole, flow line, or facility, or (b) any source apparently associated with any of those substances.
5. Section 10 of the EMR states that immediately after a permit holder becomes aware of an incidence, the permit holder must classify the incident according to the Incident Classification Matrix set out in Schedule D.
6. Section 11 of the EMR states that when an emergency occurs, a permit holder must, as soon as the circumstances permit, notify the Commission.
7. 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.
8. 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.
9. 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

10. On January 12, 2020, at approximately 6:45pm, a fire ignited in a compressor building located at the 10-36-81-14 W6M processing battery. The fire was caused when Clinton Remple, a contractor for Venturion, disconnected the ½-inch tubing from the manual drain to address a hydrate within the draining line, resulting in the release of approximately 10 gallons of condensate.
11. The fire was extinguished by Brad Esau, another contractor near the site, after approximately 10-15 minutes. The compressor building was largely destroyed and Remple suffered a minor burn to his nose.
12. On January 13, 2020, at 9:42 am, Wade Arkinstall, Venturion's area foreman reported the fire as a minor incident to Emergency Management BC and the Commission. Arkinstall based his assessment of the incident on the classification matrix used in Alberta.
13. Peter Dalton, Director of Security and Emergency Management for the Commission, contacted Arkinstall regarding the incident. Arkinstall stated that he believed that, as a minor incident, he had 24 hours to report the incident.
14. Brian Summers, Emergency Officer for the Commission requested Arkinstall provide the risk matrix for the incident. Arkinstall was unable to locate the risk matrix as part of the Incident Classification Matrix in Venturion's Emergency Response Plan. Summers reviewed the matrix with Arkinstall and as a result of those discussions, Arkinstall classified the incident as a Level 1 Emergency.
15. The Commission subsequently classified the incident as a Level 2 Emergency.

Issues

16. The issues which I will decide are:

Section 37(1)(a) of the OGAA:

- Did Venturion fail to prevent spillage?
- Did Venturion exercise due diligence to prevent spillage?
- Did Venturion contravene section 37(1)(a) of the OGAA?

Section 10(1) of the Emergency Management Regulation:

- Did Venturion fail to immediately classify the incident after becoming aware of it?
- Did Venturion exercise due diligence to immediately classify the incident after becoming aware of it?
- Did Venturion contravene section 10(1) of the Emergency Management Regulation?

Section 11(1) of the Emergency Management Regulation:

- Did Venturion fail to notify the Commission of an emergency as soon as the circumstances permit?
- Did Venturion exercise due diligence when notifying the Commission of an emergency as soon as the circumstances permit?
- Did Venturion contravene section 11(1) of the Emergency Management Regulation?

If Venturion is found to have contravened section 37(1)(a) of the OGAA and/or sections 10(1) and 11(1) of the Emergency Management Regulation, what if any, administrative penalty to impose?

Section 37(1)(a) of the OGAA:

Did Venturion fail to prevent spillage?

17. Venturion does not dispute that approximately 10 gallons of condensate was released from the compressor, but submits that the release does not amount to a “spillage” because the condensate was contained within the compressor building.
18. Pursuant to section 1 of the OGAA, a spillage occurs when petroleum, natural gas, oil, solids or other substances escape, leak or spill from a facility. Venturion does not dispute that condensate sprayed from the disconnected fitting from the compressor, onto the floor, and melted a fuel gas regulator causing the fire. Once the condensate was released from the compressor, it met the definition of spillage under the OGAA.
19. Therefore, I find that Venturion failed to prevent spillage.

Did Venturion exercise due diligence to prevent spillage?

20. Venturion submits that it has a number of policies related to safe operations, including a hydrate policy, and hires individuals who have the level of skill and diligence to ensure safe operations. Venturion did not provide a site-specific procedure to address a hydrate within the compressor. General program and policies, without specific information related to addressing site-specific hydrate issues are insufficient to demonstrate that Venturion took all reasonable steps to prevent the spillage.

Did Venturion contravene section 37(1)(a) of the OGAA?

21. I find that Venturion has failed to comply with section 37(1)(a) of the OGAA. I am not satisfied that Venturion exercised due diligence to prevent the contravention. As such, I find that Venturion contravened section 37(1)(a) of the OGAA.

Section 10(1) of the EMR

Did Venturion fail to immediately classify the incident after becoming aware of it?

22. Venturion acknowledges that a fire ignited within a compressor building at 6:45pm on January 12, 2020 because of the release of condensate from the compressor. Venturion submits that it correctly classified the incident on the evening of January 12, 2020 once the fire had been extinguished and once Venturion was notified of the incident by its on-site contractor.

23. Section 10(1) of the EMR requires a permit holder to classify an incident immediately after a permit holder becomes aware of the incident. The classification must be made according to the Incident Classification Matrix set out in Schedule D in the EMR.
24. Venturion acknowledges that it completed its risk assessment on the Alberta risk matrix and that this was incorrect. Although Venturion submits this was a mistake, I note that the Emergency Response Plan (Mica ERP) submitted by Venturion applicable to this facility operating in British Columbia is substantially based on the requirements established by the Alberta Energy Regulator. As a result, Venturion did not have a mechanism in place at the time of the incident to ensure that a classification of the incident would be performed consistent with the EMR and the Incident Classification Matrix set out in Schedule D. Consequently, Venturion only classified the incident in accordance with the requirements of section 10(1) of the EMR on the afternoon of January 13, 2020 and with significant direction from Commission staff.
25. Therefore, I find that Venturion failed to immediately classify the incident according to the Incident Classification Matrix set out in Schedule D in the EMR.

Did Venturion exercise due diligence to immediately classify the incident after becoming aware of it?

26. To demonstrate that it exercised due diligence in immediately classifying the incident, Venturion states that it has a number of policies related to safe operations, including reference to the Mica ERP.
27. However, Arkinstall, who was responsible for classifying the incident, did not have a copy of the Mica ERP that would have permitted him to properly classify the incident. The expectation of a permit holder is that the policies and procedures for safe operations are known and available to employees. If employees and contractors are unaware or unable to access those policies and procedures, they provide little assurance to support the safe operation of the permit holder's activities.
28. Therefore, Venturion has failed to satisfy me that it took all reasonable steps to prevent the contravention.

Did Venturion contravene section 10(1) of the EMR?

29. I find that Venturion has failed to comply with section 10(1). I am not satisfied that Venturion exercised due diligence to prevent the contravention. As such, I find that Venturion contravened section 10(1) of the EMR.

Section 11(1) of the EMR

30. Venturion acknowledges that it relied on the Alberta incident classification matrix and in doing so incorrectly classified the incident and timeline for notification of the incident.
31. Section 11(1) of the EMR requires a permit holder to notify the Commission, as soon as circumstances permit, if an emergency occurs. By relying on Alberta requirements, Venturion

failed to correctly classify the incident and incorrectly determined that Venturion had 24 hours to report the notification of the incident to the Commission.

32. Therefore, I find that Venturion failed to notify the Commission of an emergency as soon as the circumstances permitted.

Did Venturion exercise due diligence in notifying the Commission of an emergency as soon as the circumstances permit?

33. Venturion does not present any evidence that it exercised due diligence in notifying the Commission of the emergency as soon as circumstances permitted.

34. Venturion has failed to satisfy me that it took all reasonable steps to prevent the contravention.

Did Venturion contravene section 11(1) of the EMR?

35. I find that Venturion has failed to comply with section 11(1). I am not satisfied that Venturion exercised due diligence to prevent the contravention. As such, I find that Venturion contravened section 11(1) of the EMR.

If Venturion is found to have contravened section 37(1)(a) of the OGAA and/or sections 10(1) and 11(1) of the Emergency Management Regulation, what if any, administrative penalty to impose?

36. 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 these contraventions.

37. The contravention of section 37(1)(a) of the OGAA was moderate. Although the amount of condensate spilled was relatively small, the spill resulted in a fire that destroyed the compressor building. The contravention of sections 10(1) and 11(1) of the EMR were minor.

38. The contravention of section 37(1)(a) resulted in a minor burn to the nose of Venturion's contractor.

39. The contraventions were neither repeated nor continuous.

40. There is no evidence to show the contraventions were deliberate.

41. There is no evidence to indicate that Venturion derived an economic benefit.

42. Venturion's onsite operator took immediate steps to contain the fire in the compressor building. These swift actions prevented significant injury to other operators at the facility. Venturion has since updated their hydrate policy to include site specific and critical procedures and has been provided to all contractors and kept on site for reference.

43. Venturion has had one previous contravention decisions and one administrative penalty at the time of this contravention, and five general orders issued.

Conclusion

44. I have found Venturion contravened section 37(1)(a) of the OGAA and sections 10(1) and 11(1) of the EMR on or before January 12, 2020. Based on the above discussion of the various factors set out in section 63(2), I am imposing an administrative penalty of \$5,000.

A handwritten signature in blue ink that reads "Andy Johnson". The signature is written in a cursive style with a large, looped initial 'A'.

Andy Johnson
Vice President, Operations
BC Oil and Gas Commission

Date: September 24, 2020