

Office of the Regulator of Oil and Gas Operations



OROGO

Annual Report

2014 - 2015

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Fort Liard area, Northwest Territories. (OROGO)



The Honourable David Ramsay, GNWT Regulator. (GNWT)

MESSAGE FROM THE REGULATOR

2014-2015 was a momentous year for the Government of the Northwest Territories. April 1, 2014 saw the transfer of responsibility for the management of land and water resources from the Government of Canada through devolution. This included responsibility for regulating oil and gas activities for most of the onshore portion of the Northwest Territories.

I was honoured to be appointed the GNWT Regulator of oil and gas activities on April 1, 2014 and am very pleased with the progress made by the Office of the Regulator of Oil and Gas Operations (OROGO) in establishing a fully functioning oil and gas regulatory system this year. It is exciting to see decisions about oil and gas activities being made here in the north, by northerners, and to take up our role within the integrated system of land, water and resource management established by the settled land claim agreements.

I want to take this opportunity to thank all of our partner regulators, in the Northwest Territories and across Canada, who have welcomed us and provided encouragement and support. I also want to thank the National Energy Board and the Alberta Energy Regulator for the advice they have provided to us under the service agreements and the significant efforts they have made to share their knowledge and help us to develop our capacity as a northern oil and gas regulator.

Most importantly, with this first year of operations under our belt, I am confident that the statutory mandate for protecting human health and safety and the environment, and for conserving our oil and gas resources, is being met.



James Fulford, Executive Director, OROGO. (Dave Brosha)

MESSAGE FROM THE EXECUTIVE DIRECTOR

I am very pleased to provide this first annual report on the activities of the Government of the Northwest Territories' Office of the Regulator of Oil and Gas Operations (OROGO). Despite the lack of exploratory activity within OROGO's area of jurisdiction, the past year has been a busy one. Through the efforts of many individuals, the office was established on April 1, 2014 to support the GNWT Regulator of oil and gas operations. Unlike most other areas of authority devolved to the Government of the Northwest Territories, oil and gas regulatory responsibilities did not come with the transfer of existing federal staff. Prior to April 1, 2014, those responsibilities were carried out by the National Energy Board and its staff, located in Calgary.

In 2014-2015, OROGO was focused on building a fully functioning NWT-resident oil and gas regulator. During that time, our growing office has benefitted from the expert technical assistance of both the National Energy Board and Alberta Energy Regulator, provided under service agreements. As one of its longer-term goals, OROGO is leveraging this assistance to build resident oil and gas regulatory capacity.

OROGO inspectors have now become a familiar presence in the field and monitor oil and gas activities for compliance with applicable laws. An important success for OROGO over the past year was a partnership with the community of Jean Marie River to inspect some well sites around the community in July 2014. An ongoing part of our work has involved explaining the roles and responsibilities of the new oil and gas regulator in a variety of venues throughout the NWT. We have also formalized our relationship with other regulators through memoranda of understanding and by participation as an independent member of the NWT Board Forum.

The past year has also allowed us to begin to address some priorities of the Regulator, such as northerners' expectations about openness and transparency. We have invited oil and gas operators to sign a release that would allow OROGO to publicly share more information about authorized oil and gas activities than ever before.

I want to thank those who have contributed to OROGO's successful first year and look forward to welcoming you to our new offices in the spring of 2015.

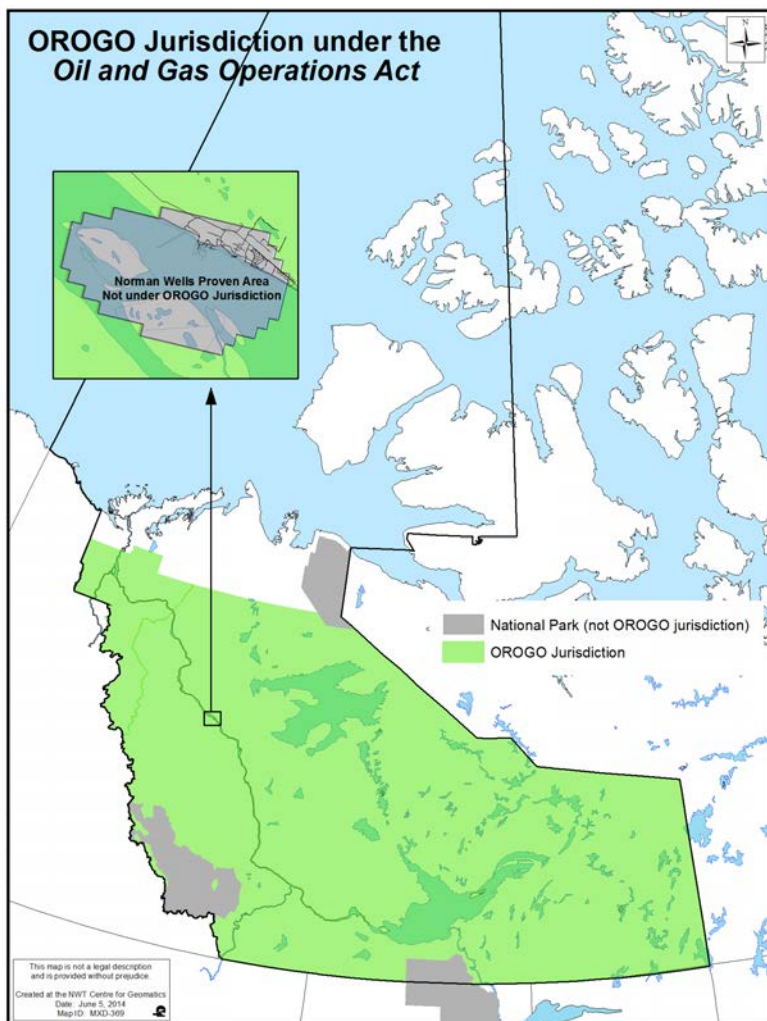
THE REGULATOR

Mandate

The Regulator is designated by the Commissioner in Executive Council under the *Oil and Gas Operations Act* (OGO). The Minister of Industry, Tourism and Investment was designated as the Regulator effective April 1, 2014.

The Regulator's mandate is to regulate the exploration for and exploitation of oil and gas resources for the primary purposes of ensuring human safety, environmental protection and the conservation of those resources.

The Regulator's activities are governed by OGO, the *Petroleum Resources Act* (PRA) and the regulations under those Acts.



Jurisdiction

The Regulator has jurisdiction for the regulation of oil and gas works and activities in the onshore Northwest Territories (NWT), with the exception of the Inuvialuit Settlement Region and lands that were not transferred from the Government of Canada to the Government of the Northwest Territories with devolution on April 1, 2014. Within these boundaries, the Regulator has jurisdiction over Aboriginal settlement lands as well as other private lands. This area is comparable in size to the province of British Columbia.

Responsibilities

The Regulator is responsible for:

- Considering applications for and issuing Operations Authorizations (including geotechnical operations authorizations);
- Considering applications for and issuing well approvals for activities including drilling, re-entry, work overs, completion, recompletion, suspension and abandonment of a well or part of a well;
- Inspecting active and historic oil and gas facilities;
- Responding to incidents and spills at regulated oil and gas facilities;
- Considering applications for and issuing Significant Discovery Declarations and Commercial Discovery Declarations; and
- Issuing Operating Licences.



Cameron Hills, Northwest Territories. (OROGO)

Delegations

OGOA allows the Regulator to delegate his powers to issue Operating Licences, Operations Authorizations and Well Approvals, including the consideration of safety factors and the determination of the nature and amount of proof of financial responsibility (security) required.

The Regulator has delegated these powers to the Chief Conservation Officer, a decision-maker appointed by the Regulator under OGOA.

PRA allows the Regulator to delegate his powers to issue Significant Discovery Declarations and Commercial Discovery Declarations. These delegations are made on a case-by-case basis.

In 2014-2015, the Regulator delegated one preliminary decision for a Significant Discovery to the Chief Conservation Officer, and one decision on the existence of a Significant Discovery to a multidisciplinary panel of experts. The latter delegated decision included a need for formal hearings.

THE OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

Mandate

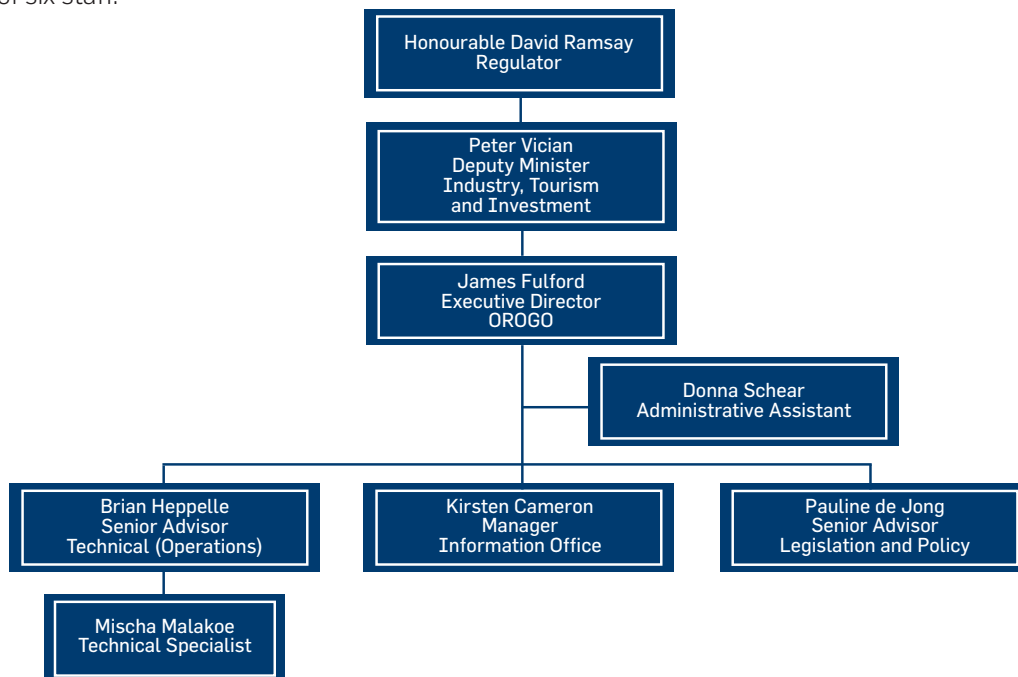
The mandate of the Office of the Regulator of Oil and Gas Operations (OROGO) is to support the Regulator in carrying out his responsibilities under OGOA and the PRA.

In 2014-2015, OROGO's goals included:

- Being as transparent and open as possible within the limits of the legislation;
- Clarifying and formalizing working relationships with other regulators, other GNWT agencies and Aboriginal governments; and
- Educating stakeholders regarding the role of the Regulator, OGOA and the PRA.

Staff

OROGO was established on April 1, 2014 and between May 2014 and January 2015 went from two staff to a full complement of six staff.



Mr. James Fulford, Executive Director, was appointed Chief Conservation Officer effective June 16, 2014.

Mr. Peter Vician, Deputy Minister of Industry, Tourism and Investment (ITI), was appointed Chief Safety Officer effective April 1, 2014 on an interim basis. On February 23, 2015, Mr. Brian Heppelle, Senior Advisor, Technical, was appointed Chief Safety Officer.

OROGO receives technical advice and support from the National Energy Board and the Alberta Energy Regulator through service agreements, which can be found on OROGO's website at www.oilandgasregulators.iti.gov.nt.ca/service-agreements. OROGO is also able to access support from other regulators. In 2014-2015, OROGO received technical advice from the Ministry of the Economy, Government of Saskatchewan and support from the British Columbia Oil and Gas Commission.

Location

For much of 2014-2015, OROGO occupied temporary space in the Northwest Tower in Yellowknife. On March 23, 2015, OROGO moved into its permanent space on the 4th floor of the Northwest Tower.

Access to well and geophysical data dating back to the 1920s is currently administered on behalf of OROGO, on an interim basis, by the National Energy Board's Frontier Information Office in Calgary, where the documents are located. OROGO is currently evaluating long-term options for the management of this important resource.

Similarly, access to well materials (cuttings, fluid samples and core samples) is administered on behalf of OROGO by the National Energy Board. These materials are located at the Geological Survey of Canada core facility in Calgary. Again, long-term arrangements for access to and location of these materials are under development, and will be formulated in consultation with user groups.

2014-2015 ACTIVITIES

Applications

In 2014-2015, the Regulator or his delegate received and processed:

- Two applications for Operations Authorizations, both of which were approved with conditions;
- Nine applications for approval to Alter the Condition of a Well, eight of which were approved with conditions and one of which was withdrawn by the operator; and
- One application for a Significant Discovery Declaration (SDD), for which a process was initiated near the end of the fiscal year.

The Regulator or his delegate also processed two applications received by the National Energy Board prior to April 1, 2014:

- One application for an Operations Authorization, which was withdrawn by the operator; and
- One application for an SDD, for which OROGO's first hearings were held in Yellowknife in late 2014, with a decision pending as of March 31, 2015.

Inspections

OROGO's inspection activities in 2014-2015 fell into three categories:

- On-site inspections of authorized oil and gas activities;
- On-site inspections of historical oil and gas infrastructure; and
- Review of operator inspections of suspended wells.

In 2014-2015, OROGO inspected all oil and gas activities authorized during the fiscal year. In addition, OROGO staff conducted one on-site inspection of historical oil and gas infrastructure near the community of Jean Marie River. This inspection covered five abandoned well sites and was undertaken at the request of the community. OROGO partnered with the Jean Marie River First Nation to carry out the inspection, an approach that was very successful and that OROGO hopes to build on in the future. The inspection flagged one well for further inspection and follow-up, tentatively scheduled for 2015. OROGO's complete report on the Jean Marie River inspection is available on the OROGO website at www.oilandgasregulator.iti.gov.nt.ca/documents.

In 2014-2015, OROGO received inspection reports from the operators responsible for ongoing monitoring of suspended wells. The legislation requires operators to ensure that suspended wells are in good condition and are not leaking, so regular monitoring and inspection is required. OROGO staff review these reports and follow up with operators to address any potential issues, which may involve applying to OROGO for permission to conduct remedial work, to re-suspend or to abandon the well in question.

In addition to the formal inspection activities discussed above, OROGO also conducted two site visits in 2014-2015 to familiarize itself with oil and gas infrastructure located in its area of jurisdiction. In May 2014, OROGO visited the Strategic Oil and Gas Ltd. operations in Cameron Hills and in September 2014, OROGO visited well sites and facilities belonging to several operators in the Fort Liard area.



Jean Marie River Inspection Team. (OROGO)

Incident Response

Oil and gas incidents can be reported to the Regulator in one of two ways. If the incident results in a spill from OROGO-regulated facilities or pipelines, the incident must be reported through the NWT-Nunavut Spill Line, which then routes the information to OROGO. If the incident does not result in a spill (accidents and near misses are also reportable), the incident must be reported directly to OROGO through a dedicated 24/7 phone line (867-445-8551).

In 2014-2015, two oil and gas incidents were reported to the Regulator. In each case, the Regulator monitored the operator's compliance with its obligations under the *Oil and Gas Drilling and Production Regulations*.

In 2014-2015, OROGO joined the NWT-Nunavut Spills Working Group, a group of agencies that have signed the *NWT-Nunavut Spills Working Agreement*. OROGO participates in the Working Group sessions and became a signatory to the Agreement when it was revised to reflect changes resulting from devolution.



Al Duben, Air Monitoring Specialist with the Alberta Energy Regulator, using a portable methane detector to detect any leaking gas from the abandoned well. (OROGO)

Outreach Activities

In 2014-2015, OROGO focused on two objectives with respect to its outreach activities:

- Clarifying and formalizing its working relationships with other regulators, other GNWT agencies and Aboriginal governments; and
- Educating stakeholders about the role of the Regulator and the legislation relating to oil and gas regulation in the NWT.

Over the course of the fiscal year, OROGO met with and made presentations to staff and officials of the Mackenzie Valley Land and Water Board (MVLWB), Mackenzie Valley Environmental Impact Review Board, Sahtu Secretariat Inc., Jean Marie River First Nation, Tulita District Land Corporation and Behdzi Ahda First Nation. These meetings served to



The Honourable David Ramsay, GNWT Regulator and Willard Hagen, Chair, Mackenzie Valley Land and Water Board, sign the Memorandum of Understanding. (OROGO)

introduce OROGO and its role as well as initiate dialogue with these organizations about issues of importance to them with respect to oil and gas regulation.

In December 2014, OROGO signed a Memorandum of Understanding (MOU) with the MVLWB. The MOU signals the intent of both regulators to work cooperatively to carry out their respective responsibilities efficiently and effectively while minimizing duplication of effort and providing for a comprehensive and timely review of applications under each regulator's individual jurisdiction. A copy of the MOU is available on the OROGO website at www.oilandgasregulator.itl.gov.nt.ca/documents.

In October 2014, OROGO offered H2S Alive training to its staff and staff of other regulators in the NWT. This was an opportunity to share resources and build relationships between the staff of the different regulators, as well as to ensure that individuals working on sour gas sites have the required training to support safe work practices.

OROGO was also an active participant in the NWT Board Forum, which brings together regulators and resource co-management organizations in the NWT to discuss matters of common interest. OROGO participated at Board Forum meetings in June 2014 and February 2015, both of which offered opportunities to present on OROGO's mandate, role and achievements and to discuss issues with other participants.

OROGO is also participating in Canada-wide oil and gas regulatory initiatives and forums. OROGO staff attended meetings of the CAMPUT (Canadian Energy and Utility Regulators) Flaring and Venting Forum in June 2014 and the CAMPUT Energy Committee in October 2014.

In order to educate stakeholders about the role of the Regulator, OROGO met face-to-face with operators active in its jurisdiction. These meetings occurred in Yellowknife and in Calgary. OROGO also presented on the role of the Regulator and oil and gas regulation in the NWT to varied audiences, including at:



Cameron Hills, Northwest Territories. (OROGO)

- The North of 60: Aboriginal Land and Resource Development Conference in Yellowknife in May 2014;
- The Inuvik Petroleum Show in June 2014; and
- The Yellowknife Geoscience Forum in November 2014.

The Inuvik Petroleum Show in June 2014 also saw the launch of OROGO's website, which includes a public registry.

Policies and Procedures

In 2014-2015, OROGO focused on developing policies and procedures that would increase transparency and openness about OROGO's processes and the applications it receives. OROGO also dedicated significant time and effort to supporting the review and development of federal and territorial legislation and guidance for the oil and gas industry as part of its focus on educating stakeholders regarding the role of the Regulator, OGOA and the PRA.

An important goal for OROGO in 2014-2015 was to increase openness and transparency about the activities of the Regulator. However, section 91 of the PRA places significant limits on the amount and type of information that OROGO can make available about the applications it receives and its interactions with operators. In order to improve the amount of information available to the public about its activities, OROGO put a voluntary information disclosure program in place in December 2014. Operators may choose to sign a waiver form allowing OROGO to make basic information about requests for and approvals of Operations Authorizations available on its public registry (www.oilandgasregulator.iti.gov.nt.ca/registry), including:

- The name, address and contact information of the applicant;
- The completed Operations Authorization application form; and
- The approved Operations Authorization, including its terms and conditions.

By the end of 2014-2015, a number of NWT oil and gas operators had already consented to disclosure of this information.

In February 2015, OROGO published on its website a questions-and-answers document about the SDD process, including the role of Directly Affected Persons. This document was developed to clarify the process for all



Wellhead in the Fort Liard area, Northwest Territories. (OROGO)

stakeholders, particularly those outside of the oil and gas industry, such as Aboriginal governments and members of communities near proposed Significant Discovery Areas. As the majority of oil and gas activity in OROGO's area of jurisdiction is in the Sahtu region, OROGO also met with stakeholders in that region to share the questions-and-answers document and discuss the SDD process in person.

When OROGO received an application for an SDD in late February 2015, the notice of the application and invitation for applications for Directly Affected Person status was made available to the public through general circulation newspapers and on the OROGO website, to ensure that all stakeholders were aware of the application and the process for further engagement. The notice was also shared directly with the Sahtu Secretariat Incorporated and the Tulita District Land Corporation, as well as with the Canadian Association of Petroleum Producers.

In 2014-2015, OROGO participated in the review of the *Preliminary Screening Regulations* under the *Mackenzie Valley Resource Management Act* at the request of Aboriginal Affairs and Northern Development Canada. It also contributed technical advice on the Regulator's existing hydraulic fracturing information requirements to assist ITI in the development of new hydraulic fracturing regulations. Finally, OROGO assisted ITI's Petroleum Resources Division with the development of a series of maps describing oil and gas regulatory processes in the NWT.



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