



ANNUAL REPORT 2016-2017

CROGO

NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

Cover: Well head near Fort Liard being covered and heated during extended monitoring, March 2017.
PHOTO: OROGO

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Message from the Regulator



Louis Sebert, GNWT Regulator

I am pleased to present this Annual Report on the activities of the Office of the Regulator of Oil and Gas Operations (OROGO) for 2016-2017.

Transparency of regulation is essential, in part because the public must be able to see evidence that a regulator is carrying out the mandate with which it has been entrusted. The past year saw OROGO undertake a number of important initiatives in support of a more transparent oil and gas regulatory system in the Mackenzie Valley. Of special note, OROGO's new information disclosure regime and

its move to make inspection summaries available on its website have resulted in the public having more access to specific information about oil and gas activities than ever before.

In November 2016, I was honoured to offer opening remarks, in my role as oil and gas Regulator, at a meeting of the NWT Board Forum in Norman Wells. The forum was co-hosted by OROGO and the National Energy Board (NEB). This co-hosting acknowledged the role both organizations play as neighbouring regulators of oil and gas activities in the onshore Northwest Territories, and as partners within the larger integrated system served by the NWT Board Forum. The location of the forum also served to recognize the importance of Norman Wells and the Sahtù region as the birthplace of the Northwest Territories petroleum industry.

I wish to thank the Alberta Energy Regulator and the NEB for the ongoing technical assistance each organization has provided to OROGO over the past year under service agreements in place since devolution. This assistance has promoted the continued development of OROGO's in-house capacity and strengthened its ability to support the Regulator's mandate for safety, protection of the environment, and conservation of the oil and gas resource.

I look forward to another successful year as OROGO advances its vision of being a respected and effective regulator grounded in the values of Northerners.

Message from the Executive Director

I am pleased to offer this Annual Report on the activities of the Office of the Regulator of Oil and Gas Operations (OROGO) for the fiscal year 2016-2017. In its third year of existence, OROGO continued to make progress toward distinguishing itself as a respected and effective oil and gas regulator grounded in the values of Northerners.

Oil and gas activity in Canada has continued to be subject to a lengthy downturn, and for 2016-2017, there was no new exploratory activity in the Northwest Territories. OROGO continues to make the most of this opportunity to focus on improvements to the way that it regulates. The year was notable for a series of important decisions and regulatory developments as well as field activity in the form of safe well abandonments.

In June 2016, the Chief Conservation Officer granted Imperial Oil's application for an extension of the sunset clause for the parts of the Mackenzie Gas Project within the jurisdiction of the Regulator of Oil and Gas Operations. The extension was made subject to a number of new reporting conditions.

August 2016 saw the launch of the Well Watch Program, designed to encourage local land users to report concerns with historic well sites to OROGO so that they can be assessed and any identified risks can be addressed. This program builds on OROGO's successful partnership with the community of Jean Marie River in the summers of 2014 and 2015.

In September 2016, a panel of experts delegated by the Regulator issued a significant discovery declaration in relation to the ConocoPhillips Canada Resources Corporation Dodo Canyon E-76 well in the Sahtù region. The public issuance of the expert panel's reasons for its decision supported OROGO's



James Fulford, Executive Director, OROGO

strategic objectives of promoting transparency and enhancing certainty and predictability in regulatory decision-making.

On February 1, 2017, the Regulator's *Well Suspension and Abandonment Guidelines and Interpretation Notes* came into effect. Among other requirements, these guidelines establish a deadline for the safe abandonment of inactive oil and gas wells under the jurisdiction of the Regulator, helping to ensure that the public is not left with potentially costly liabilities for well abandonment.

A key milestone this year was the issuance of OROGO's Strategic Plan. The Plan, which sets out OROGO's mission, vision and strategic objectives, will frame OROGO's work over the coming years.

I close by offering my thanks for the ongoing efforts of OROGO's enthusiastic and capable staff of public servants. Together, we are committed to continuing to improve the way we regulate oil and gas activities to keep people safe and protect the environment where we live.

The Regulator

Mandate

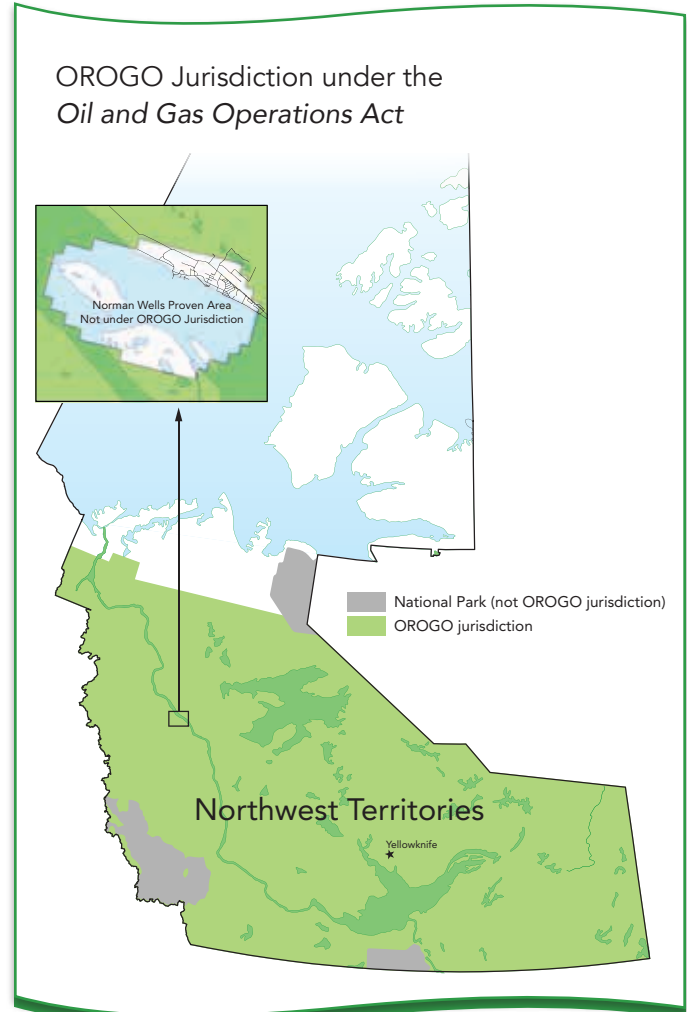
The Regulator is designated by the Commissioner in Executive Council under the *Oil and Gas Operations Act* (OGOA). The Minister of Justice was designated as the Regulator effective February 22, 2016, replacing the Minister of Industry, Tourism and Investment.

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 mandate does not include promoting oil and gas-related development.

The Regulator's activities are governed by OGOA, the *Petroleum Resources Act* (PRA) and the regulations under those Acts as well as the *Mackenzie Valley Resource Management Act*.

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 oil and gas activities on Aboriginal settlement lands as well as other private lands.



OROGO's area of jurisdiction is approximately 979,000 km² – about the same size as British Columbia.

Responsibilities

The Regulator is responsible for:

- Considering applications for and issuing Operations Authorizations (including geophysical 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.

Delegations

OGOIA 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 OGOIA.

The 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.

No new delegations were made under OGOIA or the PRA in 2016-2017.



PHOTO: OROGO

Well and processing infrastructure, South Liard Field, March 2017.

The Office of the Regulator of Oil and Gas Operations

Role

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

Strategic Plan

In 2016-2017, OROGO established a Strategic Plan, including a mission, vision and strategic objectives. The Strategic Plan will inform all aspects of OROGO's future work, and will be reviewed periodically for effectiveness and relevance.

Mission

We regulate oil and gas activities to keep people safe and protect the environment where we live.

Strategic Objectives



To enhance certainty and predictability in our actions and in regulatory decisions.



To promote accessibility and transparency in our work.



To build and maintain resilient working relationships.



To grow oil and gas regulatory capacity in the Northwest Territories.

Vision

OROGO is a respected and effective regulator grounded in the values of Northerners.

Staff

OROGO has six staff: the Executive Director, the Administrative Assistant; the Senior Advisor, Legislation and Policy; the Senior Advisor, Technical (Operations); the Manager, Information Office; and the Technical Specialist.

James Fulford, Executive Director, was appointed Chief Conservation Officer effective June 16, 2014, and Brian Heppelle, Senior Advisor, Technical, was appointed Chief Safety Officer on February 23, 2015. Mischa Malakoe, Technical Specialist, was appointed as a Safety Officer on October 24, 2014.

In February 2017, Tara Naugler assumed the responsibilities of Senior Advisor, Legislation and Policy, after Pauline de Jong departed on one year of deferred leave.

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.oro.go.gov.nt.ca/service-agreements. OROGO is also able to access support from other regulators or consultants as may be required.

Location

OROGO's offices are located on the 4th floor of the Northwest Tower in Yellowknife. The public is invited to visit us during working hours, between 8:30 am and 5:00 pm daily on weekdays, except statutory holidays.



PHOTO: ANGELA GZOWSKI

The OROGO team, November 2016. From left to right: Kristen Cameron (Manager, Information Office), Donna Schear (Administrative Assistant), Mischa Malakoe (Technical Specialist), James Fulford (Executive Director), Pauline de Jong (Senior Advisor, Legislation and Policy) and Brian Heppelle (Senior Advisor, Technical).

2016-2017 Activities

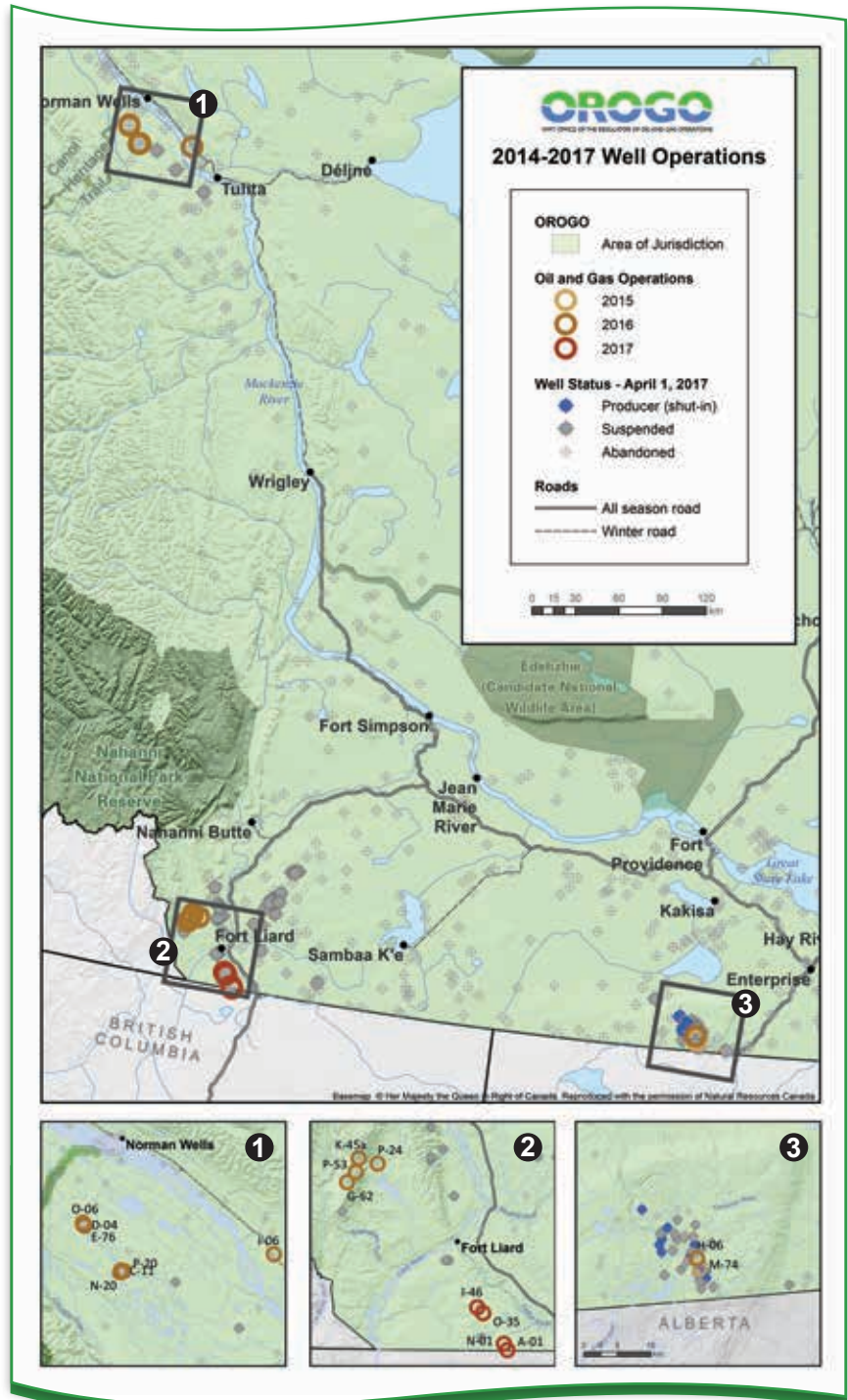
Applications

In 2016-2017, the Regulator or his delegate received and processed:

- Five applications for well approvals to alter the condition of a well, all of which were approved with conditions;
- An application to decommission surface infrastructure associated with abandoned wells, which was approved with conditions; and
- An application to modify the corrosion integrity maintenance and monitoring program for a pipeline.

The Regulator or his delegate also:

- Issued a Significant Discovery Declaration (SDD) for the ConocoPhillips Canada Resources Corp. Dodo Canyon E-76 well; and
- Approved the extension of the sunset clause in the authorization applicable to the Mackenzie Gathering System component of the proposed Mackenzie Gas Project, subject to new conditions. The extension of the sunset clause to December 31, 2022 included a condition that the operator report annually on steps it is taking to advance activities or decisions that support its "Final Decision to Construct".



Inspections

OROGO's inspection activities in 2016-2017 fell into two categories:

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

In 2016-2017, OROGO inspected all oil and gas activities authorized during the fiscal year.

In keeping with OROGO's objective to promote accessibility and transparency in its work, beginning with the 2017 field season, summary inspection reports are now being made available on OROGO's public registry. These summary reports outline findings from regulatory inspections of oil and gas activities authorized by OROGO.

OROGO staff conducted four site visits, including inspections of all activities authorized in 2016-2017. The *Oil and Gas Drilling and Production Regulations* also require operators to ensure that suspended wells are in good condition and are not leaking, so regular monitoring and inspection by operators is required. In 2016-2017, OROGO received inspection reports from the operators responsible for ongoing monitoring of suspended wells. 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.



Mischa Malakoe (Safety Officer) inspecting a well abandonment in the South Liard Field, March 2017.

OROGO inspectors have to drive into British Columbia to access the Liard South Field by road.



Incident Response

Oil and gas incidents are reported to the Regulator in two ways. If the incident results in a spill over a certain threshold from OROGO-regulated facilities or pipelines, the incident must be reported through the NWT-Nunavut Spill Line, which then routes the information to OROGO. All incidents must also be reported directly to OROGO through a dedicated 24/7 phone line, even if the incident results in a spill below the threshold or is an accident or a near miss.

In 2016-2017, no oil and gas incidents were reported to OROGO.

In 2016-2017, OROGO continued to participate in 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.

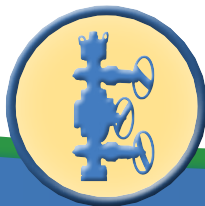
OROGO staff participated in a number of activities aimed at capacity building related to incident response in 2016-2017. In May 2016, OROGO participated in an on-water boom deployment exercise on Great Slave Lake in Yellowknife, which was led by the local Coast Guard Auxiliary. Booms are used to contain spills on the surface of water. OROGO staff also had the opportunity to observe response efforts underway at the Alberta Energy Regulator's Emergency Operations Centre in Calgary during the emergency response to the Fort McMurray wild fire in May 2016.



PHOTO: OROGO

Moosehide Camp, Yellowknife, July 2016.

In 2016-2017, no oil and gas incidents were reported to OROGO.



Making Information Available

OROGO's efforts at increasing openness and transparency continue to be a central feature of its work, and are now reflected in OROGO's Strategic Plan. This work continues to be shaped by section 91 of the *Petroleum Resources Act* (PRA). The PRA places significant limits on the type of information that OROGO can make available about the applications it receives and its interactions with operators. OROGO's new *Information Disclosure Guidelines* establish the basis for further disclosure within the established legislative framework.

New *Information Disclosure Guidelines* came into effect on May 10, 2016. Operators are now required to complete an Information Disclosure Consent form, allowing information about new applications and approvals to be made available to the public on OROGO's public registry.

OROGO is a repository for information collected during oil and gas activities, and maintains an Information Office that makes non-privileged information about oil and gas activities in the Regulator's jurisdiction publicly available. This data is particularly valuable to companies and researchers evaluating oil and gas potential, and can be accessed by contacting the Information Office.

OROGO is increasingly able to make this information available in electronic form, which improves its usefulness for industry, researchers and other stakeholders. OROGO continues to work with the NEB to digitize and transfer these important information resources. When complete, OROGO will have a digital library of well and geophysical information dating back to the 1920s that will be more accessible to all users.

Access to well materials (cuttings, fluid samples and core samples) is also available by applying to the Information Office. These materials are located at the Geological Survey of Canada core facility in Calgary, Alberta.

The OROGO website and public registry continue to be improved and updated to provide the most up-to-date information available to the public. The existing registry includes reports, responses to information requests, inspections, applications, notices and decisions relating to works and activities within OROGO's jurisdiction.

OROGO continues to publish an Annual Report, which is tabled in the Legislative Assembly. The legislation does not require that OROGO publish an Annual Report, but this is one more way to share information about the work of OROGO with the public and stakeholders.

Use of OROGO's website in 2016-2017 is up about 30% compared to 2015-2016.



Guidelines and Standards

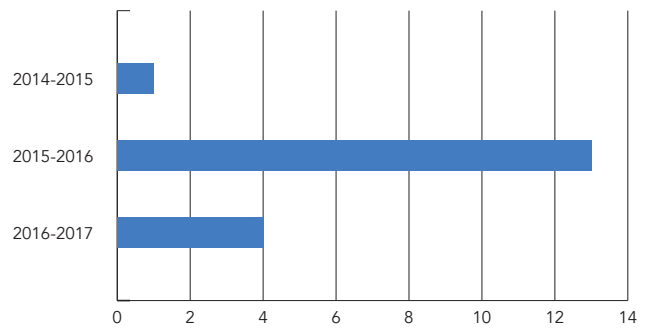
OROGO continues to review ways in which it can provide more certainty and predictability in key areas. The issuance of guidelines by the Regulator, under section 18 of OGOA, is one tool that can be used for this purpose. In 2015-2016, the Regulator had determined that requirements for well suspensions and abandonments were an area that could benefit from a consistent, transparent and risk-based approach.

Beginning in June 2016, OROGO began a consultation and public engagement process for draft *Well Suspension and Abandonment Guidelines and Interpretation Notes*. Following that process, OROGO developed a summary of the consultation and engagement results that indicated how comments were addressed in the draft. The guidelines were then finalized and approved by the Regulator to come into effect on February 1, 2017. The guidelines and results of OROGO's public engagement can be found on OROGO's website.

On May 10, 2016, the Regulator approved OROGO's *Information Disclosure Guidelines*. The objective of the guidelines is to encourage transparency by obtaining advance permission from applicants to disclose as much information relating to an application as possible, while maintaining each operator's right to confidentiality under section 91 of the PRA.

New Well Suspension and Abandonment Guidelines and Interpretation Notes came into effect on February 1, 2017. These guidelines set out requirements for suspended and abandoned wells under the jurisdiction of OROGO, and set out a deadline for the safe abandonment of inactive wells.

**Inactive Wells Safely Abandoned
OROGO Jurisdiction**



Oil and gas wells safely abandoned under OROGO jurisdiction since April 1, 2014.



Capacity Building

OROGO recognizes the need to develop its own capacity to regulate oil and gas activities as well as to contribute to the development of NWT-wide oil and gas regulatory capacity. In addition to knowledge transfer initiatives under agreements with other regulators, OROGO staff members also partake in formal and informal learning opportunities throughout the year.

On March 16, 2017, OROGO hosted an open house session and a public presentation with first responders from the Alberta Energy Regulator and Alberta Emergency Management Agency. These sessions in Yellowknife offered an opportunity for NWT first responders and the public to hear some lessons learned from the multi-agency response to the 2016 Fort McMurray wildfire.

OROGO has plans for new training initiatives in 2017-2018.

Oil and gas operators played a key role in safely evacuating residents from Fort McMurray during the spring 2016 wildfire.



PHOTO: ANGELA GZOWSKI

Kristen Cameron, Manager, Information Office, (left) and Pauline de Jong, Senior Advisor, Policy and Legislation (right).



PHOTO: OROGO

Brian Heppelle (Chief Safety Officer) conducting an inspection in the South Liard Field, March 2017.



Relationships with other Organizations

In July 2016, OROGO reached a Memorandum of Understanding (MOU) with the Petroleum Resources Division of the GNWT Department of Industry, Tourism and Investment in Inuvik. The MOU formally sets out how information will continue to be shared between the parties, in accordance with the Regulator's distinct role and obligations under the *Petroleum Resources Act*.

To assist in ensuring that OROGO continues to have access to specialized strategic advice and guidance on the use of information technology and associated information management services, OROGO entered into a MOU with GNWT Informatics Shared Services in March 2017.

These MOUs, and others previously reached with the Mackenzie Valley Land and Water Board, the Worker's Safety and Compensation Commission, and the National Energy Board, ensure that OROGO's excellent working relationships with these organizations are formalized and continue long into the future. Copies of all OROGO MOUs are available on the OROGO website at www.oro.go.gov.nt.ca/documents.

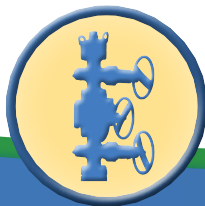
OROGO also continues to build relationships with other regulators within the NWT through participation in territorial and inter-jurisdictional regulatory initiatives and forums.

In November 2016, OROGO co-hosted a two-day meeting of the NWT Board Forum in Norman Wells with the National Energy Board. Opening remarks were shared by Sahtù Secretariat Chair Ethel Blondin-Andrew, Regulator Louis Sebert and National Energy Board Vice-Chair Lyne Mercier, with the forum theme being regulatory cooperation. Participants visited Imperial Oil's Norman Wells production facility (regulated by the National Energy Board) and discussed the planned reclamation of that facility. The forum also featured a presentation from Danny Gaudet, former chief negotiator of self-government for the community of Délı̨ne, on the importance of regulation and opportunities for partnership.



PHOTO: ANGELA GZOWSKI

Donna Schear, Administrative Assistant



Outreach and Engagement

Over the course of the fiscal year, OROGO met with and made presentations to staff and officials of the Gwich'in Tribal Council, Inuvialuit Regional Corporation, Norman Wells Land Corporation, Yamoga Land Corporation, Kasho Got'ine Charter Community Council, Gwich'in Renewable Resources Board and the Gwich'in Renewable Resources Councils as well as the NWT Association of Communities and regional and headquarters staff of the Department of Industry, Tourism and Investment. These meetings served to 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 order to educate stakeholders about the role of the Regulator, OROGO staff met face-to-face with operators active in its jurisdiction. These meetings occurred in Yellowknife, Calgary and Inuvik. OROGO also presented on the role of the Regulator and oil and gas regulation in the NWT to varied audiences, including at:

- The Arctic Energy and Emerging Technologies conference in Inuvik in June 2016;
- The Yellowknife Geoscience Forum in November 2016; and
- The Arctic Oil and Gas Symposium in Calgary in March 2017.



PHOTO: OROGO

Pauline de Jong, Senior Advisor, Legislation and Policy, at Arctic Energy and Emerging Technologies Trade Show and Conference, Inuvik, June 2016.



Well Watch Program

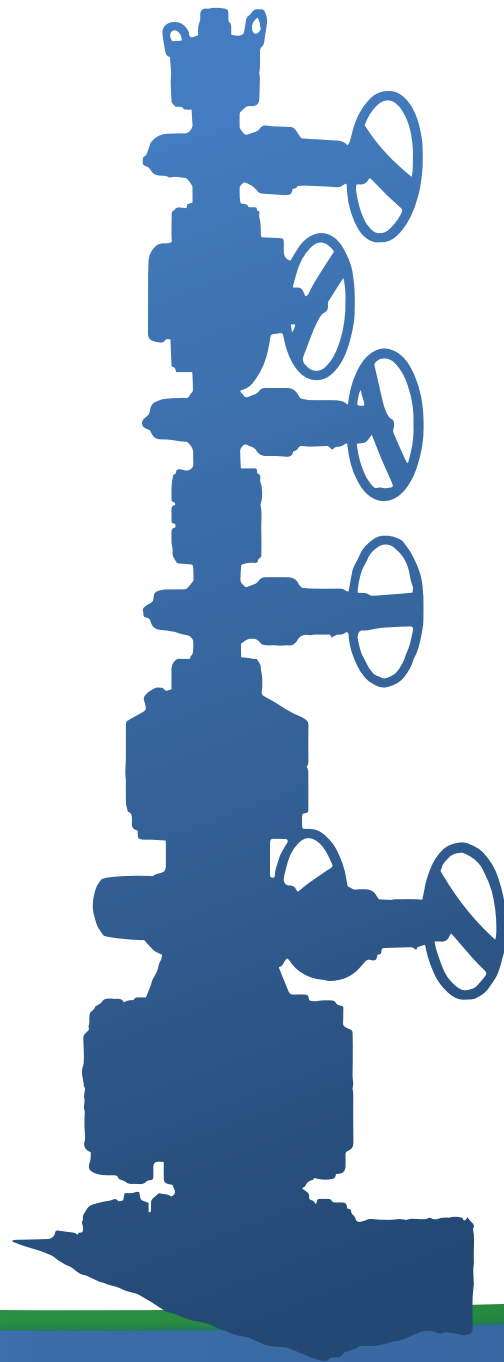
Recognizing that community land users are often the best source of information about changes out on the land, OROGO established the Well Watch Program in August 2016 to further engage with NWT communities on old, abandoned well sites. The Program is designed to encourage local land users to report concerns with historic, abandoned well sites to OROGO so that any risks can be identified and assessed.

The Well Watch Program builds on a successful partnership with the community of Jean Marie River, beginning in 2014-2015. OROGO staff and community members worked together to investigate concerns with several historic oil and gas wells, and identified a small natural gas leak at one abandoned well site near the community. Several Jean Marie River community members played important roles in the success of this initiative.

OROGO will continue to engage with NWT communities through Well Watch and other initiatives to further develop its relationship with NWT residents.



PHOTO: NWT ARCHIVES/FRED JACKSON FONDS/N-1979-004-0071







NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

Contact Information

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Website: www.orogo.gov.nt.ca

Incident Response

NWT Spill Line: 1-867-920-8130 (phone); 1-867-873-6924 (fax)
OROGO Incident Response Line (24/7): 1-867-445-8551

**If you would like this information in another official language,
contact us at (867) 767-9097.**