



NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

ANNUAL REPORT – 2015-2016



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Message from the Regulator

I was honoured to be appointed as the GNWT Regulator of oil and gas operations on February 22, 2016, and am pleased to present this annual report on the activities of the Office of the Regulator of Oil and Gas Operations (OROGO) in 2015-2016. I wish to thank my predecessors, the Ministers of Industry, Tourism and Investment, for their efforts in the role of Regulator since April 1, 2014.

As Regulator, my role is set out solely in legislation and is not influenced by departmental mandates. My appointment ensures that there is a clearer separation between the government's economic development aspirations and the Regulator's responsibility to ensure that oil and gas works and activities are conducted safely for people and the environment. I rely on OROGO to support me in this role and to carry out the day-to-day business of regulation at arm's length from government policy-making.

In 2015-2016, OROGO has grown into its role and developed its in-house oil and gas regulatory capacity, demonstrating leadership at the territorial and inter-jurisdictional levels. It is gratifying to see OROGO take its place within the integrated system of land, water and resource management established by the settled land claim agreements. OROGO's initiatives, particularly in the area of increasing the openness and transparency of the oil and gas regulatory system in the Mackenzie Valley, mirror the commitment of the Government of the Northwest Territories to the implementation of a made-in-the-North regulatory system that addresses the priorities and values of NWT residents.

I thank all of our partner regulators for their support over the past year. I also want to acknowledge the ongoing technical assistance received under the services agreements with the Alberta Energy Regulator and the National Energy Board. I look forward to OROGO's continued success in 2016-2017 and to furthering our efforts in support of an effective and transparent oil and gas regulatory system in the Mackenzie Valley.



Louis Sebert, GNWT Regulator.
(GNWT)

Message from the Executive Director



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

I am pleased to offer this second annual report on the activities of the Office of the Regulator of Oil and Gas Operations (OROGO). While 2015-2016 was a second consecutive year in which there was no new exploratory activity within OROGO's area of jurisdiction, the field work, policy initiatives and other activities described on the following pages ensured that OROGO staff remained as busy as ever.

OROGO is fortunate to have a highly trained, committed staff of NWT residents who are motivated to continually improve upon the

regulation of oil and gas in the NWT. The services agreements OROGO has in place with the Alberta Energy Regulator and National Energy Board (NEB) allow staff to capitalize on the specialized expertise of these two seasoned regulators, while leaving the space to develop practices and solutions that are tailored to the NWT's unique circumstances. I was proud to witness and be a part of the innovation demonstrated by OROGO staff in many different areas over the past year.

In 2015-2016, OROGO made significant progress in moving towards more openness and transparency in the conduct of its responsibilities. Considerable headway was also made on the transfer of historical records from the NEB. The level of activity provided an opportunity for OROGO to continue to develop its capacity for field operations.

Highlights of OROGO's plans for next year include jointly hosting the NWT Board Forum, continuing to organize oil and gas-related training for our own benefit and that of our partners, and building upon and strengthening the formal and informal relationships we've developed over the past two years. OROGO will also continue to explore ways to give the public and stakeholders more certainty about expectations in relation to regulatory decision-making under the *Oil and Gas Operations Act*.

The public's expectations of oil and gas regulators have never been higher than they are today. OROGO looks forward to continuing its pursuit of regulatory excellence and to advancing the priorities of the Regulator in 2016-2017.

The Regulator

Mandate

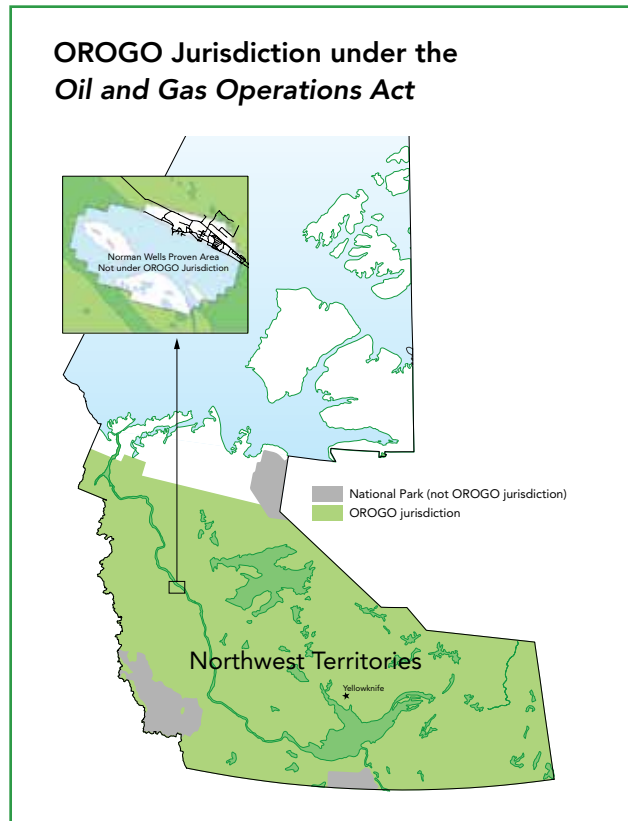
The Regulator is designated by the Commissioner in Executive Council under the *Oil and Gas Operations Act* (OGOA). The Minister of Justice was designated as the Regulator effective February 22, 2016, replacing the Minister of Industry, Tourism and Investment.

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.

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 also 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.



Dehcho River at Fort Simpson, Northwest Territories, May 2015. (OROGO)

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.

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.

In 2015-2016, 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 2015-2016, 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.

Location

OROGO's offices are located on the 4th floor of the Northwest Tower in Yellowknife.

Access to well and geophysical data dating back to the 1940s 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.



Cameron Hills, Northwest Territories, May 2014. (OROGO)

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.

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. In 2015-2016, OROGO's service agreement with the National Energy Board was renewed for a further two years through to March 2018. OROGO's service agreement with the Alberta Energy Regulator has an indefinite term.

OROGO is also able to access support from other regulators. In 2015-2016, OROGO received technical advice from the Ministry of the Economy, Government of Saskatchewan, and support from the British Columbia Oil and Gas Commission.



The OROGO team. From left to right: Brian Heppelle (Senior Advisor, Technical), Mischa Malakoe (Technical Specialist), Donna Shear (Administrative Assistant), James Fulford (Executive Director), Pauline de Jong (Senior Advisor, Legislation and Policy) and Kristen Cameron (Manager, Information Office), July 2015. (OROGO)

2015-2016 Activities

Applications

In 2015-2016, the Regulator or his delegate received and processed:

- Nine applications for Well Approvals to Alter the Condition of a Well, all of which were approved with conditions; and
- One application for an amendment to the conditions of an existing oil and gas facility approval (for the proposed Mackenzie Gas Project), which remained under review as of March 31, 2016.

13 suspended wells were safely abandoned in 2015-2016.

OROGO issued its first Significant Discovery Declaration in 2015.

In 2015-2016, OROGO conducted three days of formal hearings, all of which occurred in the Northwest Territories.

The Regulator or his delegate also:

- Issued a Significant Discovery Declaration (SDD) for the MGM-Shell East MacKay I-78 well; and
- Processed an application for a Significant Discovery Declaration received from ConocoPhillips Canada Ltd. in 2014-2015, with a decision pending as of March 31, 2016.



Service rig near Norman Wells, Northwest Territories, February 2016. (OROGO)



Mischa Malakoe (Technical Specialist) and Brent McGarry (Alberta Energy Regulator) installing gas sampling equipment on the marker of an abandoned well near Jean Marie River, Northwest Territories, August 2015 (OROGO)

Inspections

OROGO's inspection activities in 2015-2016 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 2015-2016, OROGO inspected all oil and gas activities authorized during the fiscal year. In addition, OROGO staff conducted a follow-up on-site inspection of a historic well near the community of Jean Marie River.

In 2015-2016, 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.



Paul Saulnier (Alberta Energy Regulator), James Fulford (Executive Director), Mischa Malakoe (Technical Specialist) and Brian Heppelle (Senior Advisor, Technical) conducting an inspection near Norman Wells, Northwest Territories, February 2016. (OROGO)

OROGO conducted nine site visits, including inspections of authorized activities, in 2015-2016.

Incident Response

Oil and gas incidents can be reported to the Regulator in one of 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. If the incident is not spill-related, results in a spill below the threshold or is an accident or a near miss, the incident must be reported directly to OROGO through a dedicated 24/7 phone line.

In 2015-2016, one oil and gas incident was reported to the Regulator. The Regulator monitored the operator's compliance with its obligations under the *Oil and Gas Drilling and Production Regulations* and the file was closed on recommendation of the Chief Safety Officer.

In 2015-2016, 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 also completed a number of capacity building projects associated with incident response in 2015-2016. OROGO staff:

- Participated in a mock incident exercise hosted at Strategic Oil and Gas's Steen River facilities in northern Alberta in May 2015;
- Received OROGO-specific inspections and investigations training from the GNWT Department of Justice in June 2015;
- Observed a spill response exercise hosted by Enbridge in Tulita in July 2015;
- Attended a spill response course in Norman Wells hosted by the Mackenzie Delta Spill Response Corporation in July 2015;
- Participated in the annual Western Canada Spills Services Cooperative Spill Readiness Exercise in Rainbow Lake, Alberta, in September 2015; and
- Participated in the Marine Spill Response Operations Course (MSROC) offered by the Canadian Coast Guard in Yellowknife in February 2016.

Other Initiatives

Making Information Available

OROGO's efforts at increasing openness and transparency continue to be informed by section 91 of the *Petroleum Resources Act*, which 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 2014-2015, OROGO developed a waiver of privilege that it encourages operators to sign so that OROGO can make non-proprietary information about applications for operations authorizations public on its public registry. Since the waiver was developed, all applicants for operations authorizations have chosen to sign it. In addition, several companies have signed the waiver in advance of submitting any applications to OROGO.

In the summer of 2015, OROGO published its first Annual Report, which was tabled in the Legislative Assembly. The legislation does not require that

OROGO publish an Annual Report, but this is seen as a good way to share information about OROGO's activities with the public and stakeholders.

OROGO also maintains an Information Office, which makes non-privileged information about oil and gas activities in the Regulator's jurisdiction publicly available.

Historical records held by the National Energy Board are currently being scanned by OROGO. Scanning began in January 2016 and is expected to continue throughout most of 2016. When complete, OROGO will have a digital library of well and geophysical information dating back to the 1940s, which will be made more accessible to all users.



Cameron Hills, Northwest Territories, May 2014.
(OROGO)

Guidelines and Standards

In 2015-2016, OROGO developed and made public on its website:

- Application processing service standards for Operations Authorizations and Well Approvals to provide certainty to applicants and a standard for OROGO to report against;
- A plain language summary of reporting requirements under OGOA and its regulations to inform all stakeholders of the reporting requirements for operators working in OROGO's jurisdiction; and
- *Document Submission Guidelines*, issued under section 18 of OGOA, to clarify OROGO's expectations of applicants and operators submitting applications and reports.

OROGO also made significant strides towards developing *Suspension and Abandonment Guidelines* to provide clarity on OROGO's expectations of operators with respect to the suspension and abandonment of wells and to ensure compliance with the *Oil and Gas Drilling and Production Regulations*. It is anticipated that a draft of these guidelines will be available for public review and comment in 2016-2017.



Anita Lewis (Alberta Energy Regulator), Pauline de Jong (Senior Advisor, Legislation and Policy) and Abul Kabir (National Energy Board) working on suspension and abandonment guidelines, February 2016. (OROGO)



Miki Ehrlich of the Mackenzie Valley Land and Water Board (MVLWB) learning to use a self-contained breathing apparatus during H2S Alive training, October 2015. (MVLWB)

Over 35 northerners have received H2S Alive certification at OROGO-sponsored training since 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 the summer of 2015, OROGO staff met with employees of Ecology North and the Department of Environment and Natural Resources to share information and resources related to the location of historic wells, field work safety and, particularly, safety around hydrogen sulfide (H₂S) gas in preparation for an Ecology North sponsored initiative to locate historic oil and gas sumps near Trout Lake.

In October 2015, OROGO offered H₂S Alive training to its staff and staff of other regulators and organizations 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 also sponsored a one-day short course on Well Bore Integrity in conjunction with the Geoscience Forum in November 2015. The course was led by Dr. Maurice Dusseault, a recognized expert in well bore integrity, and offered an overview of modern well design, construction, completions (including hydraulic fracturing), mitigation, monitoring and remediation. Approximately 25 people attended from government departments, other regulators and interested companies. OROGO hopes to make such courses a regular event.

Relationships with Other Regulators

In July 2015, OROGO signed a Memorandum of Understanding (MOU) with the National Energy Board (NEB). The MOU establishes a mechanism for collaboration and cooperation in order to maintain consistent regulation, requirements and guidance to the extent possible across the NWT. The MOU was put into practice in November 2015, when both the NEB and OROGO received applications from Imperial Oil Resources Ventures Limited for the extension of the “sunset clause” applicable to the approval for the Mackenzie Gas Project. As this project straddles the jurisdictional boundary between the NEB and the GNWT Regulator, a joint Procedural Notice was developed and issued, indicating that both regulators would make use of the NEB’s public registry and e-filing system to gather written comments with respect to the proposed extensions. Although the process for receiving comments was coordinated, decision-making on the two applications remains separate and independent. The period for written comments closed on March 8, 2016, and the Chief Conservation Officer is reviewing the comments received in preparation to issue a decision.

In September 2015, OROGO signed an MOU with the Workers’ Safety and Compensation Commission (WSCC). The MOU focuses on cooperation in safety-related areas, including staff training, coordination of inspections and incident response. OROGO staff work closely with WSCC staff when planning inspections in order to make the most efficient use of the resources available to both organizations, while meeting their shared mandate for protecting human safety.

Copies of both MOUs are available on the OROGO website at www.oro.go.nt.ca/documents.



Well site in the Fort Liard Area, Northwest Territories, September 2014. (OROGO)

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 in NWT Board Forum meetings in February 2016, which offered an opportunity to present on OROGO’s mandate, role and achievements, and to discuss issues with other participants. OROGO will be co-hosting the upcoming NWT Board Forum meeting in Norman Wells in November 2016.

OROGO also continues to participate in a number of inter-jurisdictional oil and gas regulatory initiatives and forums.

Outreach and Engagement

In 2015-2016, OROGO focused on two objectives with respect to its outreach activities:

- Clarifying and maintaining beneficial 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 Gwich'in Tribal Council, Inuvialuit Regional Corporation, Liidlii Kue First Nation and Mackenzie Valley Land and Water Board as well as regional and headquarters staff of the Department of Industry, Tourism and Investment, Department of Environment and Natural Resources and Department of Lands. OROGO also made presentations to the Northwest Territories Project Committee and to the National Energy Board's northern practice group.

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.

OROGO made 13 community visits and/or presentations in 2015-2016.

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 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:

- The Yellowknife Geoscience Forum in November 2015; and
- The Arctic Oil and Gas Symposium in Calgary in March 2016.

OROGO also continues to dedicate 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. In 2015-2016, 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 and comments on the Department of Industry, Tourism and Investment's proposed *Hydraulic Fracturing Filing Regulations*.



Wellhead near Norman Wells, Northwest Territories, February 2016. (OROGO)



NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

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