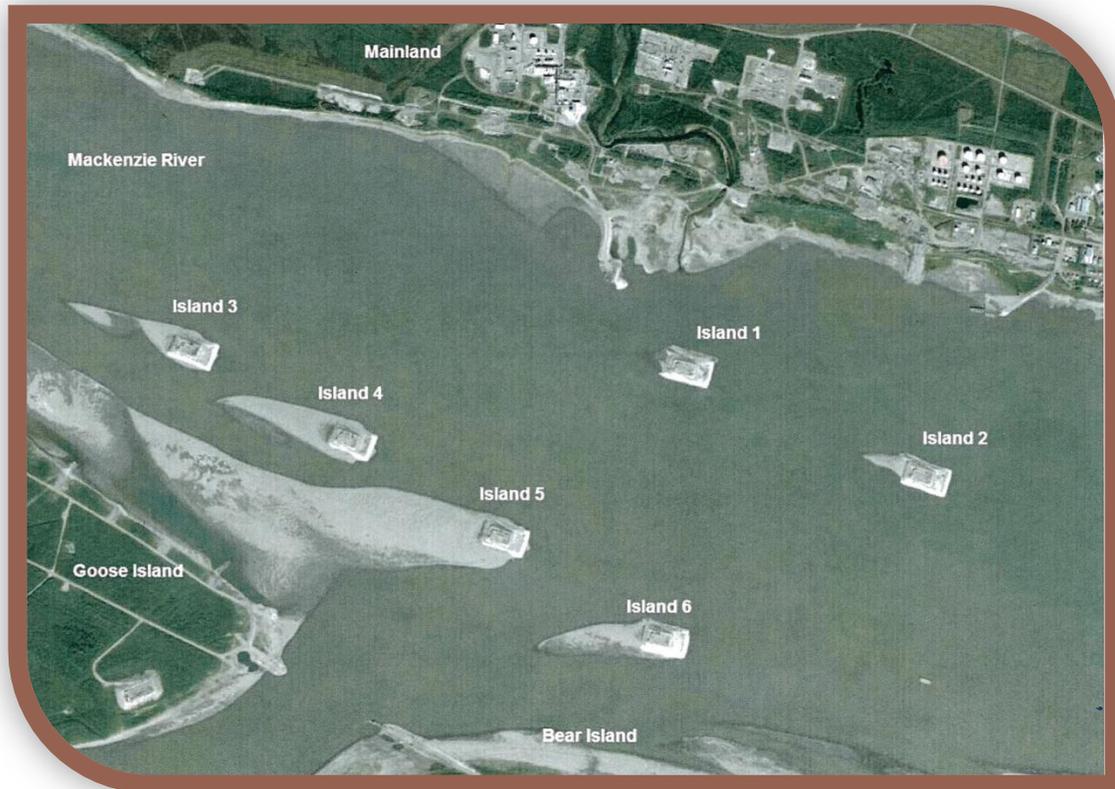


Norman Wells Oilfield Action Plan



Daniel McNeely, Sahtu MLA

Daniel_McNeely@gov.nt.ca

Legislative Assembly of the NWT

The Issue

The Norman Wells oilfield, owned 2/3 by Imperial Oil Limited (IOL) and 1/3 by the Federal government, has been in operation since the 1920s. It underwent a major expansion in the early 1980s with production planned for just under 50,000 barrels/day. Due to ongoing decline in the field, IOL currently ships just over 11,000 barrels/day.

The operations of the field, the responsibilities of the two partners and the sharing of costs and benefits from the field are governed by a series of Proven Area Agreements. These Agreements take precedence over territorial petroleum legislation. The administration and regulation of the field were excluded from transfer under the devolution agreement. Indigenous, Northern Affairs Canada (INAC) continues to administer the field and the National Energy Board (NEB) regulates its operations. The Government of the Northwest Territories (GNWT) receives a small royalty flow from the field under devolution arrangements.

Earlier this year, IOL filed a “Disclosure & Reclamations” Plan with the Sahtu Land & Water Board. This Plan was required by the SLWB as a condition for the renewal of the field’s water license. The estimated cost of the reclamation under the Plan is \$187 million. IOL currently provides a \$2 million irrevocable letter of credit as security. The company and the Crown continue to hold discussions on how best to guarantee the difference. (similar to the Dominion Diamond negotiations).

Two weeks ago, IOL announced that it was interested in divesting its 2/3 interest in the field and began a process of identifying potential purchasers. There is no deadline established by IOL to complete this process. Given the field’s ongoing decline, the consequent increasing tolls to ship on the Enbridge pipeline to Zama, Alberta, the continued reduction of available Crown acreage for new exploration in the Sahtu and the likelihood of lower oil prices for an extended period, it is difficult to imagine a buyer stepping up to take over IOL’s 2/3 share. In addition, the Crown must agree to any buyer.

At the present time, the Crown’s 1/3 share is not for sale.

The Role of the GNWT

There are a number of issues for the GNWT to consider beginning with the obvious social and economic impacts on the Sahtu Region in general and the Town of Norman Wells in particular. While the closure of the operation will result in local job losses, the reclamation plan will mean a series of new, long-term jobs for Sahtu residents and will provide significant training and education opportunities in the years to come.

In addition, there will be a number of considerations regarding the clean-up of the field and the dismantling of its infrastructure. While there is a Plan in place, as noted above,

given the long life of the field, it is probable there will be many unforeseen instances of spills, buried waste and general river and air issues to be dealt with.

Reclamation Methodology

Summary of phases

1. Site assessment, geotechnical study;
2. Permit applications;
3. Reclamation/remedial work execution and disposals;
4. Environmental audit;
5. Stakeholders acceptance;
6. Certificate of completion.

The impacted scope should be defined to include removal and disposals of:

- Surface equipment;
- Surface buildings;
- Surface, subsurface pipelines and tie ins;
- Subsurface well abandonment, completions;
- Surface infrastructures.

The principals of engagement, terms of reference on cleanup should be strongly considered and agreed upon, principals on cleanup or removal can be determined by if it was man-made or installed, if so, it should be removed, disposed and reclaimed to the original state or origin. Disposals will go to a licensed waste disposal facility or Landfill.

The issue of liability security coverage must be addressed before a certificate of clearance is declared; again, this may already be addressed in the original development & production permit issuances. In today's legislation, applications for resource development are accompanied by a reclamation/remedial plan.

Note to the reader, should the Islands be left as is or selected ones, who will be responsible for continued ice breakup erosion restoration?

Note to reader, prior to Imperial Oil relocating recreational and staff residencies to the Town as we see today, domestic, Industrial waste were disposed at a site and backfilled at the northwest side of the current runway, secondly, road dust control applications

included waste industrial used engine oil, therefore the geotechnical study will determine areas of impact.

Signs of contamination and the extent of the Oilfield liability can only be accomplished by an independent geotechnical study to satisfy third party observation. Additional research information on the study can be gathered by interviews from the elders or occupants that participated during the expansion. Copies of the approved permitted activities should be gathered to provide and define the approved scope of work for the expansion. Such scope of work activity will show gathering underground pipe and electrical installations, Drilling platforms, well locations and battery compression supports stations, waste sumps, marine front docks, CPF description, water well injections and disposals, fuel tank farms, terminal stations, camp sites and descriptions.

To determine a certificate of reclamation if issued, access to the original expansion filing should be provided. It would be appropriate in saying with consideration the Government of Canada is a shareholder, the lead for the reclamation and certificates be issued by the GNWT through legislation under Devolution an Oversight committee be struck to ensure this largest ever Oilfield cleanup be supervised in a meaningful secure way with full disclosure.

Recommendation

The GNWT should establish a regional office in Norman Wells to coordinate the roles of the various departments within the government. This office should report to the Executive and would be funded, in part, through the current resource revenues received from the oilfield.

This office would be responsible for working with the appropriate GNWT Departments to:

- Ensure the necessary legal work to define the legislative role of the GNWT in the proposed sale and eventual reclamation;
- Determine the environmental standards that the GNWT will want adhered to in the reclamation process and ensure a GNWT role in the issuance of the necessary permits;
- Independently determine the scope of the remediation required;
- With Canada and IOL, determine the amount and method of reclamation financial guarantees;
- Develop an employee transition plan for current staff and a training and education plan for new staff associated with the reclamation work;

- Work with the Town of Norman Wells and NCPC on an infrastructure transition plan to lessen the impact of IOL's sale; and
- Carry out such other tasks as are deemed appropriate.

CONCLUSION

The conclusion of Norman Wells Oilfield reclamation and related remediation plan must involve GNWT responsibilities under the Devolution inherited authorities and compliance with oil & gas legislation. Should this piece of property to be included or transferred under the post devolution process, then it should be agreed to that GNWT take the lead role in remedial & reclamation cleanup activities.

Budget, staffing, community consultations, public awareness can be implemented by the creation of a central office located in Norman Wells. GNWT, independent of any shareholding interests and legislative responsibilities provides a sound position for oversight. Funding the oversight operations can be accountable through the received royalties from the Oilfield

References:

Sahtu Land and Water Board:

<http://www.mvlwb.ca/Boards/slwb/SitePages/search.aspx?app=S13L1-007>

AMEC Environmental & Infrastructure

Imperial Oil Environmental Services – Abandonment and Reclamation Cost Estimate for Norman Wells Operations – September 25, 2014

