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MLA, FRAME LAKE

AUG 13 2019

Bill 37 – An Act to Amend the *Oil and Gas Operations Act*

This letter is in follow up to a question you raised during Standing Committee on Economic Development and Environment's clause-by-clause review of Bill 37 – An Act to Amend the *Oil and Gas Operations Act* regarding the monitoring of oil and gas facilities. During our exchange, I committed to getting information from the Office of the Regulator of Oil and Gas Operations (OROGO) regarding its monitoring requirements for oil and gas facilities and whether that monitoring will need to be completed before the commencement of the one-year period in paragraph (b) of clause 9 of Bill 37 regarding proof of financial responsibility.

With respect to on-going monitoring requirements, OROGO noted that section 57 of the *Oil and Gas Drilling and Production Regulations* (OGDPR) require the monitoring of suspended wells. That section states that, "The operator of a suspended well shall ensure that the well is monitored and inspected to maintain its continued integrity and to prevent pollution."

Section 5D of the *Well Suspension and Abandonment Guidelines and Interpretation Notes* (Guidelines) provide more detail on the Regulator's expectations for the monitoring of suspended wells. Section 5D sets out the testing and inspection requirements for suspended wells.

OROGO explained that the requirements vary depending on the risk level associated with the well and on the suspension method. The range is from annual testing to testing every five years. The Regulator may also require additional testing if circumstances warrant. The testing required is a surface casing vent flow test and a wellhead pressure test. If the well fails either of these tests, an additional well integrity test is also required.

With respect to post-abandonment monitoring requirements, OROGO noted that there are no requirements for the monitoring of abandoned wells in either the Guidelines or the OGDPR.

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However, OROGO explained that section 6D of the Guidelines requires that all forms of surface casing vent flow, gas migration and annular pressure must be repaired before a well can be abandoned.

Section 6D also states that any well demonstrating surface casing vent flow, gas migration or annular pressure after downhole and surface abandonment activities are completed will not be considered abandoned because it is not in compliance with section 56 of the OGDPR.

Section 56 of the OGDPR requires that abandoned wells be left in a condition that isolates the oil and gas bearing zones, discrete pressure zones and potable water zones and that prevents any formation fluid from flowing through or escaping from the well-bore. Therefore, OROGO explained that it would not consider a well to be “successfully abandoned” for the purposes of paragraph (b) of clause 9 of Bill 37 if it did not meet the requirements of section 6D of the Guidelines and section 56 of the OGDPR.

With respect to the application of clause 9 of Bill 37, OROGO stated its understanding that the operator would complete the abandonment operations and demonstrate that the well meets the requirements of the Guidelines and the OGDPR. Then OROGO would accept the “change of well status” form submitted by the operator and would issue the associated letter to the operator, confirming the change of status from “suspended” to “abandoned”. The date of that letter would be the trigger for the one-year period in paragraph (b) of clause 9 of Bill 37.

If passed, OROGO is considering maintaining the Operations Authorization (OA) associated with the proof of financial responsibility in place until the end of the additional one-year period in paragraph (b) of clause 9 of Bill 37. This would maintain the link between the OA and the proof of financial responsibility established in subsection 64(1) of the *Oil and Gas Operations Act* and would mean that, should something occur during the one-year period that requires the operator to take action, an OA would already be in place to facilitate that action.

Thank you for your interest in this matter. I trust this response addresses your questions.

A handwritten signature in black ink, appearing to read 'Wally Schumann', with a stylized flourish at the end.

Wally Schumann
Minister
Industry, Tourism and Investment

- c. Mr. Cory Vanthuyne,
Chair, SCEDE