



NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

Office of the Regulator of Oil and Gas Operations

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Strategic Oil and Gas Ltd.
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Attention: Tony Berthelet, President & CEO of Strategic Oil and Gas Ltd.

**Order: Abandonment of Wells and
Decommissioning of Oil and Gas Infrastructure at the Cameron Hills Field**

On February 22, 2016, I was designated as Regulator by the Commissioner in Executive Council pursuant to section 121 of the *Oil and Gas Operations Act* (hereinafter "OGOA"), through Regulator Designation Order R-011-2016. I am currently the Regulator.

Section 20(a) of OGOA states that the Regulator may "order and require any person to do, without delay, or within or at any specified time and in any manner set by the Regulator, any act, matter or thing that the person is or may be required to do under this Act, any regulation, order or direction made under this Act or an operating licence or authorization issued under section 10" (emphasis added).

Background

Strategic Oil and Gas Ltd. (hereinafter "Strategic") holds an Operations Authorization (OA) for its operation of the Cameron Hills Field (OA-2018-003-SOG). OA-2018-003-SOG was issued on March 20, 2019 under section 10(1)(b) of OGOA and expires on April 1, 2025. OA-2018-003-SOG is subject to additional terms, including the following:

Strategic Oil and Gas Ltd. shall cause the approved work and activities to be conducted in accordance with any guidelines and/or interpretation notes issued by the Regulator under section 18 of the Oil and Gas Operations Act.

Strategic Oil and Gas Ltd. shall cause the approved work and activities to be conducted in accordance with the specifications, standards and other information referred to in its application and subsequent submissions.

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Bureau de l'organisme de réglementation des opérations pétrolières et gazières

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BUREAU DE L'ORGANISME DE RÉGLEMENTATION DES OPÉRATIONS PÉTROLIÈRES ET GAZIÈRES DESTINÉ

On April 10, 2019, the Court of Queen's Bench of Alberta issued an order under the *Companies' Creditors Arrangement Act* (CCAA) with respect to Strategic whereby Strategic entered into creditor protection.

On May 10, 2019, the Court of Queen's Bench of Alberta issued an order approving a Sale and Investment Solicitation Process (hereinafter "SISP") with respect to Strategic's assets in the Northwest Territories and in Alberta.

On September 26, 2019, Strategic provided the Office of the Regulator of Oil and Gas Operations (OROGO) with a proposed Plan of Compromise and Arrangement (hereinafter "Plan") under the CCAA. The Plan describes a "disposition transaction", in which Strategic would sell its Cameron Hills properties to a purchaser, pursuant to an Asset Purchase Agreement dated August 27, 2019, which has not been provided to OROGO for review.

It appears from the Plan that, upon the disposition transaction taking place, it is possible Strategic will not be in a position to fulfill its obligations under OA-2018-003-SOG for the suspension and abandonment of wells and the decommissioning of infrastructure outlined in this order, leading to the closure of the Cameron Hills field. The Regulator has reviewed the financial statements and other relevant information provided by the prospective purchaser of the Cameron Hills field and has concerns that the prospective purchaser is not in a financial position to be able to complete the necessary suspension and abandonment of wells and decommissioning of infrastructure. Further, nothing in the Plan indicates that Strategic is prepared to retain any portion of the obligation to suspend and abandon the wells, as required, or decommission the infrastructure at the Cameron Hills field after the disposition transaction is completed.

Strategic's OA Application and Subsequent Submissions

In its application for OA-2018-003-SOG, Strategic provided a list of the proposed activities covered in its application. This list, found on page 6 of the HSE Assurance Plan – Cameron Hills, included the following statement with respect to deactivation, decommissioning and abandonment of the field and its infrastructure:

Detailed project-specific deactivation, decommissioning and abandonment plans will be prepared as required. The fundamental principle governing restoration is that any restored land must be brought back to either its pre-disturbed state or state equivalent to the adjacent land use. To do so, current guidelines and best

management practices pertaining to environmental protection during deactivation, decommissioning and abandonment, as well as assessment, remediation, closure and reclamation, will be considered. Strategic will conduct all aforementioned activities as per the requirements in EA03-005, Land Use Permit MV2013A0010, and Water License MV2010L1-0001.

Furthermore, on February 26, 2019, OROGO issued Information Request No. 5 to Strategic, requesting clarification of the scope and temporal extent of Strategic's OA application, given its intention to complete the abandonment of all infrastructure at the Cameron Hills field by the end of the winter 2025 work season, which was made public during a workshop organized by the Mackenzie Valley Land and Water Board on February 20, 2019 in Hay River.

Strategic, in its February 27, 2019 response to Information Request No. 5, requested that its OA application be amended "to extend the duration of its OA application to a 6-year OA, to the end of 2025 to coincide with its intended deadline for infrastructure abandonment at Cameron Hills".

Therefore, the Scope of Work for OA-2018-003-SOG includes "well and infrastructure maintenance and abandonment / decommissioning leading to the closure of the Cameron Hills field".

Guidelines and Interpretation Notes Issued by the Regulator

On February 1, 2017, I issued and published the *Well Suspension and Abandonment Guidelines and Interpretation Notes* (hereinafter the "Guidelines") under section 18 of OGOA.

Section 1 of the Guidelines states:

*If a well suspended prior to the coming into force of the Guidelines is **not in compliance** with the Guidelines and/or OGDPR:*

- 1. OROGO will notify the operator of the well;*
- 2. The operator must re-suspend or abandon the well in accordance with these Guidelines within two years of notification, or as otherwise specified by the Regulator; and*

3. *If the operator chooses to re-suspend the well, the well must be abandoned within six years of the re-suspension, in accordance with these Guidelines, unless it is brought back into production.*

*If a well suspended prior to the coming into force of the Guidelines is **in compliance** with the Guidelines and/or OGDPR, it must be brought back into production or abandoned in compliance with the Guidelines by January 31, 2023.*

Section 6 of the Guidelines states "all wells must be abandoned in accordance with these Guidelines within 6 years of suspension, unless otherwise approved by the Regulator".

The Cameron I-73 Well (WID 1937)

On September 4, 2019, Strategic notified OROGO of a surface casing vent flow (SCVF) at the Cameron I-73 well in the Cameron Hills field. On September 11, 2019, Strategic notified OROGO that the SCVF was releasing H₂S gas.

The SCVF at the Cameron I-73 well is considered a "spill" under section 61(1) of OGOA. Section 62(3) of OGOA requires that Strategic:

Take all reasonable measures consistent with safety and the protection of the environment

- a) *To prevent any future spills;*
- b) *To repair or remedy any condition resulting from the spill; and*
- c) *To reduce or mitigate any danger to life, health, property or the environment that results or may reasonably be expected to result from the spill.*

An SCVF containing H₂S is defined as "serious" under the Guidelines and must be repaired prior to the suspension of a well.

On September 27, 2019, Strategic submitted a proposed plan for the repair of the Cameron I-73 well to OROGO. The repair plan includes:

- Pressure testing or packing the wellhead seals;

- If the seals cannot be repaired to stop the SCVF, installing a scrubber on the surface casing vent to mitigate the risks associated with the H₂S gas while waiting to suspend the well; and
- Completing a zonal abandonment of the well to isolate the source of the leak once winter access can be frozen in to facilitate the mobilization of a service rig.

On October 1, 2019, Strategic was authorized to proceed with steps 1 through 11 of the proposed plan for repair of the Cameron I-73 well, which are to be completed by October 25, 2019. Strategic was also informed of the information and reporting requirements associated with this work and advised that the deadline for bringing the Cameron I-73 well into compliance with the Guidelines remains April 1, 2020.

Order

Pursuant to section 20(a) of OGOA, in order to comply with the terms of OA-2018-003-SOG, I hereby order Strategic to:

- 1. Repair the SCVF at the Cameron I-73 (WID 1937) well as soon as practicable and by no later than April 1, 2020, in accordance with section 62(3) of OGOA, which requires that Strategic take all reasonable measures consistent with safety and the protection of the environment:**
 - a) To prevent any future spills;**
 - b) To repair or remedy any condition resulting from the spill; and**
 - c) To reduce or mitigate any danger to life, health, property or the environment that results or may reasonably be expected to result from the spill.**
- 2. Suspend the Cameron J-62 (WID 1158), Cameron A-03 (WID 2047) and Cameron I-73 (WID 1937) wells by April 1, 2020, in compliance with the amended Well Approvals for these suspensions issued under OA-2018-003-SOG (respectively ACW-2019-004-SOG-J-62-WID1158, ACW-2019-003-SOG-A-03-WID2047, and ACW-2019-005-SOG-I-73-WID1937), and abandon them no later than 6 years after the suspension is completed, as required under section 6 of the Guidelines.**

3. Abandon the wells listed in the following table by January 31, 2023, as these wells were suspended prior to the coming into force of the Guidelines and were deemed by OROGO to be in compliance with the Guidelines at that time.

WID	Well Name
1746	Cameron A-68
1122	Cameron M-31
1992	Cameron F-73
2025	Cameron 2F-73
1792	Cameron I-74
2065	Cameron F-77
2034	Cameron J-04
2067	Cameron N-06
2071	Cameron 2B-09
1492	Cameron I-10
1756	Cameron B-25
2041	Cameron L-29
1751	Cameron J-37
1974	Cameron M-49
1608	Cameron C-50
1764	Swede G-21
1753	Cameron N-28
1747	Cameron A-73
2001	Cameron C-16
2063	Cameron M-74
1743	Cameron L-44
1971	Cameron F-75
2042	Cameron E-07

4. Abandon the wells listed in the following table by May 14, 2025, as these wells were classified as suspended (in accordance with the Guidelines) on May 15, 2019 and therefore must be abandoned no later than 6 years after that, as required under section 6 of the Guidelines.

WID	Well Name
1767	Cameron C-19
1793	Cameron C-75
1973	Cameron D-49
1732	Cameron B-08
1975	Cameron H-58
2033	Cameron L-73
1765	Cameron M-73
2026	Cameron 2M-73
1939	Cameron C-74
2032	Cameron J-74
1972	Cameron K-74
1940	Cameron H-03
2073	Cameron 2H-03
0376	Cameron A-05
2045	Cameron L-40
1736	Cameron L-47
1482	Cameron I-16

5. Decommission the gathering system in place at Cameron Hills by March 31, 2025, the end of the winter 2025 work season, in accordance with the scope of work of OA-2018-003-SOG and commitments made by Strategic in its OA application and related submissions.

6. Remove all other oil and gas infrastructure in place at Cameron Hills by March 31, 2025, the end of the winter 2025 work season, in accordance with the scope of work of OA-2018-003-SOG and commitments made by Strategic in its OA application and related submissions.

I order that all suspensions and abandonments shall be completed in accordance with the Guidelines and that Strategic shall obtain all approvals necessary to comply with this order from OROGO.

This order in no way precludes any enforcement actions being taken regarding this matter under OGOA or any other territorial or federal legislation, or by any other regulator with jurisdiction.

Failure to Comply

Failure to comply with an order of the Regulator made under OGOA is an offence under section 114(1) of OGOA, which provides, in part, that every person is guilty of an offence who fails to comply with an order of the Regulator made under OGOA and is liable, on summary conviction, to a fine not exceeding \$1,000,000 or to imprisonment for a term not exceeding two years, or to both (section 114(2) of OGOA).

In addition, upon being convicted of an offence, the court may order that person to comply with the order (see section 115 of OGOA). If an offence is committed on or continued for more than one day, the offence is considered to be a separate offence for each day on which the offence is committed or continued (see section 116 of OGOA).

A copy of OGOA and of OA-2018-003-SOG are attached for your convenience.

Dated at Fort Smith, in the Northwest Territories, the 4th day of October 2019.



Louis Sebert
Regulator