

John Hawkins
Director, Asset Management
MGM Energy
SUITE 4700, 888 – 3 ST SW
CALGARY AB T2P 5C5

October 16, 2023

Dear John Hawkins:

Decision: Extension to Abandonment Deadlines (OA-2019-002-MGM)

On June 15, 2023, the Office of the Regulator of Oil and Gas Operations (OROGO) received a request from MGM Energy (MGM) to extend the deadline for the abandonment of following wells to March 31, 2026:

Nogha C-49 (WID1934)

Nogha B-23 (WID1998)

Lac Maunoir E-35 (WID2021)

West Nogha K-14 (WID2006)

Lac Maunoir C-34 (WID1995)

Nogha M-17 (WID1970)

The abandonment deadline for these wells is currently March 31, 2025.

MGM also responded to the following information requests associated with its request:

Information Request No. 8 – received on July 27, 2023

Information Request No. 9 – received on September 26, 2023

This letter:

- Provides context for MGM's request;
- Considers MGM's efforts to complete the abandonments by March 31, 2025;
- Considers MGM's arguments in favor of an extension; and
- Concludes with my decision.

Context

The six wells scoped into OA-2019-002-MGM are listed in Table 1. They are in the Sahtu Settlement Area of the NWT, near Colville Lake. Four of these wells are compliant with the suspension requirements established in the *Well Suspension and Abandonment Guidelines and Interpretation Notes (Abandonment Guidelines)* and two are non-compliant due to the condition of the downhole suspension barriers.

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Table 1: Wells Scoped into OA-2019-002-MGM

Compliant Wells	Non-Compliant Wells
Nogha M-17 Nogha B-23 Lac Maunoir C-34 Lac Maunoir E-35	Nogha C-49 West Nogha K-14

Non-compliant wells

The original deadline for the abandonment of the two non-compliant wells was August 31, 2019. This deadline was established in the Abandonment Guidelines and was communicated to MGM in August 2017, and again in 2019.

In June 2018, OROGO staff met with MGM to clarify the application process and timelines for the abandonment of the two non-compliant wells. Because the two non-compliant wells are only accessible in winter, the abandonment operation would have to take place between January and March 2019 to meet the August 2019 abandonment deadline.

By January 9, 2019, MGM had not submitted any applications for the abandonment of the non-compliant wells. It had also not submitted a request for extension. Therefore, the Chief Conservation Officer determined that MGM was not compliant with the Abandonment Guidelines and directed MGM to conduct twice-yearly inspections of these wells until their abandonment.

MGM inspected the non-compliant suspended wells in May and August 2019.

On June 6, 2019, OROGO received a complete application for OA-2019-002-MGM which indirectly requested an extension of the abandonment deadline for the Nogha C-49 and West Nogha K-14 wells to April 1, 2021, to align operations with other planned well abandonments in the area.

On August 20, 2019, I approved an extension to the abandonment deadline for the two non-compliant wells to April 1, 2021, based on the environmental benefits of carrying out all six well abandonments in one season. I also re-iterated my direction to MGM to conduct twice yearly inspections of these wells.

On July 30, 2020, in response to MGM's request, I deferred further inspections of the non-compliant suspended wells to 2021 due to the health and safety challenges associated with COVID-19.

In December 2020, again due to COVID-19, I extended the deadline for abandonment of these wells to April 1, 2022.

In January 2021, MGM submitted to OROGO a plan to abandon all six wells by March 31, 2023. On February 22, 2021, I denied MGM's request for a further extension to the abandonment deadline for the two non-compliant wells (the deadline remained April 1, 2022). I also provided direction on the submission of applications for Well Approvals for the planned operations.

On December 20, 2021, while OROGO was processing MGM's application for an Operations Authorization, I extended the deadline for completing these well abandonments to March 31, 2024, due to the impact of COVID-19 on MGM's ability to mobilize equipment to Colville Lake a year prior to abandonment operations.

MGM conducted additional inspections in September 2021 and July 2022. Gas migration testing was completed on the non-compliant wells in September 2021 and no issues were identified.

On December 19, 2022, I extended the deadline for completing these well abandonments to March 31, 2025, based on the potential impacts on operational safety and the environmental benefits associated with sharing operations with Suncor Energy Inc. In my decision, I stated the potential economic benefits to local communities do not fall under the Regulator's mandate and, therefore, did not have a bearing on the decision.

Compliant wells

The original deadline for the abandonment of the compliant wells was January 31, 2023. This deadline was established in the Guidelines and was communicated to MGM in August 2017, and again in 2019 and 2020.

In January 2021, MGM submitted to OROGO its plan to abandon all six wells by March 31, 2023. On February 22, 2021, I granted MGM's request for a 60-day extension to the abandonment deadline for the four compliant wells, to March 31, 2023. I also provided direction on the submission of applications for Well Approvals for the planned operations.

On December 20, 2021, while OROGO was processing MGM's application for an Operations Authorization, I extended the deadline for completing these well abandonments to March 31, 2024, due to the impact of COVID-19 on MGM's ability to mobilize equipment to Colville Lake.

On December 19, 2022, I extended the deadline for completing these well abandonments to March 31, 2025, based on the potential impacts on operational safety and the environmental benefits associated with sharing operations with Suncor Energy Inc. (Suncor) In my decision, I stated the potential economic benefits to local communities do not fall under the Regulator's mandate and, therefore, did not have a bearing on the decision.

Gas migration testing was completed on the compliant wells in September 2021 and no issues were identified.

MGM's Efforts to Complete Abandonments by March 31, 2025

On December 19, 2022, I extended the deadline for completing these well abandonments to March 31, 2025, which represents a significant delay from the original deadlines of August 31, 2019 (for non-compliant wells) and January 31, 2023 (for compliant wells), established in the Abandonment Guidelines.

In Information Request (IR) No. 8, I asked MGM to provide more information on its efforts to obtain the services required to complete its well abandonment operations by March 31, 2025, in compliance with my decision. In its response to IR No. 8, MGM stated:

- MGM follows guidance from the Department of Industry, Tourism, and Investment (ITI) for contracting local communities first, followed by the region, the north, and elsewhere. I infer that MGM is referring to ITI's *Benefits Plan Guidelines for Northwest Territories Petroleum Lands* (Benefits Plan Guidelines).
- During engagement for the project, "community leadership" has stated numerous times that local participation is required.
- MGM has a private agreement with Sahtu communities and governments with respect to Sahtu surface lands, on which some of the abandonments will occur. The agreement "speaks to the requirement of using local services where capacity exists".
- MGM made communities aware of the required equipment and services over the course of its engagement on the Land Use Permit and Water Licence. In its June 15, 2023, request for an extension, MGM stated it has been engaging with communities on this project since 2019.
- The communities "do not have specialized equipment to conduct the abandonments but have the potential to provide the supply and access services." While some of the services MGM requires are available in Colville Lake, Fort Good Hope, and Norman Wells, "communities have not confirmed what services would be available or contractors".
- MGM has not pursued services from outside the NWT as it would not benefit the communities.

In its response to IR No. 9, MGM stated that it was aware of Behdzi Adha' First Nation's interest in entering into a joint venture agreement related to the services required, but "doesn't expect that the joint venture will be finalized in time for MGM to assess the contracting company ... in a timeframe that meets the staging requirements for a 2025 abandonment program implementation".

Based on MGM's submissions, MGM's efforts to obtain the services required to complete its well abandonment operations by March 31, 2025, have been largely limited to the community of Colville Lake. MGM appears to have limited its scope based on the private agreement it has with respect to operations on Sahtu surface lands and its Benefits Plan.

The implementation of private agreements does not fall under the Regulator's mandate and, therefore, does not have a bearing on my decision. However, I note MGM states the agreement in question recognizes that capacity limitations may affect MGM's ability to use local services.

The implementation of Benefits Plans also does not fall under the Regulator's mandate and, therefore, does not have a bearing on my decision. However, I note the Benefits Plan Guidelines state a Benefits Plan "...should ensure that NWT Indigenous Residents and NWT Indigenous Businesses, as well as other NWT Residents and NWT Business, are provided an *opportunity* to participate in and benefit directly from" oil and gas activity (emphasis added). Neither the Benefits Plan Guidelines, the *Oil and Gas Operations Act*, nor the *Petroleum Resources Act* establish any penalties for operators that are unable to obtain local services in a timely manner and therefore unable to fully implement their Benefits Plans.

In my opinion, it is reasonable for MGM to start its search for contracted services with local community providers. However, it is also reasonable for MGM to expand that search to other providers in the region, the NWT, and the rest of Canada as needed to complete its operations in accordance with my direction if local providers do not have the capacity to provide the necessary services in the time required.

Based on MGM's submissions, I am not convinced that MGM has made every effort to obtain the services required to comply with the current well abandonment deadline of March 31, 2025.

MGM's Arguments

MGM's request for a further extension to the abandonment deadline for its six wells in the Colville Lake area is based on the following arguments:

- An extension will give an opportunity for local businesses to benefit economically from the operation.
- An extension will "allow sufficient time to develop a resource plan that ensures the safety of this remote work" by working together with Suncor.

Economic benefits

MGM's primary argument in favour of an extension relates to providing economic benefits to local communities. In its request of June 15, 2023, MGM notes that engagement on the abandonment project began in 2019 and, throughout this period, MGM has worked with the local community, the K'ahsho Got'ine Land Corporation, the Behdzi Ahda' First Nation, the Ayoni Keh Land Corporation, the Fort Good Hope Dene Band, the Yamoga Land Corporation, the Fort Good Hope Metis Nation Local #54 Land Corporation, and others to "develop a resource plan for staging equipment for the abandonments aligned with our Benefits Plan".

MGM states the resource plan has not yet been finalized and, in discussion with Suncor, it requests an extension to "maximize the benefits to the local community".

As stated in my decision of December 19, 2022, the economic benefits to communities from participation in abandonment operations do not fall under the Regulator's mandate and, therefore, do not have a bearing on my decision.

Level of Safety and Environmental Risk

In its extension request, MGM states it has not finalized a resource plan for its operations and "has concerns that this may impact the safety" of the well abandonments.

I recognize that appropriate resourcing is necessary to support safe operations. However, MGM's failure to finalize a resource plan for its operations is directly related to its failure to pursue all avenues for obtaining the necessary services in a timely manner, as discussed earlier in this letter.

Furthermore, deferring these operations also affects safety and environmental risk. As described in the Context section, two of the wells to be abandoned under OA-2019-002-MGM are non-compliant with the Abandonment Guidelines. The remaining four are compliant. The original abandonment deadlines were August 31, 2019, for the non-compliant wells and January 31, 2023, for the compliant wells. With the extensions already approved, MGM has had eight years from the issuance of the Abandonment Guidelines in which to plan and execute these operations.

The Abandonment Guidelines place limits on the amount of time wells may remain suspended because suspended wells deteriorate over time, causing increasing levels of safety and environmental risk. The six wells in question were drilled between 2003 and 2005. By January 2026, MGM's proposed start of operations, they will be over 20 years old.

Therefore, I am not convinced that a further extension to the abandonment deadline is without risk to the environment or human safety.

Decision

Based on the context for this decision, my consideration of MGM's efforts to complete the abandonments by March 31, 2025, and my consideration of MGM's arguments, I conclude that:

1. MGM has not demonstrated it has made reasonable efforts to complete the abandonment operations by the March 31, 2025, deadline by pursuing service contracts with providers available in the region or the territory.
2. MGM's arguments with respect to providing economic benefits to communities fall outside my mandate.
3. MGM's arguments with respect to the safety risks of proceeding as directed relate to its lack of a finalized resource plan, and therefore to conclusion #1.
4. Delaying the abandonment of the six wells in question increases the risk to both safety and the environment for the wells themselves and for the abandonment operations.

Therefore, MGM's request for an extension to the deadline for the abandonment of the Nogha C-49, West Nogha K-14, Nogha B-23, Nogha M-17, Lac Maunoir C-34, and Lac Maunoir E-35 wells is denied. The abandonment deadline for these wells remains March 31, 2025.

Sincerely,



Pauline de Jong
Regulator