



NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

Office of the Regulator of Oil and Gas Operations

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Ryan E. Rawlyk
President & Chief Executive Officer
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CALGARY AB T2P 3G4

August 23, 2024

Dear Ryan Rawlyk:

Decision: Abandonment Deadline Extension Request (OA-2021-001-PPR variation 1)

On July 17, 2024, the Office of the Regulator of Oil and Gas Operations (OROGO) received a request from Prairie Provident Resources Canada Ltd. (PPR) to extend the deadline for abandonment of the South Pointed Mountain L-68 well (WID1207) based on completing the abandonment in late Q4/2024 and early Q1/2025. This would require a variation to OA-2021-001-PPR.

OROGO also received PPR's response to Information Request (IR) No. 6 for OA-2021-001-PPR on August 16, 2024. PPR's response to IR No. 6 clarifies that it is requesting an extension to March 30, 2025, for the abandonment of the South Pointed Mountain L-68 well.

In reviewing PPR's request, I also considered publicly available information from the Mackenzie Valley Land and Water Board (MVLWB) Public Registry.

This letter contains:

- Context for my decision
- My consideration of PPR's arguments
- My decision on PPR's request

Context

The South Pointed Mountain L-68 well is identified as Non-Compliant Suspended in OROGO's records. Prior to end of rig operations in late August 2023, a cement squeeze was performed into all perforations in the well and 80 linear meters of cement was circulated on top of the cement retainer within the tubing. At that point, the wellhead was placed back on the well and the well had a surface casing vent flow (SCVF). An SCVF is considered an incident under the *Oil and Gas Drilling and Production Regulations* (OGDPR) and a spill reportable to the NT/NU Spill Line.

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As the abandonment was not completed in summer 2023, on September 5, 2023, the abandonment deadline was extended to September 15, 2024. PPR committed to completing the abandonment in summer 2024 as follows:

- In a status report submitted to OROGO on August 28, 2023, PPR stated “PPR is planning to suspend operations and demobilize equipment immediately until the Summer of 2024”.
- In the Well Operations Report (dated October 4, 2023) for its summer 2023 operations, PPR ends its description of operations by stating “rig operations were completed at this point until 2024”.

The remaining steps in PPR’s approved abandonment program for the South Pointed Mountain L-68 well (dated August 12, 2023) include:

- Pulling the tubing from the well.
- Conducting a noise/temperature log and a cement bond log to determine if remedial cementing is required to repair the SCVF or for the isolation of oil and gas bearing zones and potable ground water.
- Abandoning the liner by setting a bridge plug with cement in the well.
- Completing any remedial cementing required and confirming the SCVF is repaired.
- Cutting and capping the well in accordance with OROGO’s requirements.

On February 5, 2024, PPR requested an extension of the abandonment deadline for the South Pointed Mountain L-68 well to September 15, 2026. PPR’s arguments in favor of an extension were:

- It could not finalize its program for the remaining activities without the results of SCVF testing.
- It wanted to coordinate its activities with other operators planning operations in the Fort Liard area in 2024 and 2025.
- It did not have the financial resources to complete the abandonment operations as scheduled.

On March 18, 2024, I denied PPR’s request and indicated that PPR could submit another request for extension if additional information became available.

On April 30, 2024, PPR inspected the South Pointed Mountain L-68 well. During the inspection, the SCVF was tested and PPR determined that its summer 2023 operations did not repair the SCVF. PPR also conducted gas migration testing. However, as section 4A of *the Well Suspension and Abandonment Guidelines and Interpretation Notes* (Guidelines) requires gas migration testing to take place between July and September, OROGO does not consider this to be a valid gas migration test.

Consideration of PPR's arguments

In its July 17, 2024, request for variation and its response to IR No. 6, PPR makes the following arguments in favor of an extension:

1. PPR was unable to establish partnerships to support completing the abandonment by the September 15, 2024, deadline.
2. PPR intends to coordinate its activities with Enbridge (Westcoast Energy Inc. or Westcoast), which is planning winter 2025 pipeline decommissioning activities near the South Pointed Mountain L-68 wellsite. This allows combined resources and reduces the environmental challenges associated with summer operations.
3. Had PPR gone ahead with operations, the depth of the Liard River would have caused "major concerns" for barge operations, leading to environmental and execution risk.
4. The South Pointed Mountain L-68 well is in a safe state and delaying the operation does not pose any additional risk to the environment or to people.

I have considered each of PPR's arguments as follows.

Sharing resources with other operators

In its response to IR No. 6, PPR states "pooled resources are crucial to a small producer like PPR in ensuring safety, efficiency, and minimizing environmental impacts". PPR states it was unable to establish partnerships with other operators in the Liard area in summer 2024, leaving it with "no viable options to complete the operations with the cooperation of others and within the proposed timeline".

Promoting human safety and protection of the environment are fundamental aspects of the Regulator's mandate under section 2 of the *Oil and Gas Operations Act*. With respect to the South Pointed Mountain L-68 well abandonment, however, it is not clear how partnering with another company would significantly affect these aspects of PPR's operations given that:

- L-68 is the only suspended well remaining in the area, so PPR cannot share the use of a service rig and crew to increase operational efficiency.
- The barge used to cross the Liard River to access the L-68 well would only be used by PPR, as all other operations in the area use a different barge landing. While there may be some cost sharing opportunities related to the barge service, having to share the barge with other operators might also result in delays.
- The access road to L-68 was brought back into use in summer 2023, so there is unlikely to be meaningful additional environmental impact with its use in summer or winter 2024, regardless of whether PPR shares it with another operator.

- As L-68 is separate from other operations in the area, it is unlikely that PPR would benefit from shared safety resources such as medics, first aid equipment, spill contingency equipment, etc.

While I appreciate that PPR wishes to partner with other operators where possible, PPR is responsible for completing its abandonment obligations on schedule and in a safe and environmentally responsible manner regardless of whether partner operators are available. Therefore, I find that the lack of a partner with which to share resources does not support PPR's request for an extension to the September 15, 2024, abandonment deadline.

Winter 2025 operations

In its response to IR No. 6, PPR states that it plans to partner with Westcoast to complete the well abandonment in Q1 2025. PPR states that this is "the only viable solution to ensure success" and identifies the following benefits of switching to winter operations in partnership with Westcoast:

- Frozen ground will make transportation of heavy equipment "more efficient, predictable, and safe".
- Barge and helicopter access to the site will not be required.
- Camp options will be improved through shared services and a potentially closer location.
- Winter access will be used by multiple operators, reducing environmental impact.

With respect to the benefits of partnering with Westcoast, I reiterate my conclusion that, while partnerships may be helpful, PPR is responsible for completing its abandonment obligation on schedule and in a safe and environmentally responsible manner regardless of whether partner operators are available. Furthermore, information posted to the [Mackenzie Valley Land and Water Board Public Registry](#) on August 8, 2024, from the Nahanni Butte Dene Band (NDDB) for MV2023P0036, Westcoast's application for a Land Use Permit for the proposed decommissioning, states that "Westcoast recently confirmed to NDDB that the Project will not be proceeding as planned in winter 2024/2025." Therefore, it appears likely that any benefits of partnering with Westcoast will not be available to PPR during the winter 2025 work season.

With respect to the benefits of switching to winter operations, I recognize that there may be safety and environmental benefits to moving heavy equipment on frozen roads. However, there are also safety risks associated with working in cold temperatures and darkness during winter operations. Furthermore, if PPR felt that winter operations were the safer option, it could have proposed continuing its abandonment of the South Pointed Mountain L-68 well in winter 2024 to meet the September 15, 2024, abandonment deadline.

Liard River depth

In its July 17, 2024, request, PPR states that low water in the Liard River “would have caused major concerns for the barge to operate given the service loads PPR would require” had operations gone ahead in summer 2024.

This is a hypothetical argument. PPR did not attempt to carry out operations in summer 2024 to meet the September 15, 2024, abandonment deadline and did not experience delays or limitations associated with low water. Therefore, it does not support PPR’s request for an extension to the September 15, 2024, abandonment deadline.

State of the South Pointed Mountain L-68 well

In its response to IR No. 6, PPR argues that deferring the abandonment of the South Pointed Mountain L-68 well should be acceptable because:

- It has consistently adhered to the bi-annual well inspection schedule.
- The SCVF has not changed significantly and is a non-serious sweet SCVF.
- The well is zonally abandoned.
- The wellbore “does not present any increased risk to individuals, equipment, or the environment”.

PPR was directed to complete bi-annual well inspections on February 9, 2021, because of issues identified with the South Pointed Mountain L-68 well, including a SCVF with fluids and elevated annular and tubing pressures. Compliance with this inspection schedule is expected and does not indicate that the well is in a safe condition.

The SCVF on the South Pointed Mountain L-68 well was initially found to be producing fluids. The SCVF test PPR conducted on April 30, 2024, did not identify any fluids from the SCVF, but resulted in “too many bubbles to count”, similar to the test performed during the abandonment operation in summer 2023. PPR did not report a quantitative gas flow from the SCVF, so I cannot determine if it meets the definition of a serious SCVF under section 4 of the *Well Suspension and Abandonment Guidelines and Interpretation Notes*. PPR did not report on the analysis of gas samples taken from the SCVF during test to confirm the absence of H₂S.

The SCVF on the South Pointed Mountain L-68 well is considered an incident under section 75 of the OGDPR. The OGDPR requires PPR to take corrective action to prevent further discharges into the environment and address the cause of the SCVF.

Furthermore, the SCVF demonstrates that, while the perforations in the South Pointed Mountain L-68 well have been plugged and cemented in accordance with the Guidelines, at least one formation is not sufficiently isolated, as required by section 56 of the OGDPR. Therefore, OROGO does not consider the well to be zonally abandoned.

Taken together, these issues demonstrate that delaying the abandonment of the South Pointed Mountain L-68 well will result in additional damage to the environment through discharges of gas from the SCVF.

Decision

Based on the context for PPR's request and my consideration of PPR's arguments, I find that PPR has not made a reasonable case for delaying the abandonment of the South Pointed Mountain L-68 well to March 30, 2025.

Therefore, PPR's request is denied.

PPR remains responsible for conducting its operations safely and in a manner that protects the environment. If PPR is unable to complete the abandonment of the South Pointed Mountain L-68 well by September 15, 2024, it will be placed in non-compliance and may be subject to further regulatory direction.

Sincerely,



Pauline de Jong
Regulator

c. Angie Stastook, Specialist Asset Liability and ESG, PPR