

# Overview of the Canada-Newfoundland & Labrador Offshore Oil and Gas Industry: A Regulator's Perspective



Photo Credit: Suncor

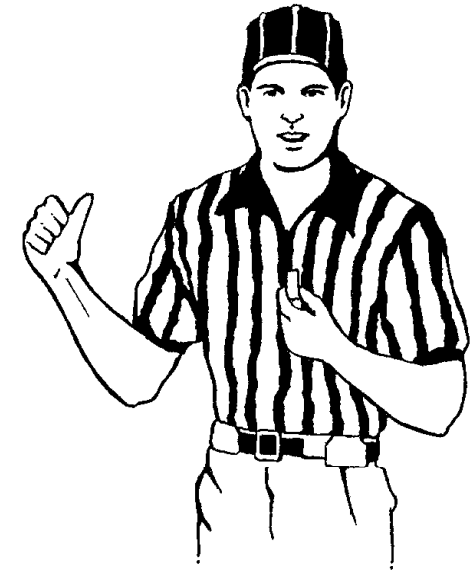
**Scott Tessier**  
Chair and Chief Executive Officer

# Regulatory Agency for Canada-Newfoundland and Labrador Offshore Area

- C-NLOPB was established in 1985 under the *Atlantic Accord*.
- *The Atlantic Accord Acts* created a single regulator with four key mandates:
  - Safety
  - Environment
  - Resource Management
  - Industrial Benefits
- Offshore safety and environmental protection are paramount.
- Member of the International Regulators' Forum and the International Offshore Petroleum Environmental Regulators.

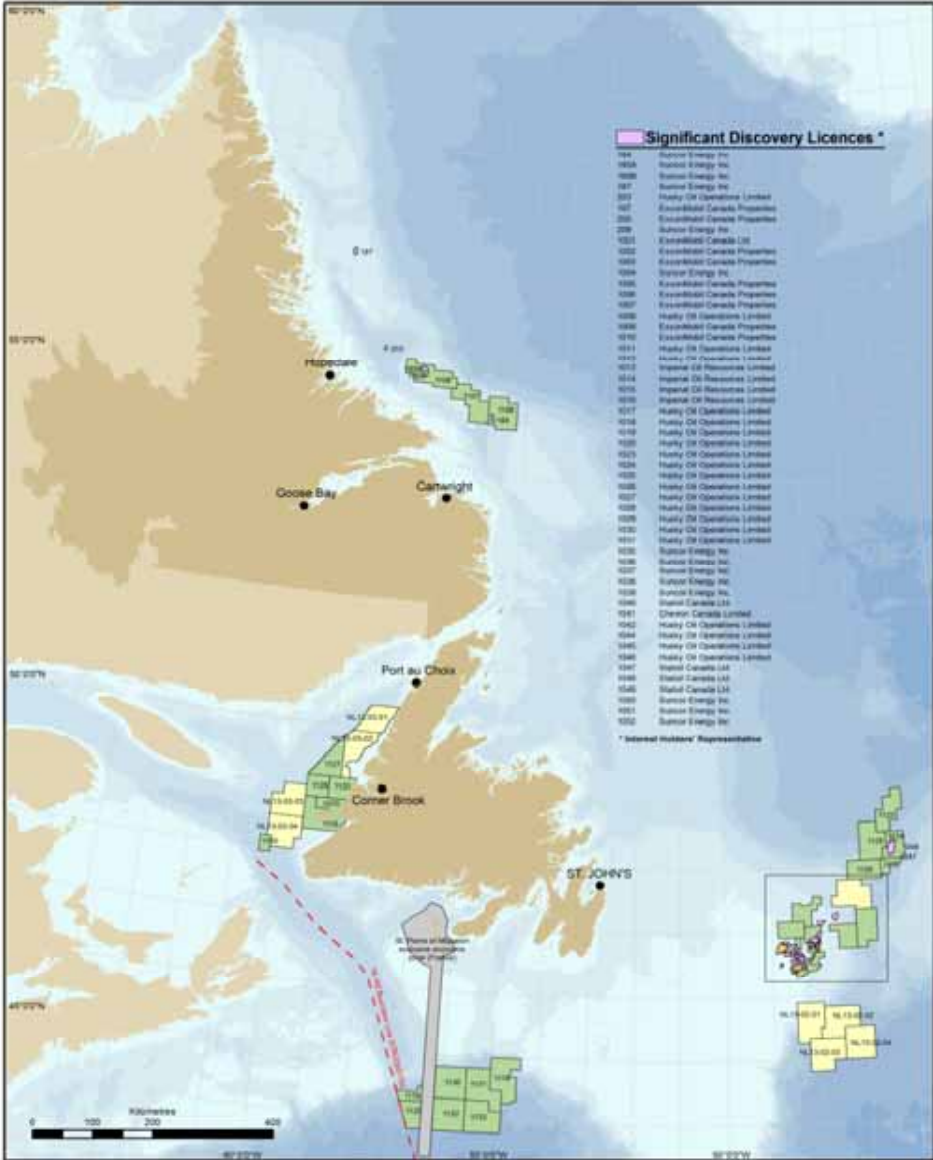
# Our Role

- The Board's role is to exercise regulatory oversight of Operators' activities. Similar in some ways to a referee.
- The *Atlantic Accord Acts* place ultimate responsibility for safety and environmental protection on the operators.
- Operators are required to mitigate risk to "as low as is reasonably practicable".
- The *Atlantic Accord Acts* have enabled the Board to effectively regulate the industry for nearly 30 years. The regulatory tool box includes regulations, guidance and operational conditions imposed on specific activities.



# Canada-Newfoundland and Labrador Offshore Area

- 33 Exploration Licences (ELs).
- 54 Significant Discovery Licences (SDLs).
- 11 Production Licences (PLs).



# Offshore Activities



Hibernia



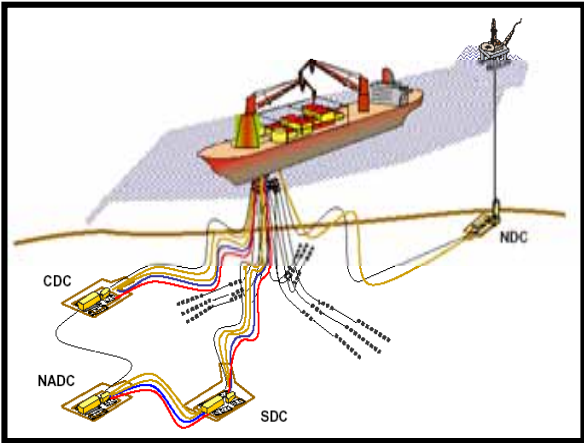
Terra Nova



White Rose



New Producing Field  
Hebron



Sub-sea Expansion



Exploration



# Offshore Safety - Our Highest Priority

## Safety Plans, Monitoring and Compliance

- Operators must have a Safety Plan.
- Monitoring activities include audits and inspections; and reviews of Operators' daily reports, incident reports, complaints and Joint Occupational Health and Safety Committee meeting minutes.

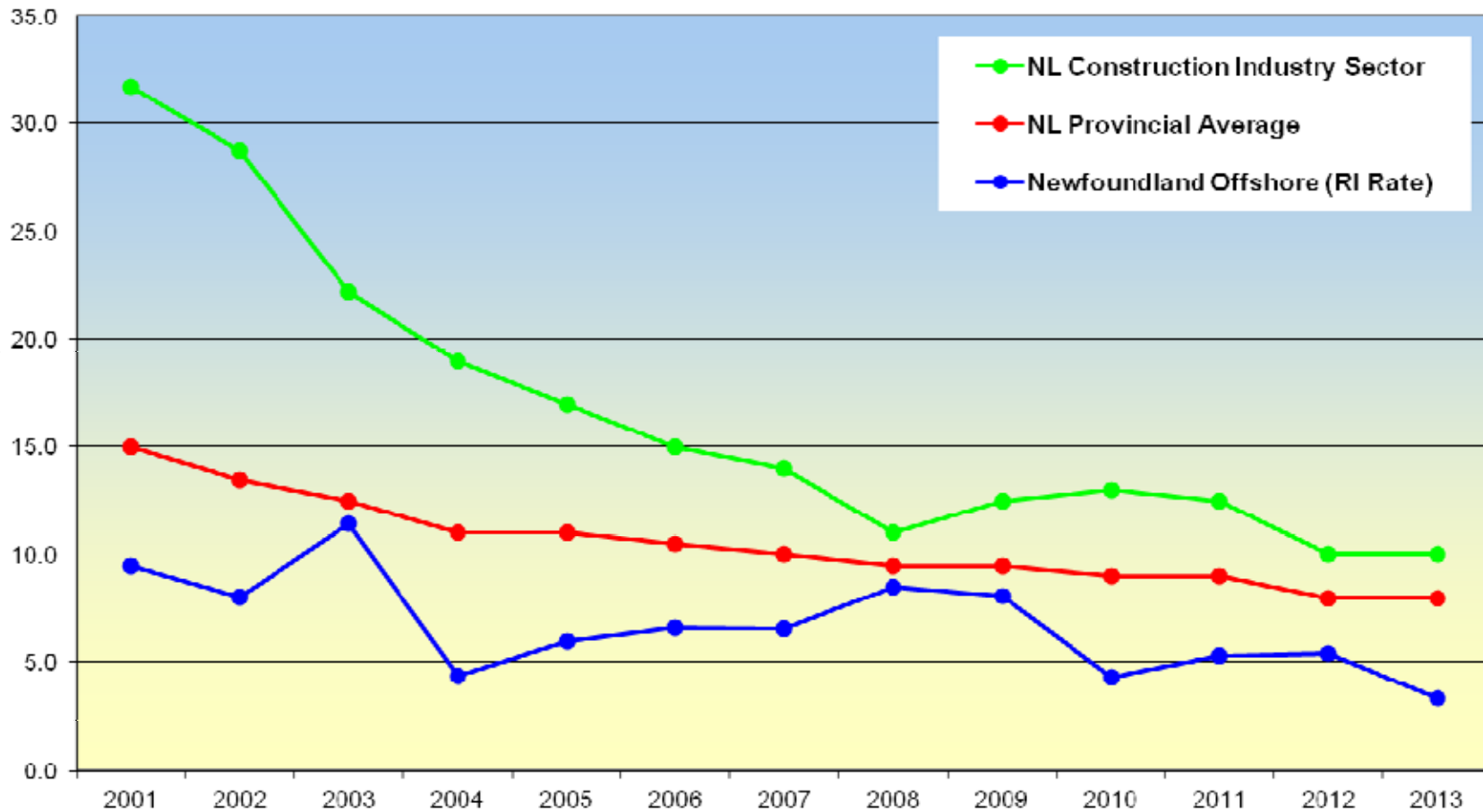
## Legislative Amendment

- A recent amendment to the *Atlantic Accord* strengthens offshore safety.
  - *Creates a formal legislative and regulatory framework regime for occupational health and safety.*
  - *Provides a more effective enforcement tool kit for safety officers.*



# Canada-Newfoundland and Labrador Offshore Reportable Injury Frequency Rate

compared to NL WHSCC (per 1,000,000 hrs worked)



Provincial Average and Construction Industry Sector includes LTI only  
Newfoundland Offshore RI Rate includes LTI and RWI

Source: WHSCC Annual Reports for Construction Industry and Provincial Avg



# Offshore Safety

## 5 Key Areas of Focus



**Training and Competency**

**Dropped Objects**

**Information Sharing**

**Aging Facilities**

**Global Standards**



# Safer Offshore Helicopter Transportation

## Highlights of Safety Improvements

- A dedicated SAR service is in place with wheels up time of 15-20 minutes.
- A First Response Dispatch Protocol is in place as is a formal protocol between DND and Cougar.
- Offshore workers have greater access to information about flight safety. Cougar maintains a kiosk and website which provide notice of incidents and pilots brief passengers whenever an incident occurs.
- New passenger transportation suits are being tested and will be introduced to the industry in 2015.
- The C-NLOPB is holding Safety Forums semi-annually and is planning a safety conference for November 13, 2014 in St. John's.



# Safer Drilling in Deep Water

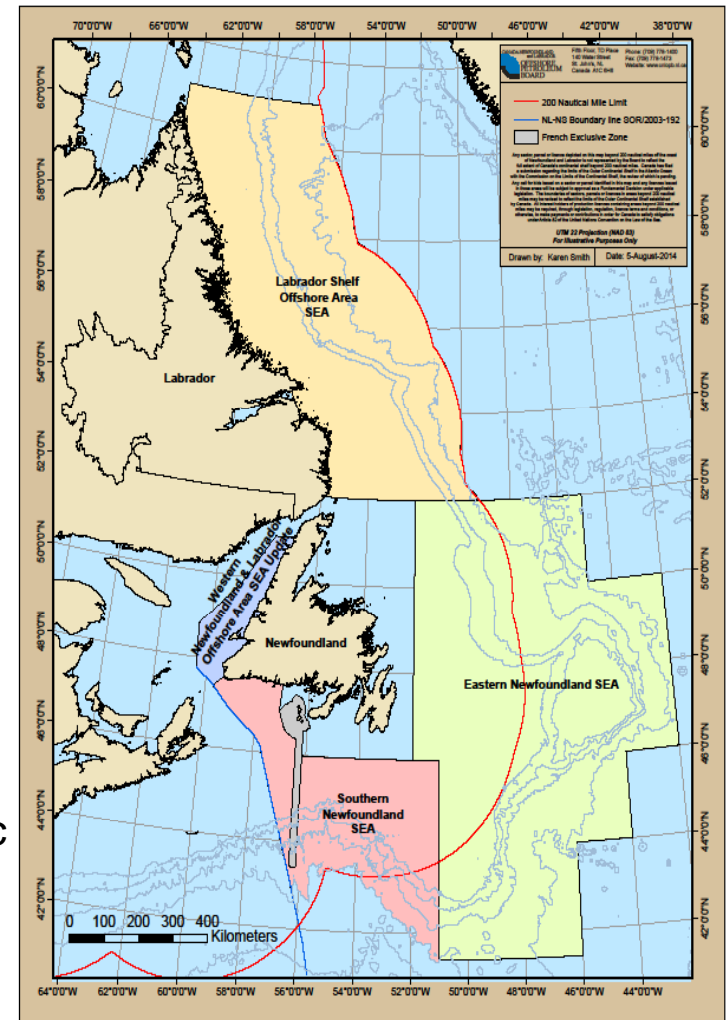
## Highlights of Improvements

- A dedicated regulatory oversight team within the C-NLOPB to oversee the Operator's execution of the drilling program.
- Timely submittal of daily reports, seven days a week.
- Formal bi-weekly meetings between the oversight team and the Operator.
- Increased frequency of audits and inspections onboard the offshore installation.
- Placing C-NLOPB technical experts onboard the offshore drilling installation from time to time to observe specific operations, such as casing and cementing operations, BOP testing, well control drills or the well termination program. In the case of BOP testing, the C-NLOPB may also request a representative of the Certifying Authority to be present.
- Scrutinizing reports received from Operators respecting the testing of both primary and back-up BOP control systems.
- Special training for C-NLOPB Operations Staff.



# Strategic Environmental Assessments

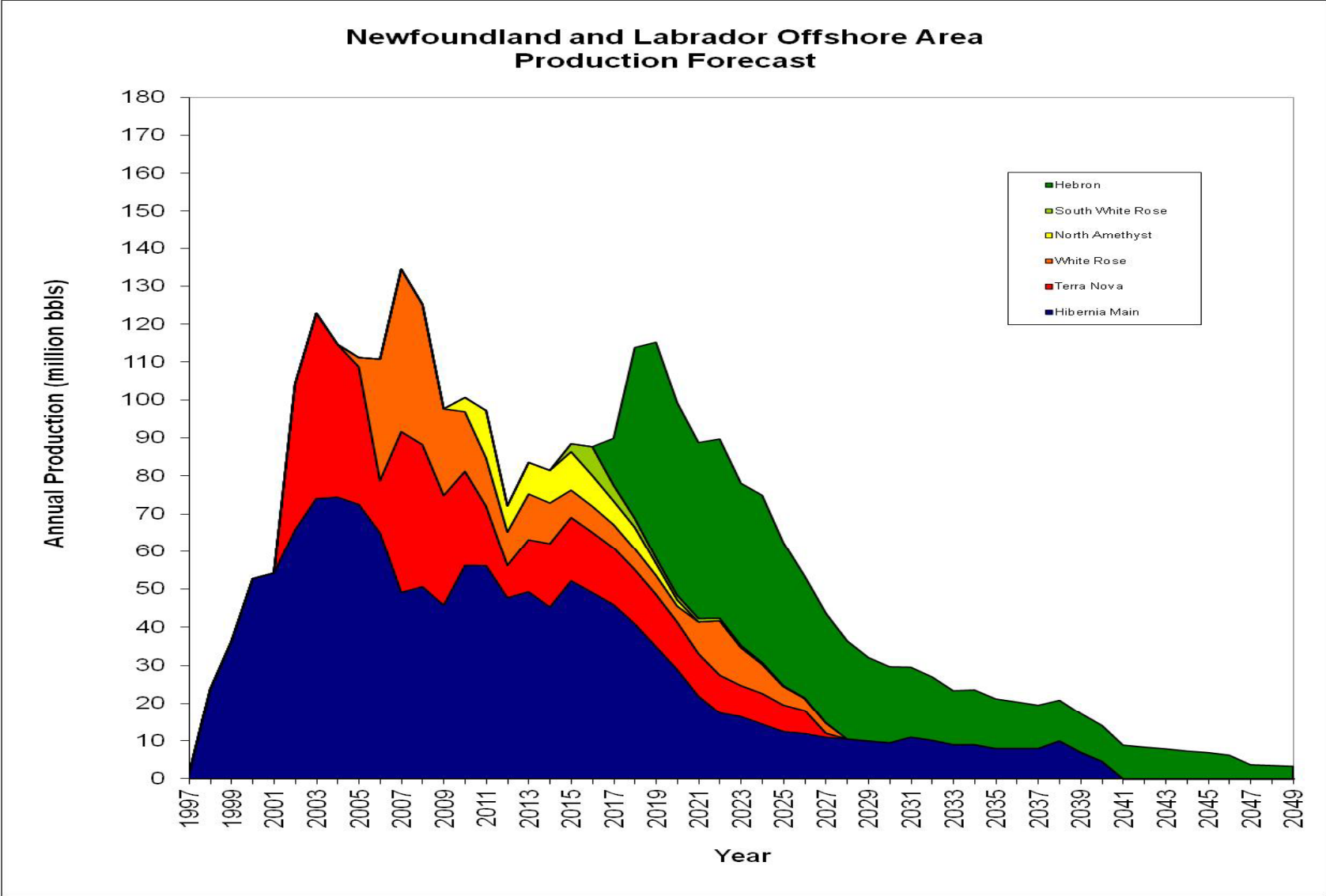
- A Strategic Environmental Assessment (SEA) provides an overview of the biophysical and socio-economic environment, including potential environmental sensitivities.
- Call for Bids issued in that region will not close for a minimum of 120 days after the completion of the SEA.
- The C-NLOPB released the *Western Newfoundland and Labrador SEA Update* on May 5, 2014 and the *Eastern Newfoundland SEA* On August 5.
- No activity can take place without a project-specific Environmental Assessment (EA).



# Environmental Record Offshore

- 401 wells have been spudded since 1966, including 155 exploration wells. 19 wells have been in deep water (>500 metres).
- 1.5 billion barrels of oil have been produced from 4 projects: Hibernia, Terra Nova, White Rose and North Amethyst.
- There have been no blowouts in our offshore area.
- 1,142 barrels of crude have been spilled in our offshore area.
- 6000 L spill at Hibernia in late December 2013 is still under investigation by C-NLOPB.

# Annual Predicted Offshore Oil Production Forecast



# 2014 Exploration Activity

## ***Geophysical Programs***

*(Authorized and Under Review)*

- Extensive regional 2D Seismic Data Acquisition
  - 1 program Offshore Labrador
  - 1 program Orphan Basin
  - 1 program Flemish Pass Basin
  - 1 program Southern NL
- Large 3D seismic survey in the Flemish Pass Basin
- Eastern Newfoundland Region Controlled Source Electromagnetic (CSEM) Survey
- Hebron wellsite and seabed survey
- Hibernia seabed survey
- Seafloor and Seep Sampling Program Offshore Labrador

## **Drilling**

*(Under Review)*

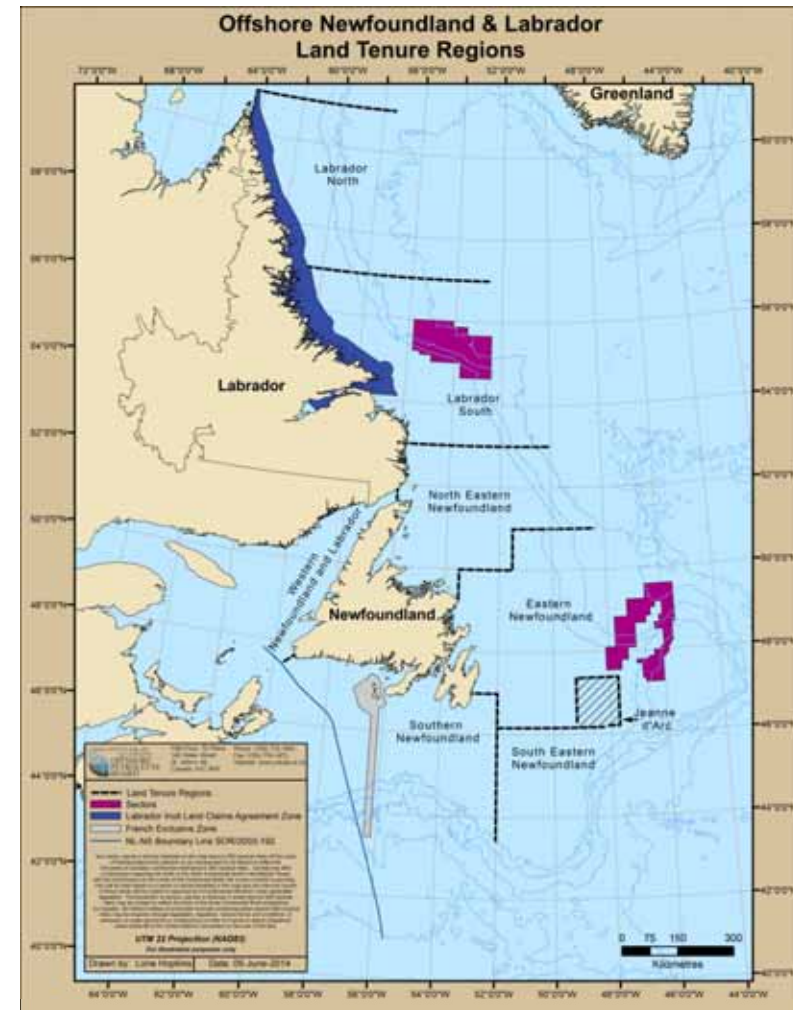
- Deepwater
  - Statoil - Flemish Pass Basin
    - Multi-well program with new MODU
  - Husky - Southern Flemish Pass Basin
- Shallow Water (On-shelf)
  - Husky - Jeanne d'Arc Basin



# The Game Changer

## A New Scheduled Land Tenure System

- The previous land tenure system did not provide adequate time for new players to assess prospectivity – that has now changed.
- The new land tenure system extends the assessment period between the request for nominations and the close of the Call for Bids.
- This system would include:
  - Longer lead times for adequate geoscientific assessment.
  - Increased predictability.
  - Consistency.



# New Scheduled Land Tenure System

## Categories

- The Offshore Area is subdivided into three categories based on historic level of oil and gas activity.
  - **Low Activity** regions generally have few exploratory wells and limited seismic data acquisition.
  - **High Activity** regions typically have elevated exploration activity levels including 2D and 3D seismic data acquisition and exploration drilling.
  - **Mature** regions would have substantial 2D and 3D seismic data coverage and extensive exploration/delineation drilling and production activities.

## Time Cycles

- The different time cycles and the schedules are as follows:
  - **Four-year cycle for Low Activity category.** Provides interested parties with as much as 48 months to assess the region defined in the Call for Bids.
  - **Two-year cycle for High Activity category.** Interested parties with as much as 24 months to explore and assess the location defined in the Call for Bids.
  - **One-year cycle for the Mature category.** This cycle will proceed annually based on nominations from interested parties and assessment by the C-NLOPB.
  - **One-year cycle** will also be maintained for any lands not publically announced in the scheduled system.

# Atlantic Accord and Regulatory Requirements

- The new system will likely result in increased exploration activity, but not at the expense of safety or environmental protection.
- New entrants have additional time to assess prospectivity, but must also consider:
  - Harsh environmental conditions offshore.
  - Robust regulatory regime.
  - Full and fair opportunity for Canadian companies, with first consideration for Newfoundland and Labrador companies on a competitive basis.



Photo Credit: Husky Energy

- Particular attention given to safe helicopter travel, satisfactory spill prevention and response capability and the ability to drill wells safely.
- **Early Engagement with the C-NLOPB is strongly encouraged.**

WEBSITE: [cnlopb.nl.ca](http://cnlopb.nl.ca)

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