Oil & Gas Regulation
the legal framework

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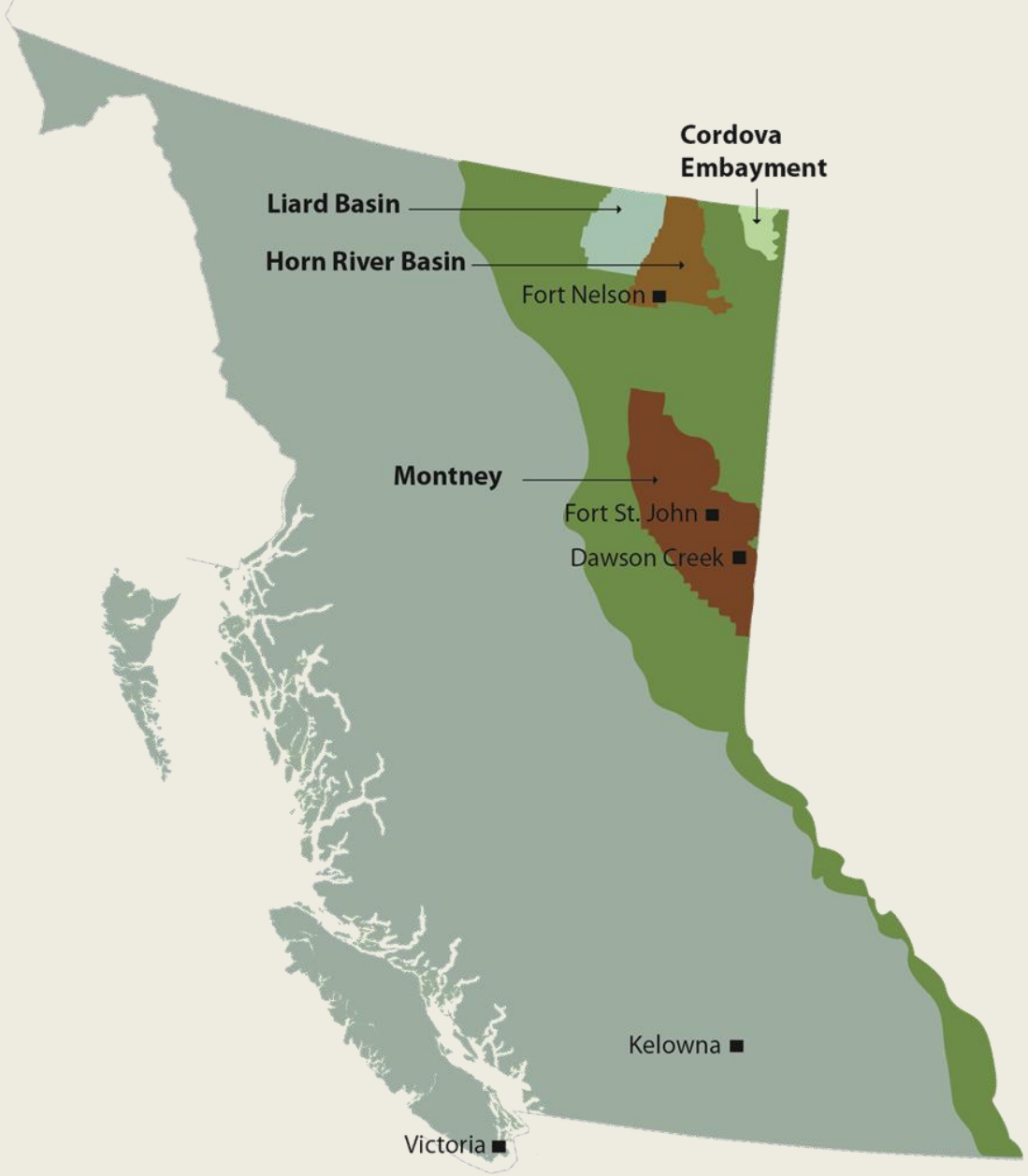
Presentation Outline

1. Regulatory context
2. Statutory mandate of the OGC
3. Corporate structure of the OGC
4. Experience under the Oil and Gas Activities Act
5. The evolving regulatory landscape

1. Regulatory Context

The regulatory context for the OGC is driven by two primary factors:

1. **The nature & location of the oil & gas resources.**
2. **The interface with other key regulatory bodies.**



Liard Basin
- Shale
- 1,150 sq km
- Early development

Horn River Basin
- Shale
- 11,900 sq km
- 75-170 Tcf marketable natural gas
- 97 Bcf cumulative production*

Cordova Embayment
- Shale
- 2,590 sq km
- 30-68 Tcf marketable gas
- Early development

Montney
- Tight gas/shale
- 15,281 sq km
- 77-176 Tcf marketable gas
- 577 Bcf cumulative production*

1.2 Interface with other key regulatory agencies

BC Oil & Gas Commission

- Authorizations & permitting
- Regulation of oil & gas activities

Ministry of Energy & Mines

- Tenuring
- Royalties

Surface Rights Board

- Access disputes for private land
- Compensation issues

2. Statutory Mandate

In 1998 the OGC was created under the *Oil and Gas Commission Act.*

In 2010 the OGC's mandate expanded under the *Oil and Gas Activities Act* (OGAA).

Mission

Protecting public safety

Respecting those affected by oil & gas activities

Conserving the environment

Supporting resource development

The OGC is a single-window agency

Authorizes & ensures compliance with the regulations respecting:

- Exploration
- Production
- Gathering
- Processing
- Storage
- Disposal
- Pipelines
- Reclamation
- Oil & gas roads

Oil & Gas Activities Act

Regulations:

Geophysical Exploration	OGAA General
Drilling & Production	Environmental Protection & Management
Pipeline & LNG Facility	Administrative Penalties
Consultation & Notification	Prescribed Roads
Fee, Levy & Security	Service

OGAA

use of specified enactments

Land Act:

Section 14 Temporary Occupation of Crown Land
Section 39 Licence of Occupation
Section 40 Right of Way

Water Act:

Section 8 Short Term Use of Water
Section 9 Changes in & About a Stream
Section 26 Permits Over Crown Land

Forest Act:

Section 47.4 Master Licence to Cut
Section 117 Road Use Permit

Other Enactments:

Section 12 Heritage Conservation Act
Sections 9, 14 & 15 Environmental Management Act

Compliance & Enforcement

Framework

OGC	***Government***
Compliance orders	**Offences**
Contravention determinations	
Administrative penalties	
Restriction from further permits	
Cancelling permits	

OGC
accountabilities

BC Oil & Gas COMMISSION

General

- Public reporting
- Audits by Minister of Energy & Mines
- Audits by Minister of Environment re: environmental protection & management
- Financial audits
- FOI legislation applicable

Decision specific

- Administrative reviews
- Oil & Gas Appeals Tribunal
- Judicial review
- Civil proceedings

3. Corporate Structure

1 Board of Directors

2 Commission

3.1 Board of Directors

BC Oil & Gas COMMISSION

Composition

- Three Directors:
  - Deputy Minister (chair)
  - Commissioner (vice-chair)
  - Independent
- Five Consultants

Organization

- Board
- Three Committees:
  - Audit
  - Human Resources
  - Regulatory

Board of Directors

Mandate

Approve Service Plan & budget	Make regulations
Approve the Strategic Plan	Provide effective oversight & monitoring
Approve Business Plan	➢ Risk management
Establish conflict of interest policy	➢ Commission's performance
Inform commissioner selection	

3.2 Commission

delivery of mandate

OGAA generally places duty on either the Commissioner, the Commission or an official. The Commissioner has all the powers of the Commission and the officials and:

- Delegates powers of ‘commission’ to specific individuals.
- Designates individuals as ‘officials’.
- Authorizes individuals re: specific enactments.

4. Experience under OGAA

1 Permits and authorizations

2 Compliance and Enforcement

3 Legal challenges of Decisions

4 Operational challenges

4.1 Permits & Authorizations

Approval Type	2011/12
Well Permit	964
Pipeline Permit	355
Facility Permit	301
Geophysical Permit	23
Road Permit	221
Land Act Authorization	308
Water Act Authorization	384
Total	**2,566**

4.2 Compliance & Enforcement

- Inspections done on a risk-modelling basis.
- Deficiencies are ranked High, Low-14 (14 day correction) or Low-30 (30 day correction).
- All unaddressed deficiencies are subject to enforcement.

Fiscal 2011/12 Enforcement:

Enforcement Files	
Opened	139
Concluded	107
Ongoing	74
Enforcement Orders	18
Order Amendments	8
Remediation	6
Tickets	45
Warnings	14
Demand Letters	40
Occurrence Referral	3
Charge Referral	1

4.3 Legal Challenges

- **Administrative Reviews:** *None*
- **Administrative Appeals:**

Appeals to OGAT		**No. of Appeals**	**%**
Appellant Type	*Land owner*	13	100%
Determination Appealed	*Permit Issuance / Amendment*	13	100%
Type of Oil and Gas Activity	*Geophysical*	3	23%
	Pipeline	5	38%
	Well	5	38%
Outcome	*Withdrawn*	6	46%
	Dismissed	2	15%
	Allowed in part, Permit upheld	3	23%
	Allowed in whole, Permit Rescinded	0	0%
	Pending	2	15%
Applications for Judicial Review of Decisions Rendered by OGAT		0	0%

- **Judicial Reviews: 3** *(2 in progress; 1 discontinued)*
- **Law Suits:** *1 (settled)*

4.4 Operational Challenges

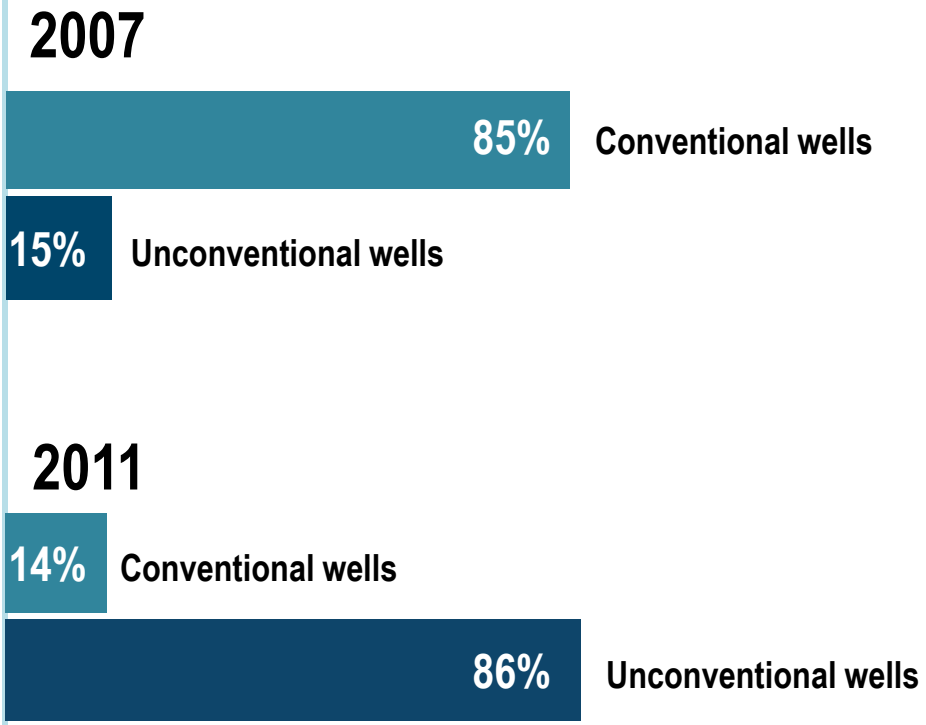
Conventional to Unconventional	
Need for Basin level strategies	Expanding mandate on NEB pipelines
Water stewardship	Access roads
Hydraulic Fracturing	Access for timely remediation
LNG initiative (plants and pipelines)	Retention of qualified staff

Rise in Unconventional Gas in B.C.

BC Oil & Gas COMMISSION

CONVENTIONAL
- Single-well pads
- More infrastructure
- Shorter reserve life

UNCONVENTIONAL
- Multi-well pads
- More predictable placing
- Longer reserve life



Valued Environmental components

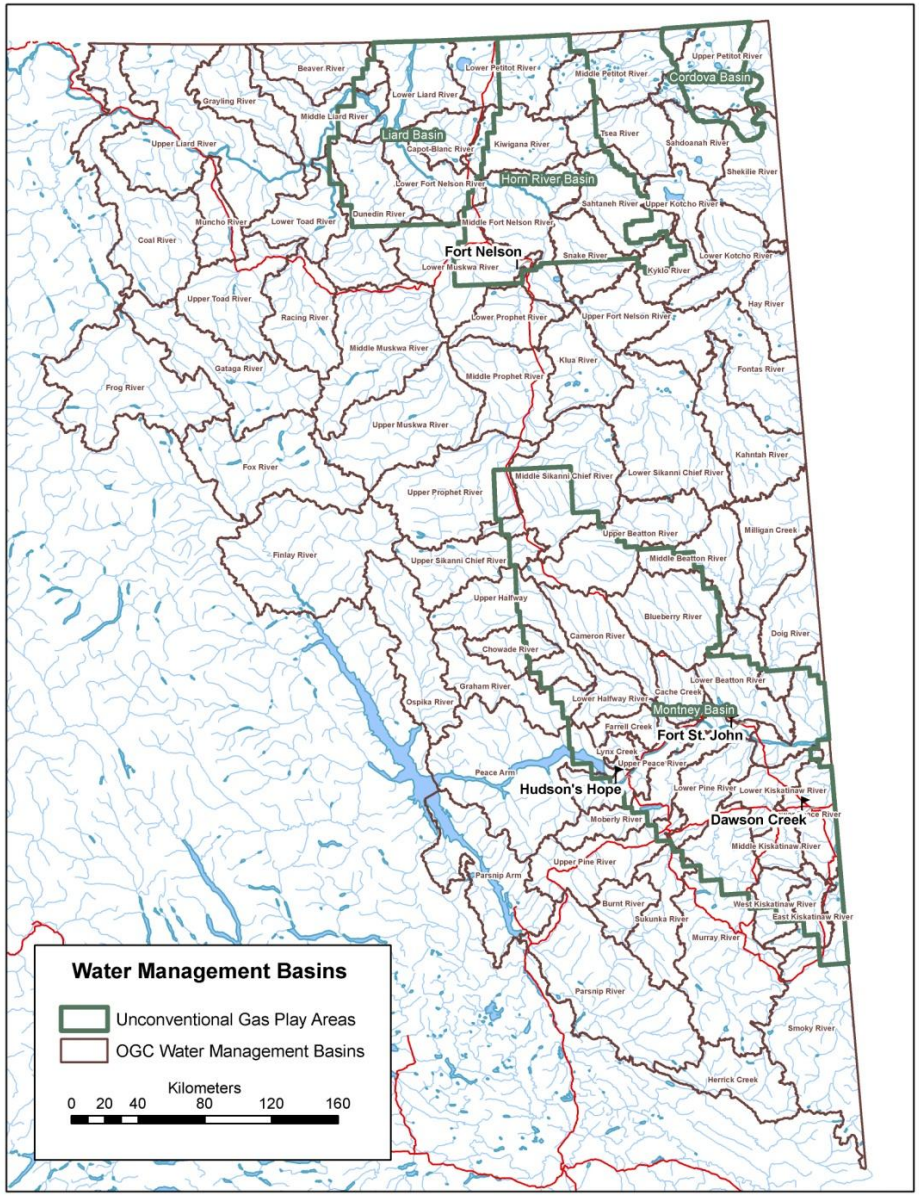
- Agricultural Land Reserves
- Caribou
- Hydro-riparian ecosystems
- Old growth forests
- Cultural heritage features

Basin Water Management

- Water approvals managed at a range of watershed scales, from small basins (e.g., 100 km^2) to large basins.
- Report publically on large basins.

General Approach

- 85% of modelled monthly runoff maintained as E-Flow.
- 15% of modelled monthly runoff will be available for withdrawals.
- Hydrology model used to determine basin thresholds where winter (Dec-Mar) flows are insufficient to support withdrawals.
- Continue to collaborate with MOE, FLNRO and other agencies on drought response, to protect ecosystem base flows.



5. Evolving Regulatory Landscape

1 The drivers for change

2 OGAA driven reforms (made or pending)

3 Externally driven reforms

5.1 The drivers for change

- OGAA was a new regime in 2010 and requires refinements to reflect operational experiences through all phases of oil and gas development.

- OGAA may require further changes to meet broad Government objectives and initiatives.

5.2 OGAA driven reforms *made or pending*

Enhance corporate governance

Optimize single-window jurisdiction

Complete regulatory framework

Enhance environmental protection

Promote efficiencies

Address operational challenges

Enhance enforceability

5.3 External Drivers impacting OGAA

There are a number of large government initiatives that, on completion, will impact the OGAA regime.

Examples:

- *Natural Resource Road Act*
- *Water Stewardship Act*

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