



File Ad-GA-RG-COGDPR-01
5 April 2007

To: All Potentially Interested Stakeholders

**Stakeholder Engagement and Comment Period on the
Draft *Drilling and Production Regulations***

A Project Working Group has been established to update the regulations that would apply to the drilling and production of oil and gas under the Canada Oil and Gas Operations Act (COGOA) and the Offshore Accord Acts¹. The Working Group includes Natural Resources Canada, the Department of Indian Affairs and Northern Development, the National Energy Board, the Province of Newfoundland and Labrador, the Province of Nova Scotia, the Canada-Newfoundland and Labrador Offshore Petroleum Board and the Canada-Nova Scotia Offshore Petroleum Board. The National Energy Board (NEB) is providing project management support to the Project Working Group.

These Acts govern the exploration for, and production of, oil and gas resources in certain parts of Canada, including the Northwest Territories and Nunavut as well as offshore areas in British Columbia, the Gulf of St. Lawrence, the Bay of Fundy and Nova Scotia, Newfoundland and Labrador. The draft *Drilling and Production Regulations* are in relation to any company proposing to drill a gas or oil well, or construct and operate a production installation within these areas.

This letter is to inform you of the upcoming stakeholder workshops and comment period, to provide background information and to identify where you can obtain additional information. Your engagement and comment are an important component of the development of the draft *Drilling and Production Regulations* since you have either previously expressed interest in the development of these regulations or have been identified as potentially having an interest in providing comment. There are three drafts of the *Drilling and Production Regulations*, one under each of the Acts.

The comment period will end on **Friday 17 August 2007**. Copies of the draft regulations are enclosed as well as a backgrounder with a map and frequently asked questions.

¹ *Canada-Newfoundland Atlantic Accord Implementation Act; the Canada-Newfoundland Atlantic Accord Implementation Newfoundland and Labrador Act; the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act; and the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act* (Offshore Accord Acts).

All documents related to the draft *Drilling and Production Regulations*, including background information, previous correspondence and all comments received, are posted on the NEB's website site (www.neb-one.gc.ca). From the homepage, click on the button "Engaging Canadians" then select the heading "Drilling and Production Regulations". A link will also be located on the "What's New" page listed using today's date.

Submitting Comments

Comments on any or all of the draft *Drilling and Production Regulations* are welcome. Comments should be provided by **Friday 17 August 2007** and can be submitted by email, fax or mail. Please submit all comments to:

David Young, Acting Secretary
National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta T2P 0X8
Email: secretary@neb-one.gc.ca
Facsimile: (403) 292-5503

Please identify your written comments to the Secretary with "*Consultation process for the draft Drilling and Production Regulations Project*" and indicate which version of the draft regulations is referred to in your submission (COGOA, Canada-Nova Scotia Petroleum Resources Accord Implementation Act or the Canada-Newfoundland Atlantic Accord Implementation Act). The Project Working Group will consider all comments, as the draft regulations under the three Acts will be very similar, or mirrored, to the extent possible.

Workshops

The Project Working Group intends to hold two rounds of workshops for interested stakeholders during the comment period. Stakeholders may also provide written comments at their convenience, as above, prior to the end of the comment period.

The first workshop is an information session to provide an overview of the draft regulations, background information, the principles and approaches used in their development and to outline the notable updates (Table 1).

Table 1: Workshop #1 for the draft *Drilling and Production Regulations*

City	Date
St. John's	Tuesday 24 April 2007
Halifax	Thursday 26 April 2007
Ottawa	Friday 27 April 2007
Calgary	Monday 16 April 2007
Yellowknife	Tuesday 1 May 2007
Vancouver	May 2007 (date to be determined)
<ul style="list-style-type: none">• Additional workshops may be added, upon request• Dates and locations for Workshop #2 will be announced at a later date	

A second workshop will be held to provide an opportunity for stakeholders to ask questions, obtain clarification and provide comments on the draft regulations. Dates and locations for the second round of workshops will be announced at a later date.

Notices for both Workshops 1 and 2, including dates and locations, will be posted on the NEB website at www.neb-one.gc.ca.

Please register for any of the workshops with the Project Manager, Ms. Jann Atkinson, at the information below. For planning purposes, please register at least one week in advance of the workshop you would like to attend. If there is little interest identified for a particular workshop, the Project Working Group may cancel the workshop and consider alternate ways to communicate with interested stakeholders, such as a smaller meeting or a conference call.

Next Steps

After the comment period, the *Drilling and Production Regulations* will be revised, as appropriate, in advance of publication in the *Canada Gazette*. A letter of notification will be released in advance of publication in the *Canada Gazette*.

Additional Information

For more information, please contact the Project Manager, Ms. Jann Atkinson, at (403) 299-3923 (toll free at 1-800-899-1265) or via e-mail at jatkinson@neb-one.gc.ca. For communication in French, please contact Ms. Chantal Briand at (403) 299-4192 (toll free at 1-800-899-1265) or via e-mail at cbriand@neb-one.gc.ca.

Yours truly,



David Young
Acting Secretary

Attachments:

1. Backgrounder and Frequently Asked Questions
2. Draft *Drilling and Production Regulations – Canada Oil and Gas Operations Act*
3. Draft *Drilling and Production Regulations – Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act*
4. Draft *Drilling and Production Regulations – Canada-Newfoundland Atlantic Accord Implementation Act*

Background

Draft *Drilling and Production Regulations*
under the
Canada Oil and Gas Operations Act
and the Offshore Accord Acts¹

Updating legislation and related regulations is required to enable the growth of the oil and gas sector in Canada and its contribution to the economy while ensuring ways to protect safety and the environment, and to ensure that resources are not wasted.

A Project Working Group has been established to update the regulations that apply to the drilling and production of oil and gas under the *Canada Oil and Gas Operations Act* (COGOA) and the Offshore Accord Acts. The agencies taking part in this Working Group include Natural Resources Canada, the Department of Indian Affairs and Northern Development, the National Energy Board (NEB), the Province of Newfoundland and Labrador, the Province of Nova Scotia, the Canada-Newfoundland and Labrador Offshore Petroleum Board and the Canada-Nova Scotia Offshore Petroleum Board. The NEB is providing project management support to the Project Working Group.

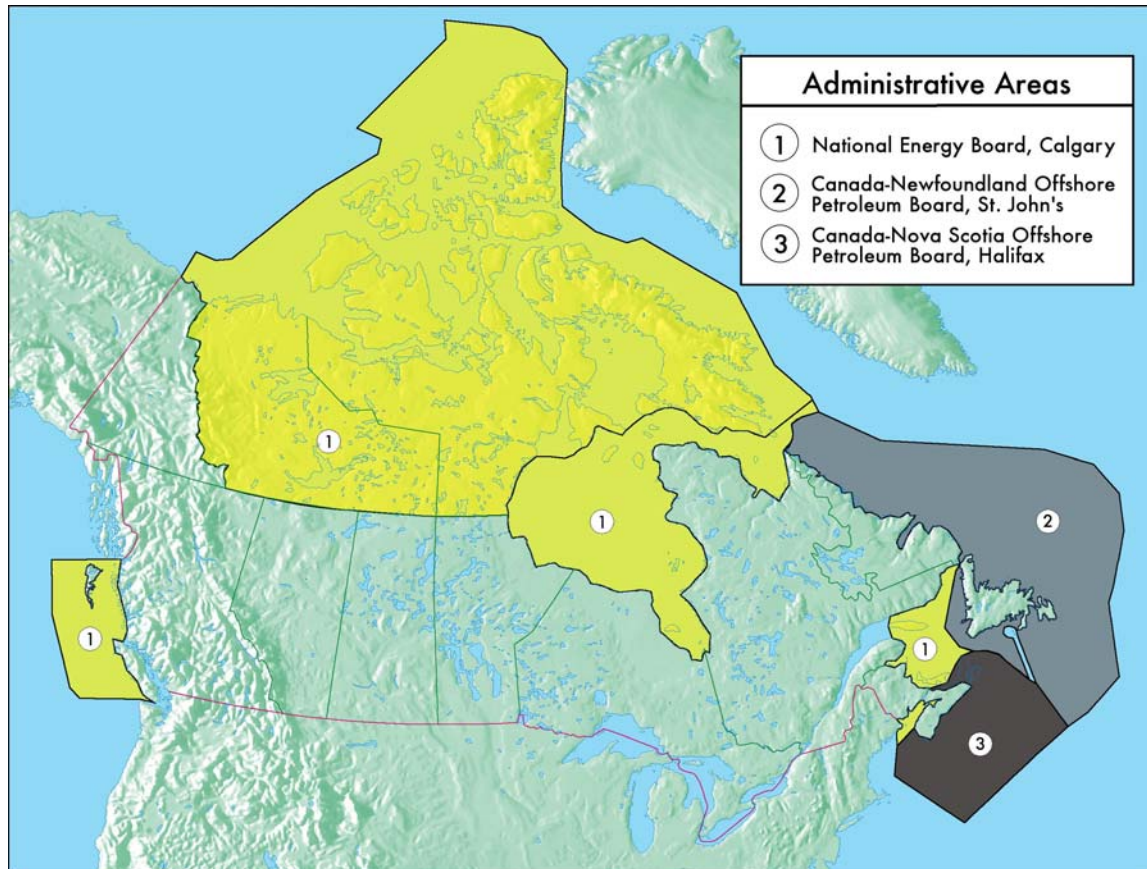
The COGOA and the comparable sections of the Offshore Accord Acts govern the technical and operational aspects of the exploration for, and production of, oil and gas resources in certain parts of Canada. COGOA applies in the Northwest Territories and Nunavut, including both Crown land and private lands created pursuant to Land Claim Agreements; the Arctic offshore; offshore British Columbia; the Gulf of St. Lawrence and the Bay of Fundy (Map 1). The Offshore Accord Acts apply in the offshore accord areas around Nova Scotia and Newfoundland and Labrador.

Under each of the Acts, there are currently two separate regulations dealing with drilling and production activities: the *Drilling Regulations* and the *Production and Conservation Regulations*. As part of the regulatory reform process, the two regulations are being amalgamated and updated into a single regulation, the *Drilling and Production Regulations*, to reflect current regulatory approaches and standards. The regulations will be very similar, or mirrored, under each Act.

The *Drilling and Production Regulations* would apply to any company proposing to drill a gas or oil well, or construct and operate a production installation within these areas. The *Drilling and Production Regulations* would be administered by geographic area by the NEB, the Canada-Newfoundland and Labrador Offshore Petroleum Board or the Canada-Nova Scotia Offshore Petroleum Board (Map 1).

¹ *Canada-Newfoundland Atlantic Accord Implementation Act; the Canada-Newfoundland Atlantic Accord Implementation Newfoundland and Labrador Act; the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act; and the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act* (Offshore Accord Acts).

Map 1: Administrative Areas for the Drilling and Production Regulations



Stakeholder Engagement

The Project Working Group has prepared a draft *Drilling and Production Regulations*, dated April 2007. Stakeholder engagement and comment is an important component of the development of draft regulations.

Comments on any or all of the draft *Drilling and Production Regulations* are welcome. Comments should be provided by **Friday 17 August 2007** and can be submitted by email, fax or mail. Please submit all comments to:

David Young, Acting Secretary
National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta T2P 0X8
Email: secretary@neb-one.gc.ca
Facsimile: (403) 292-5503

Please identify your written comments to the Secretary with “*Consultation process for the draft Drilling and Production Regulations Project*” and indicate which version of the draft regulations is referred to in your submission (COGOA, Canada-Nova Scotia Petroleum Resources Accord Implementation Act or the Canada-Newfoundland Atlantic Accord Implementation Act). The Project Working Group will consider all comments, as the draft regulations under the three Acts will be very similar, or mirrored, to the extent possible.

Workshops

The Project Working Group intends to hold two rounds of workshops for interested stakeholders during the comment period.

The first workshop will be an information session to provide an overview of the draft regulations, background, principles and approaches used in their development and outline several notable updates.

The second workshop will be to provide an opportunity for stakeholders to ask questions, obtain clarification and provide comments on the draft regulations. Stakeholders may also provide written comments, as above, at their convenience prior to the end of the comment period.

Workshop notices will be posted on the NEB website at www.neb-one.gc.ca.

Please register for any of the workshops with the Project Manager, Ms. Jann Atkinson, at the information below. For planning purposes, please register at least one week in advance of the workshop you would like to attend.

Next Steps

After the comment period, the *Drilling and Production Regulations* will be revised, as appropriate, in advance of publication in the *Canada Gazette*. A letter of notification will be released in advance of publication in the *Canada Gazette*. The letter will be sent to all stakeholders who provided comments and will also be posted on the NEB’s website (www.neb-one.gc.ca).

Additional Information

All documents related to the draft *Drilling and Production Regulations*, including background information, previous correspondence and all comments received, are posted on the NEB’s website site (www.neb-one.gc.ca). From the homepage, click on the button “Engaging Canadians” then select the heading “Drilling and Production Regulations”.

For more information, please contact the Project Manager, Ms. Jann Atkinson, at (403) 299-3923 (toll free at 1-800-899-1265) or via e-mail at jatkinson@neb-one.gc.ca. For communication in French, please contact Ms. Chantal Briand at (403) 299-4192 (toll free at 1-800-899-1265) or via e-mail at cbriand@neb-one.gc.ca.

Frequently Asked Questions

Q1 Why are the regulations being updated?

Legislation and related regulations are required to ensure that oil and gas activity in Canada's Frontier and offshore areas is carried out in a way that protects health, safety and the environment, and to ensure that resources are not wasted.

The regulatory framework under COGOA and the Offshore Accord Acts² contains numerous prescriptive requirements to use specific technologies, procedures and measures. Where these requirements are out of date, regulatory requirements can present barriers to the use of new and innovative technologies, and can create costs for industry and regulators.

In order to ensure that Canada remains competitive with international regulatory requirements, and to enable the sector's continued growth and contribution to the economy, it is necessary to up-date and modernize those requirements for industry without compromising environmental and safety requirements.

Q2 Who is updating the regulations?

A Project Working Group has been established for the draft *Drilling and Production Regulations*, which includes the National Energy Board, Natural Resources Canada, the Province of Newfoundland and Labrador, the Province of Nova Scotia, the Canada-Newfoundland and Labrador Offshore Petroleum Board, the Canada-Nova Scotia Offshore Petroleum Board, and the Department of Indian Affairs and Northern Development.

The draft *Drilling and Production Regulations* project is one of several regulatory updating projects being carried out by the "Frontier and Offshore Regulatory Renewal Initiative", or FORRI. The FORRI is a partnership of federal, provincial and territorial government departments and regulators that are involved with Frontier and offshore regulatory issues. It was established in 2005 to modernize the Frontier and offshore regulatory environment to enable the sector's continued growth and contribution to Canada's economic well-being.

FORRI participants include: Natural Resources Canada; Indian and Northern Affairs Canada; the National Energy Board; the Canada-Nova Scotia Offshore Petroleum Board; the Canada-Newfoundland and Labrador Offshore Petroleum Board; the Nova Scotia Department of Energy; the Newfoundland and Labrador Department of Natural Resources; the British Columbia Offshore Oil and Gas Team; the Quebec Department of Natural Resources; the New Brunswick Department of Natural Resources; the Prince Edward Island Department of Development and Technology; the Government of Yukon; and the Government of Northwest Territories.

² *Canada-Newfoundland Atlantic Accord Implementation Act; the Canada-Newfoundland Atlantic Accord Implementation Newfoundland and Labrador Act; the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act; and the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act* (Offshore Accord Acts).

Q3 Who can submit comments or participate in the workshops?

Any interested person, company, group or organization is welcome to participate in the workshops and provide comments on the draft regulations.

Q4 Will the Project Working Group have workshops to explain the content and process on the development of the new regulations?

The Project Working Group intends to hold two rounds of workshops for interested stakeholders during the comment period. The first workshop is an information session to provide an overview of the draft regulations, background, principles and approaches used in their development and outline several notable updates. The second workshop is to provide an opportunity for stakeholders to ask questions, obtain clarification and provide comments on the draft regulations. Stakeholders may also provide written comments, as above, at their convenience prior to the end of the comment period.

Workshop notices will be posted on the NEB website at www.neb-one.gc.ca.

Q5 What are the next steps?

The Project Working Group will consider all comments received during this public comment period. The *Drilling and Production Regulations* will be revised, as appropriate, in advance of publication in the Canada Gazette. A letter of notification will be released in advance of publication in the Canada Gazette. The letter will be sent to all stakeholders who provided comments and will also be posted on the NEB's website (www.neb-one.gc.ca).

Q6 Who would administer the Drilling and Production Regulations?

Administration of the *Drilling and Production Regulations* would depend on the geographic location. There are three regulators for Frontier and offshore oil and gas activities, with different geographic jurisdictions and Acts (see Map 1).

- National Energy Board
 - *Canada Oil and Gas Operations Act*
- Canada-Newfoundland and Labrador Offshore Petroleum Board
 - *Canada-Newfoundland Atlantic Accord Implementation Act*
- Canada-Nova Scotia Offshore Petroleum Board
 - *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act*

Q7 What do the draft *Drilling and Production Regulations* cover?

The draft *Drilling and Production Regulations* cover the same operations and activities as the current *Drilling Regulations* and *Production and Conservation Regulations*. The draft *Drilling and Production Regulations* would apply to activities specifically related to the drilling for, or production of, oil and gas.

The draft *Drilling and Production Regulations* are operational and technical in nature. The primary topics include safety, appropriate conservation of the hydrocarbon resource, and the protection of the environment during operations undertaken for the drilling and production of oil and gas. The draft regulations also outline the information that must be included in an application for drilling or production activities.

Q8 What are the proposed changes?

There are four main areas of change.

1. The two existing regulations (*Drilling Regulations* and *Production and Conservation Regulations*) are being amalgamated and updated into a single draft *Drilling and Production Regulations*. This removes the duplication found in the two existing regulations.
2. Certain portions of the draft regulations have been written in a goal-oriented style. “Goal oriented” is a hybrid approach that includes both prescription and goal, or performance, based regulations. Prescriptive regulations dictate the means by which compliance is achieved while as goal or performance based regulations outline the end results or goal to be achieved. The draft *Drilling and Production Regulations* contain both prescriptive sections, and goal-based sections, and combinations thereof.
3. The draft regulations require companies to have a management system to ensure compliance with the regulations and the Act. Management systems are documented policies and procedures that assist companies proactively manage issues related to safety, environmental protection and conservation of resources and systematically track their performance. Management systems are recognized to be an effective tool to identify and manage hazards and to build a culture of continual improvement.
4. The draft regulations have been updated to conform with current regulatory approaches and standards. The existing regulations have been in effect for approximately 20 years and updating to reflect industry and regulatory advances is important. The *Drilling and Production Regulations* also promote common regulatory approaches in the offshore regions, the Northwest Territories and Nunavut.

Q9 What does goal-oriented mean?

Goal oriented is a hybrid approach where the regulation includes both prescription and goal or performance based regulations. Prescriptive regulations dictate the means by which compliance is achieved. Goal or performance based regulations outline the end results or goal to be achieved.

Certain sections of the draft *Drilling and Production Regulations* continue to be best suited to prescription while other sections have been written in a goal or performance based manner.

Q10 How would compliance be determined with a goal oriented approach?

The provisions in the draft regulations have clear objectives, or goals. Each company would decide, based on its operations, how to meet those objectives. Those requirements would be built into its management system and project-specific plans, design and operations. The operator would be responsible for demonstrating how it has complied with the provisions in the regulations, including any specific goals or objectives.

The draft regulations contain many checks and balances. For example, in addition to having a requirement to have a management system, operators must apply for project authorizations and well approvals. The draft regulations also include general duty provisions as well as technical requirements and various reporting requirements.

The Board would consider the information in an operator's application and reports, as well as conducting inspections and audits of operators for compliance with the regulations, Act and any requirements of project-specific terms and conditions.

Q11 What is a management system?

A management system is a businesslike approach to safety and protection of the natural environment. It is a systematic, explicit and comprehensive process to manage risks that contains documented processes and procedures. Management systems provide for goal setting, planning and measuring performance, setting a foundation for continual improvement. Management systems are woven into the fabric of an organization. It becomes part of the culture, the way people do their jobs.

Q12 Why is there a requirement to have a management system?

Management systems are an effective tool to integrate planning, project-specific requirements, compliance and continual improvement at an organization level.

Management systems are well-established with several recognized standards, such as ISO 9001 and 14001. Many operators currently have and use elements of management systems in their day to day business decisions.

Management systems allow for proactive identification and control of hazards and risks that may lead to mishaps. As a business tool, management systems support safety and protection of the environment as part of the organizational culture and provide management with processes to deal effectively with compliance and continual improvement.

Q13 To what level must a company document its management system processes?

The draft regulations recognize that the management system should correspond to the size, nature and complexity of the operator's operations, activities, hazards and risks associated with the operations.

Enough detail must be provided in the management system to exercise effective control to obtain the objectives, which is to ensure compliance with the regulations and Act. It should be compatible with, and preferably, integrated into the operator's overall management scheme.

Q14 For small operations, are management systems necessary? and can the costs be justified?

The principles of management systems remain the same no matter the size of an organization. In a management system, risks are explicitly managed and wholly integrated into business decisions. Safe operators probably have most of the components of a management system already in place.

The draft regulations recognize that a management system should correspond to the size, nature and complexity of the operator's operations, activities, hazards, and risks associated with the operations.

Q15 How would compliance be determined for a management system?

The draft regulations require operators to develop and maintain a management system. It is up to the operator to design that system. There are several international standards for management systems that may be followed such as ISO 9001.

The Board would audit the operator's management system structure and effectiveness using standard auditing principles and approaches.

Q16 Are there any changes in the regulations related to environmental protection?

The draft *Drilling and Production Regulations* clarify the environmental protection requirements and improve their consistency through the application of the requirements to both drilling and production activities.

The draft *Drilling and Production Regulations* include an explicit requirement to identify and manage hazards that could cause a risk to the environment and for a project-specific Environmental Protection Plan (EPP). An EPP must be submitted with any application for an authorization for drilling or production activities. The draft regulations specify several components that must be included in the EPP, such as hazard identification, mitigation, environmental restoration, and the treatment, handling and disposal of waste material.

Specific environmental protection requirements may also be identified through the application review stage and environmental assessment processes that currently exist, including an evaluation of potential impacts on the land, people and the environment. Project-specific issues and mitigation are identified and considered during these processes and applied as appropriate.

If the project is approved, the project authorization and the *Drilling and Production Regulations* (and other regulations under each Act) would be the instruments by which the terms and conditions are applied, the management tools are identified and compliance is ensured.

Q17 Are there any changes in the regulations related to safety?

Like the environmental protection sections, the draft *Drilling and Production Regulations* have been updated to identify what must be included in a Safety Plan for a proposed drilling or production activity. These requirements also take a lifecycle and management systems approach to ensure that safety is considered on a day-to-day operations basis.

Consistent with current international regulatory approaches, the draft *Drilling and Production Regulations* allow an operator to determine the format of its mitigation plans and processes. For example, an operator could submit a Health, Safety & Environment Case (HSE Case) to fulfill the requirements of a Safety Plan.

Q18 Will the changes in the regulations affect how I use the land or the resources that I harvest in areas where oil and gas activities occur?

No, the draft *Drilling and Production Regulations* are technical in nature and outline requirements placed on the company related to such issues as environmental protection, resource conservation and safety. The draft *Drilling and Production Regulations* would not impose requirements on people using the land or harvesting resources.

On a project by project basis, potential impacts on land use and resources will continue to be identified during the application approvals process, which would include any environmental assessment requirement. These requirements have not changed with the revisions to the *Drilling and Production Regulations*. Proposed mitigation measures that arise during the approvals and environmental assessment processes could be incorporated into the terms and conditions of an approval or into the operator's EPP or Safety Plan.

Q19 Why are the regulations being revised when there is a moratorium on the offshore British Columbia?

The work on the draft *Drilling and Production Regulations* is part of the regular, ongoing updating of legislation that is carried out on a periodic basis to ensure that they are current and efficient.

The Canada Oil and Gas Operations Act (COGOA) and the draft *Drilling and Production Regulations* under COGOA, apply in the Northwest Territories, Nunavut and Sable Island, and the Arctic offshore, offshore British Columbia, the Gulf of St. Lawrence and the Bay of Fundy (Map 1).

The development of the draft *Drilling and Production Regulations* is not related in any way to the federal government's position concerning the federal moratorium in place that applies to offshore oil and gas exploration and development in offshore British Columbia.

**Q20 Where can I get a copy of the draft *Drilling and Production Regulations*?
Where can I get more information?**

Information on the development of the *Drilling and Production Regulations*, the public comment period and a copy of the draft regulations, can be obtained from the following website and contact persons:

Websites:

- The National Energy Board is providing project management support to the Project Working Group. Accordingly, all documents related to the draft *Drilling and Production Regulations*, including background information, previous correspondence and all comments received, are posted on the National Energy Board website site (www.neb-one.gc.ca). From the homepage, click on the button "Engaging Canadians" then select the heading "Drilling and Production Regulations".

Contact persons:

Ms. Jann Atkinson
Project Manager, Regulatory Development
National Energy Board
(403) 299-3923
Toll Free 1-800-899-1265
Email: jatkinson@neb-one.gc.ca

For communication in French, please contact Ms. Chantal Briand at (403) 299-4192 (toll free at 1-800-899-1265) or via e-mail at cbriand@neb-one.gc.ca

Q21 Who do I contact for further information on FORRI?

You can direct further questions regarding FORRI care of:

Jennifer Goostrey
Acting Manager
Natural Resources Canada
Sector and Regional Communications - Energy
580 Booth Street, 15th Floor, Room: D6-3
Ottawa, Ontario
Canada
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Telephone: (613) 992-9986
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E-mail: Jennifer.Goostrey@nrcan-rncan.gc.ca