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October 27, 2016

Agency File No.: 005577

Stephanie Curran
Regulatory Lead
Statoil Canada Ltd.
2 Steers Cove
Level 3, Cormack Building
St John's, NL A1C 6J5
scurr@statoil.com

Dear Ms. Curran:

SUBJECT: Environmental Assessment for Flemish Pass Exploration Drilling Project

On September 12, 2016, the Canadian Environmental Assessment Agency (the Agency) received a letter from Statoil Canada Ltd. (Statoil) in which you present Statoil's view that future exploration drilling on exploration license (EL) 1125 does not constitute "the first drilling program in an area set out in one or more exploration licences" and therefore would not be considered a "designated project" under the *Canadian Environmental Assessment Act, 2012* (CEAA 2012). The Agency has reviewed the letter and notes the following information provided by Statoil:

- In February 2013, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) issued an Operations Authorization (No. 25020-020-OA02) to Statoil under subsection 138(1) (b) of *Canada-Newfoundland Atlantic Accord Implementation Act* for drilling exploratory wells on ELs 1125 and 1126.
- The Operations Authorization authorized a drilling program with a specific time period, 2014 to 2016, within which one or more wells within ELs 1125 and 1126 could be drilled. It expires on December 31, 2016.
- An exploratory well was drilled in EL 1126 in 2016 as part of this drilling program.

Based on the above, the Agency understands that a first drilling program was authorized by the C-NLOPB's Operations Authorization in 2013 within "an area set out in one or more ELs issued" (i.e. ELs 1125 and 1126) and that a well was drilled as part of this drilling program. Accordingly, any subsequent proposal to drill on ELs 1125 and 1126 after the first drilling program has expired (December 2016) would not be considered part of the first drilling program in these ELs. Therefore, the proposed drilling, testing and abandonment of offshore exploratory wells by Statoil within EL 1125 after 2016 would not be designated physical activities pursuant to section 10 of the Schedule of the *Regulations Designating Physical Activities*. In making its determination, the Agency consulted with the C-NLOPB, which confirmed that post-2016 exploration drilling on ELs 1125 and 1126 would not be part of the first drilling program in these ELs.

Please note that this letter does not signify agreement with other positions articulated in Statoil's letter including that transitional provisions described in section 128 of CEAA 2012 apply to future

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exploration drilling in EL1125, nor that previous drilling programs between 2008 and 2014 on lands adjacent to EL 1125 indicate that future drilling on EL1125 would not constitute the "first drilling program" in an area.

Given that exploratory activities on EL 1125 are not designated physical activities and not incidental to the designated activities proposed as part of the Flemish Pass Exploration Drilling Project, the Agency intends to remove EL 1125 from the environmental assessment for the Flemish Pass Exploration Drilling Project. This modification will be reflected in the final EIS Guidelines for the Project. The Agency will be posting your September 12, 2016 letter as well as this letter on the Canadian Environmental Assessment Registry at <http://www.ceaa-acee.gc.ca/050/details-eng.cfm?evaluation=80129>

If you have any questions or wish to discuss, please do not hesitate to contact Friederike Kirstein at 902-426-0564.

Sincerely,

<Original signed by>

Mike Atkinson
Regional Director, Atlantic Region

Cc: Dave Burley, C-NLOPB