

December 20, 2019

Enforcement File: 19-101FSJ

Sanling Energy Ltd.
Livingston Place, West Tower
1700, 250-2nd Street, SW
Calgary, Alberta T2P 0C1

Attention: Mr. Mark Hartzler, COO

Re: General Order 2019-013

Mr. Hartzler:

On October 11, 2019, the BC Oil and Gas Commission (Commission) issued General Order 2019-013 to Sanling Energy Ltd.

Sanling Energy Ltd. has satisfied all the requirements of the Order.

Please be advised that pursuant to section 49(8) of the *Oil and Gas Activities Act*, General Order 2019-013 is hereby terminated.

If you have any questions or concerns, please do not hesitate to contact the Commission.

Sincerely,



Patrick Smook
Director, Compliance and Enforcement
BC Oil and Gas Commission

GENERAL ORDER 2019-013
Section 49 *Oil and Gas Activities Act*

Issued to:

Sanling Energy Ltd.
Livingston Place, West Tower
1700, 250-2nd Street, SW
Calgary, Alberta T2P 0C1

Attention: Mr. Mark Hartzler, COO

Order:

Pursuant to section 49(1)(d) of the *Oil and Gas Activities Act* (the Act), I, Ken Paulson, order that Sanling Energy Ltd. (Sanling) must:

1. On or before 6:00 PM on October 11, 2019, cease all production from well authorization # 26814 located at A16-20-87-15 W6M (subject well).

Conditions:

- A. This order shall remain in effect until amended or terminated in whole or in part by the BC Oil and Gas Commission (Commission).

Reasons:

I make this order for the following reasons:

1. Sanling is the permit holder for the subject well.
2. The most recent gas analysis from 2012 indicates that the subject well is 4% H₂S. The subject well is active.
3. There is an occupied dwelling located 1500 metres from the subject well.
4. Section 49 of the Drilling and Production Regulation (DPR) states:
 - (1) A permit holder must not bypass or disable safety equipment at a well that is producing, injecting or disposing of fluids, or at a facility, unless
 - (a) the purpose of the bypass or disablement is to carry out maintenance or commissioning of the well or facility,
 - (b) the well or facility is continuously monitored,
 - (c) the permit holder has established and documented work procedures sufficient to ensure that the operation can be conducted safely, and
 - (d) the operation is conducted in accordance with the procedures referred to in paragraph (c).
 - (2) Subject to subsection (1), a permit holder must lock or car seal any valve or device that can bypass or disable safety equipment at a well that is producing, injecting or disposing of fluids, or at a facility.

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5. Section 44 of the DPR states:
 - A permit holder of a well or facility must ensure all of the following:
 - (c) if the hydrogen sulphide content of the gas to be flared exceeds one mole percent, that
 - (i) unsupervised flare stacks where continuous flaring will occur are equipped with a flame-out detection device with operation shut down capability that provides an immediate alarm to the permit holder, and
6. Section 39(4) of the DPR states:
 - (4) If an uncontrolled flow of oil or gas from a completed well, other than a well suspended in accordance with section 25, could produce a hydrogen sulphide concentration greater than 100 ppm in atmosphere within 50 metres of the well, the permit holder of the well must install and maintain
 - (a) an automated system to isolate the well in the event of an uncontrolled flow of oil or gas, and
 - (b) if the well is located within 1600 m of a populated area, a hydrogen sulphide detection and alarm system that is continuously monitored and is capable of activating the automated system referred to in paragraph (a).
7. On September 24, 2019, Commission staff conducted an inspection of the subject well in response to a complaint regarding odours. The following was observed by Commission staff:
 - a. the subject well was operational;
 - b. calibration tags for the station shut downs were dated from 2017;
 - c. the isolation valve for ESD on the flow line was not locked open;
 - d. continuous flaring was occurring from an unsupervised flare stack that did not have a flameout detection device with operation shut down capabilities that provides an immediate alarm to the permit holder;
 - e. there were two inoperable H₂S detectors and one H₂S detector in fault mode; and
 - f. the aboveground flare knockout pressure safety valve did not have a pressure switch to shut in the subject well.
8. On September 25, 2019, Commission staff asked Sanling to address the identified deficiencies by October 9, 2019.
9. On October 9, 2019, Commission staff attended the subject well for a follow up inspection. All of the deficiencies identified on September 24, 2019, with the exception of the isolation valve for ESD, had not been addressed. In addition, Commission staff observed the following:
 - a. the ESD on the flow line was bypassed with the toggle in the latched position; and
 - b. the solenoid on the ESD had been disconnected from the ESD, preventing communication if any of the other shutdowns were to be activated.
10. I am of the opinion that Sanling Energy Ltd. is in non-compliance with sections 49(2), 44(c) and 39(4) of the DPR.

Review and Appeal

Sanling may request a review of this order under section 70 of the Act by submitting a request for review to: ogc.determinationreviews@bcogc.ca.

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Sanling may appeal this order to the Oil and Gas Appeal Tribunal under section 72 of the Act. The process for appeals may be found at www.ogat.gov.bc.ca and a notice of appeal may be sent to the Oil and Gas Appeal Tribunal at:

Oil and Gas Appeal Tribunal
PO Box 4925 Stn Prov Govt
Victoria, BC V8W 9V1



Ken Paulson
Executive Vice President, Chief Operating Officer
BC Oil and Gas Commission

DATED AT Victoria, in the Province of British Columbia, this 11 day of October, 2019.