

September 19, 2022

Office of the Regulator of Oil and Gas Operations

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RE: Abandonment Plan for Suspended Wells – OA-2018-003-SOG

As you are aware, on January 28, 2020 (the “**Receivership Date**”), the Court of Queen’s Bench of Alberta (the “**Court**”) granted an Order pursuant to section 243 of the Bankruptcy and Insolvency Act, RSC 1985, c. B-3 and section 13(2) of the Judicature Act, RSA 2000, c. J-2, whereby Alvarez and Marsal Canada Inc. (the “**NWT Receiver**”) was appointed Receiver, without security, of all of the current and future assets, undertakings and properties of Strategic Oil and Gas Ltd. and Strategic Transmission Ltd. (collectively, “**Strategic**” or the “**Company**”) situated in the Northwest Territories (the “**NWT Property**”). For further information on the Receivership proceedings, please visit the NWT Receiver’s website at: www.alvarezandmarsal.com/sog.

Background

On January 27, 2021, the NWT Receiver submitted to the Office of the Regulator of Oil and Gas Operations (“**OROGO**”), a proposed plan for the abandonment or decommissioning of Strategic’s 24 suspended wells and associated facilities due for abandonment by January 31, 2023 under the *Well Suspension and Abandonment Guidelines and Interpretation Notes* (Guidelines) (the “**Initial Plan**”).

Pursuant to the Initial Plan, the NWT Receiver proposed extending the abandonment date respecting 11 wells and associated facilities from January 31, 2023 to March 31, 2023, which extension was granted by OROGO. The below table outlines the 24 wells and associated facilities and the timing to complete the respective abandonment or decommissioning programs under the Initial Plan.

Well Name and ID	Initial Plan Abandonment Dates	Current Abandonment Dates
<u>13 Wells</u>		
Cameron A-73 (WID 1747)	March 31, 2022	March 31, 2023
Swede G-21 (WID 1764)	March 31, 2022	March 31, 2023
Cameron N-28 (WID 1753)	March 31, 2022	March 31, 2023
Cameron B-38 (WID 2002)	March 31, 2022	March 31, 2023
Cameron J-37 (WID 1751)	March 31, 2022	March 31, 2023
Cameron L-29 (WID 2041)	March 31, 2022	March 31, 2023
Cameron M-49 (WID 1974)	March 31, 2022	March 31, 2023
Cameron C-50 (WID 1608)	March 31, 2022	March 31, 2023
Cameron A-68 (WID 1746)	March 31, 2022	March 31, 2023
Cameron N-06 (WID 2067)	March 31, 2022	March 31, 2023
Cameron C-16 (WID 2001)	March 31, 2022	March 31, 2023
Cameron F-77 (WID 2065)	March 31, 2022	March 31, 2023
Cameron 2B-09 (WID 2071)	March 31, 2022	March 31, 2023
<u>11 Wells</u>		
Cameron F-73 (WID 1992)	March 31, 2023	March 31, 2023
Cameron 2F-73 (WID 2025)	March 31, 2023	March 31, 2023
Cameron I-74 (WID 1792)	March 31, 2023	March 31, 2023
Cameron J-04 (WID 2034)	March 31, 2023	March 31, 2023
Cameron I-10 (WID 1492)	March 31, 2023	March 31, 2023
Cameron B-25 (WID 1756)	March 31, 2023	March 31, 2023
Cameron L-44 (WID 1743)	March 31, 2023	March 31, 2023
Cameron M-74 (WID 2063)	March 31, 2023	March 31, 2023
Cameron F-75 (WID 1971)	March 31, 2023	March 31, 2023
Cameron E-07 (WID 2042)	March 31, 2023	March 31, 2023
Cameron M-31 (WID 1122)	March 31, 2023	March 31, 2023

On July 6, 2021, the NWT Receiver respectfully requested an additional extension from OROGO to abandon and/or decommission the above noted wells and associated facilities. The additional extension was requested in order to allow the NWT Receiver to conduct a sales process with respect to the NWT Property. Specifically, the NWT Receiver requested to extend the above-mentioned abandonment deadlines for the:

- 13 wells from March 31, 2022 to March 31, 2023 (“**Group 2 Wells**”); and
- 11 wells from March 31, 2023 to March 31, 2024 (“**Group 1 Wells**”).

On July 9, 2021, OROGO extended the deadline for abandonment of the Group 2 Wells to March 31, 2023 and denied the request to extend the Group 1 Wells. As a result of this decision, the 24 wells (Group 1 Wells and Group 2 Wells) are all due for abandonment by March 31, 2023.

Request for Proposals

On July 15, 2022, the Court granted an Order authorizing the NWT Receiver, with the support of the GNWT, to conduct a Request for Proposals (“**RFP**”) to facilitate certain well abandonment work, including the abandonment of the Group 1 Wells and Group 2 Wells. The initial submission time for proposals was September 2, 2022 and was subsequently extended by addendum to September 30, 2022.

Request for Extension

As a result of issues arising during the RFP, including issues raised by proponents in the RFP process, **the NWT Receiver formally requests an additional one-year extension from OROGO, to abandon and/or decommission the Group 1 Wells and the Group 2 Wells to March 31, 2024.**

There are several reasons this extension request is necessary and in the public interest, for the reasons that follow:

- 1) First, the extension would allow the NWT Receiver to adequately address concerns raised by proponents as part of the RFP including:
 - a. providing clarity on the properties subject to the RFP. There is a potential sale of a limited number of wells, pipelines and the facility (the “**Potential Sale Assets**”), for which a transaction remains under negotiation between the proposed purchaser and the GNWT. The RFP was structured to require proponents to submit a proposal as if the Potential Sale Assets are included and as if they are not. Proponents have commented that the uncertainty related to the inclusion of the Potential Sale Assets creates an additional level of complexity and the NWT Receiver has significant concerns that the unresolved nature of the sales process may dissuade parties from submitting a competitive or any proposal;

- b. allowing proponents the possibility of conducting site visits of the NWT Property, which would be conducted via helicopter, services of which have been constrained during the RFP due to combatting active wildfires and demand by other parties in the area; and
- c. formulating an additional addendum in relation to critical terms in the RFP to accord with GNWT policy, which terms require clarification in order to remove uncertainty from the RFP. These clarifications are mainly in regards to the pricing mechanisms in the RFP. Proponents need sufficient time to understand the scope of the changes which may impact on the speed with which the general work can be completed.

The NWT Receiver believes that an extension will give the NWT Receiver sufficient time to address all of these concerns, resulting in a more effective RFP process and efficient use of public funds (as GNWT is funding the costs incurred by the NWT Receiver).

- 2) Second, the extension would allow the NWT Receiver to obtain the land use permit from the Mackenzie Valley Land and Water Board (“MVLWB”) which is a necessary prerequisite to conducting the abandonment program. There have been unforeseen delays in obtaining such permitting, creating additional uncertainty for proponents in the RFP process. The NWT Receiver anticipates the submission for the land use permit by September 30, 2022, but understands that the approval process could take up to two additional months or longer. This will have an impact on when any abandonment work can commence, which is further exacerbated by winter access issues. There is a real risk this will deter proponents from making economically viable proposals in the current process.
- 3) Third, the NWT Receiver believes that an extension may present fewer environmental disruptions than if the RFP continued under the current deadlines. Allowing proponents sufficient time to conduct additional due diligence with a final resolution of the sales process may result in the opportunity to perform site-wide abandonment and decommissioning in one winter season, as opposed to two or possibly three winter seasons.

Thus, while the request is to extend the deadline for the abandonment work associated with the Group 1 Wells and the Group 2 Wells for one year, the NWT Receiver believes that this extension may in fact accelerate completion of the abandonment work at all of the sites.

- 4) Lastly, the NWT Receiver notes that the Cameron Hills site is in a suspended state. The NWT Receiver continues ongoing site-wide monitoring, the frequency of which increases during the winter season, and this will continue throughout the NWT Receiver's appointment. This monitoring includes well compliance of the suspended wells. As a result, the NWT Receiver believes the risk associated with the requested extension is low.

If no extension is granted by OROGO pursuant to this request, the NWT Receiver will, to the extent possible given the constraints on the RFP process as it currently sits, use its best efforts to identify a proponent with a reasonable proposal in the RFP process to complete the abandonment of Strategic's assets within the currently approved timelines. However, the NWT Receiver emphasizes that taking all factors into consideration, it will not be in the public interest to do so.

As a result, the NWT Receiver formally makes this extension request with the hope that such extension is granted. This would allow the NWT Receiver to similarly extend out the RFP process, creating a better outcome for Indigenous governments and for stakeholders, **including the public**. The NWT Receiver recognizes the regulatory discretion enjoyed by OROGO and the urgency associated with completing the necessary environmental work. The unfortunate reality is that if no proposals are made in the RFP, the NWT Receiver will likely have no other choice but to seek its discharge as it does not want to find itself in breach of regulatory orders and deadlines.

The NWT Receiver continues to consult with the GNWT in relation to the potential sale and the RFP. The NWT Receiver would also continue to provide regular updates to OROGO and the MVLWB and comply with all other regulatory matters.

As a result of the submission time in the RFP, the NWT Receiver is respectfully requesting that OROGO provide its position on the NWT Receiver's request for a one-year extension **by**

September 22, 2022. We appreciate this is a short time frame within which to consider this request and we would be happy to arrange a conference call to discuss these matters further.

Should you have any questions or require further information, please contact the undersigned at dmacrae@alvarezandmarsal.com.

Yours truly,

A handwritten signature in grey ink, consisting of a large, stylized 'A' followed by a series of loops and a horizontal line extending to the right.

**Alvarez & Marsal Canada Inc., in its capacity as Receiver of
Strategic Oil & Gas Ltd. and Strategic Transmission Ltd.'s NWT Properties
and not in its personal or corporate capacity**

Encl.

*cc: Borden Ladner Gervais LLP
cc: Osler, Hoskin & Harcourt LLP*