

Duncan MacRae
Strategic Oil & Gas Ltd.
c/o Alvarez & Marsal Canada ULC
SUITE 1100, 250 – 6 AVE SW
CALGARY AB T2P 3H7

October 3, 2022

Dear Duncan MacRae:

Decision:

Request for Extension to Cameron Hills Abandonment Deadlines (OA-2018-003-SOG)

On September 19, 2022, the Office of the Regulator of Oil and Gas Operations (OROGO) received a request from Alvarez & Marsal Canada ULC (A&M), Receiver for Strategic Oil & Gas Ltd. (Strategic), to extend the deadline for the abandonment of 24 wells at the Cameron Hills site from March 31, 2023, to March 31, 2024.

This decision:

1. Provides context for Strategic's request;
2. Considers each of Strategic's four arguments in support of its request; and
3. Concludes with my decision on the request.

Context

The following information is provided as context for Strategic's request:

- On October 4, 2019, the Regulator issued an Order under section 20(a) of the *Oil and Gas Operations Act* (OGOA) setting out abandonment deadlines for the wells and other infrastructure at the Cameron Hills field. The deadlines reflect the *Well Suspension and Abandonment Guidelines and Interpretation Notes* (Guidelines). The Order was in place when Strategic went into receivership in February 2020 and A&M was appointed as the Receiver, taking over management of Strategic. Strategic's Operations Authorization for the Cameron Hills field (OA-2018-003-SOG), under which the Order was issued, is still in effect.
- On January 27, 2021, Strategic submitted an abandonment plan to the Regulator for the Cameron Hills field. Strategic's plan addressed two groups of wells:

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- Group 1 – 11 wells originally scheduled for abandonment by January 31, 2023. Strategic requested and received an extension for the abandonment of the Group 1 wells to March 31, 2023.
- Group 2 – 13 wells originally scheduled for abandonment by January 31, 2023. Strategic committed to abandoning these wells by March 31, 2022.
- On July 6, 2021, Strategic submitted a request to change the approved abandonment deadlines for the Group 1 and 2 wells:
 - Group 1 – Strategic requested an extension for the abandonment of these wells to March 31, 2024. This request was denied because it conflicted with the objectives of the Guidelines, the Regulator's 2019 Order, and the purposes of OGOA, particularly the protection of human safety and of the environment.
 - Group 2 – Strategic requested to delay the abandonment of the Group 2 wells to March 31, 2023. This request was approved as it was consistent with approvals given to other operators to reflect the January to March winter work season.

Strategic's current request for an extension to the abandonment deadlines covers both the Group 1 and Group 2 wells discussed above.

Consideration of Strategic's arguments

Strategic makes four arguments in support of its request for an extension to the abandonment deadlines for the Group 1 and 2 wells:

1. Issues related to the Request for Proposals (RFP) process;
2. Lack of the required Land Use Permit for the operation;
3. Reduction in environmental disruption from the operation; and
4. The risk profile of the Cameron Hills field.

I consider each argument separately as follows.

RFP Process

Strategic's first argument is that an extension would allow it to address concerns related to the RFP for the abandonment work. Strategic identifies three specific areas of concern:

1. The impact of the on-going sales process on the RFP;
2. The inability of potential proponents to visit the site due to wildfires in the area and lack of available helicopters; and
3. The need to make additional changes to the RFP to reflect GNWT policy.

With respect to the current sales process:

- The Court of Queen's Bench of Alberta issued an order approving the Sale Solicitation Process (SSP) for Cameron Hills on July 19, 2021. In the documents submitted to the court, the Receiver estimated a November 30, 2021, closing date for the SSP.
- On May 19, 2022, in a meeting with OROGO, staff of the Mackenzie Valley Land and Water Board (MVLWB), and staff of the GNWT Department of Lands, the Receiver stated that the SSP was still in progress and expected to conclude within the next two weeks.
- Strategic's letter of September 19, 2022, indicates the SSP is still in progress and does not identify a timeframe for its conclusion.

The current SSP is the second to be carried out with respect to the Cameron Hills field after Strategic went into Creditor Protection. The first was held under the Creditor Protection process and was unsuccessful. There was also an unsolicited, non-binding offer for the purchase of several Cameron Hills wells, facilities and pipelines in 2020, as described in the Receiver's first report to the court dated November 9, 2020.

OROGO has met with the potential purchaser identified during the current SSP and with the Receiver. OROGO's understanding is that the wells in Group 1 and Group 2 are not being considered as part of a purchase agreement.

While OROGO understands that the RFP scopes in the abandonment of the entire field, not just the Group 1 and 2 wells, this is a decision made by the Receiver, not a requirement of the Regulator. Therefore, it is not reasonable to delay the abandonment of the Group 1 and 2 wells because of the impact of the SSP on the RFP process.

With respect to the impact of wildfires and lack of helicopter availability on proponents' ability to visit the site, significant information about the site is available without a site visit. These sources of information include, but are not limited to:

- The Receiver;
- OROGO's public registry (applications for well approvals, the existing Operations Authorization for the field, well operation reports and inspection reports); and
- MVLWB's public registry (approvals and inspection reports).

Therefore, it is not reasonable to suggest that an inability to visit the site would preclude a proponent from submitting a proposal to the Receiver for the Group 1 and 2 well abandonments.

With respect to the need to make additional changes to the RFP to reflect GNWT policy, page 13 of the Receiver's third report to the court states that "the NWT Receiver believes that the proposed RFP is an elaborate and thorough broad-based marketing process that that [sic] addresses the regulatory requirements of OROGO and the remaining regulators, including the concerns and requirements of GNWT, as primary stakeholder, who will be funding the abandonment process."

Furthermore, based on the May 19, 2022, meeting, it is OROGO's understanding that the GNWT was directly involved in the development of the RFP.

Therefore, it is not reasonable to suggest at this late date in the RFP process that the RFP documents require additional changes to reflect GNWT policy and, therefore, that the Group 1 and 2 well abandonments should be delayed.

Land Use Permit

Strategic's second argument is that an extension would allow the Receiver to obtain the Land Use Permit (LUP) from the MVLWB required to carry out the abandonments.

With respect to the LUP for the operation:

- Strategic's LUP for the Cameron Hills field (MV2013A0010) expired on September 18, 2020;
- Strategic obtained a one-year storage authorization, allowing equipment and other infrastructure to be left on the site, which expired on September 18, 2021;
- Strategic obtained a second one-year storage authorization, which expired on September 17, 2022;
- No additional storage authorizations may be obtained.

In a notification dated August 27, 2020, sent as part of the application process for Strategic's first storage authorization, the consultants for the Receiver indicated that Strategic "is preparing to submit an application for Land Use Permit . . . for Operations, Abandonment, Remediation and Reclamation activities for the Cameron Hills Field". However, "this application has been delayed and will not be submitted and approved before the current permit expires".

In a notification dated August 20, 2021, sent as part of the application process for Strategic's second storage authorization, the consultants for the Receiver indicated that "the Cameron Hills Field is currently undergoing a Sales Solicitation Process. Bids are being accepted until late September, 2021 which will extend past the expiry date of the current 1-year Storage Authorization". The notice further states that, if the field were purchased, the new owner would apply for the appropriate authorizations.

During the May 19, 2022, meeting, Strategic informed OROGO that it intended to submit an LUP application in June 2022 scoping in abandonment and reclamation of the site.

In its request to defer the abandonment of the Group 1 and 2 wells, Strategic indicates that it “anticipates submission” of the LUP application by September 30, 2022. However, as of 10:00 a.m. on October 3, 2022, the MVLWB had not received an application from Strategic.

Strategic has had ample time and opportunity to apply to the MVLWB for the necessary LUP to conduct the abandonments of the Group 1 and 2 wells. Furthermore, if an application is submitted in a timely manner, it is still possible for Strategic to obtain an LUP before the winter road construction season begins.

Therefore, it is not reasonable to delay the Group 1 and 2 well abandonments because of Strategic’s delays in applying for the necessary LUP.

Environmental disruption

Strategic’s third argument is that an extension could reduce environmental disruption, allowing the potential for site-wide abandonment and decommissioning in one winter season.

Strategic’s January 27, 2021, abandonment plan proposed breaking the well abandonments into two groups “due to the volume of work required to properly abandon” the wells. It further states that “the benefit of gaining access each year, will be that annual and routine maintenance tasks such as genset upkeep and cathodic protection surveys can be performed”.

Once construction of the access road is completed, the winter work season for Cameron Hills lasts approximately two and a half months, from January to mid-March. Therefore, Strategic has approximately 75 days to complete the 24 well abandonments scheduled for the winter of 2023. This is approximately three days per well with one service rig or six days per well with two service rigs. Based on OROGO’s experience of well abandonments in its jurisdiction, this schedule is possible if there are no complications with any of the well abandonments.

In total there are 44 suspended wells, over 60 kilometers of gathering system pipelines, the H-03 battery and other associated infrastructure regulated by OROGO at Cameron Hills. Fully abandoning and decommissioning the site in one winter season would be a significant task requiring multiple service rigs and other associated equipment.

Strategic’s original proposed abandonment plan for the site and the time available in one winter season to conduct abandonments do not support Strategic’s assertion that it would be possible to complete site-wide abandonment and decommissioning in one winter season.

Furthermore, Strategic has not obtained a contractor capable of performing site-wide abandonment and decommissioning in one winter season. Strategic has also not met previous commitments to conduct abandonment work in winter 2022, despite having all the necessary approvals and authorizations from OROGO to do so.

Therefore, in the absence of a detailed and fully resourced plan from Strategic to complete all the well and infrastructure abandonments required at Cameron Hills in one season, it is not reasonable to delay the abandonment of the Group 1 and 2 wells in the hopes that such a plan may emerge.

Risk profile

Strategic's fourth and final argument is that the risk associated with the extension is low because the field is suspended and subject to regular site-wide monitoring.

This argument does not consider the status of the Cameron L-29 well (WID2041), which is non-compliant suspended because of gas migration identified during an inspection completed on October 30, 2021. OROGO awaits the results of additional gas migration testing at the well site, along with a variation request for the well approval in place for the well abandonment. Cameron L-29 is one of the wells scheduled for abandonment by March 31, 2023.

This argument also does not consider the history of incidents at the field since 2014, which includes three gas leaks from wells and two incidents at the H-03 battery.

Strategic's request pre-dates OROGO's latest inspection of the field, in September 2022, which identified concerns with two wells:

- Cameron M-31 (WID1122) – Bubbles were actively coming to the surface of the standing water at the base of the wellhead. No H₂S was identified using a personal H₂S monitor.
- Cameron L-47 (WID1734) – A deceased raptor was found 7 meters south of the wellhead under the flare stack line.

OROGO has advised Strategic of these concerns and Strategic has committed to investigating them.

Overall, the infrastructure on the Cameron Hills site is aging and it is not reasonable to assume that its performance will improve over time, particularly as this is a sour gas field. The potential impact of any incident is also increased because a leak could go undetected for a significant period in between monitoring visits.

Therefore, while the field being suspended and subject to site-wide monitoring is helpful, it does not justify delaying the abandonment of the Group 1 and 2 wells considering the Regulator's mandate for protection of human safety and the environment.

Decision

Based on my consideration of Strategic's arguments, I find that Strategic has not made a reasonable case for delaying the abandonment of the Group 1 and 2 wells at the Cameron Hills field to the winter of 2024.

Therefore, Strategic's request to extend the deadline for these abandonments to March 31, 2024, is denied.

Sincerely,



Pauline de Jong
Regulator

- c. Angela Love, Mackenzie Valley Land and Water Board
Lorraine Seale, Department of Lands, Government of the Northwest Territories
Jayleen Robertson, Department of Lands, Government of the Northwest Territories
Jaida Ohokannoak, Department of Lands, Government of the Northwest Territories