

Overview of Accelerated Site Closure Program (ASCP)

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Agenda

- Program Overview
- Program Eligibility
- Vendor Assessment
- Packaging Process
- Work Package Agreement
- Service Delivery
- Indigenous Inclusion
- Questions

Program Overview

- \$400 million federal funding for the abandonment and reclamation of inactive oil and gas wells and facilities
- Scheduled to run until December 31, 2022
- Primary purpose of this program is to put Saskatchewan people and companies back to work in the struggling oil and gas services sector
- Overseen by the Ministry of Energy and Resources and administered by the Saskatchewan Research Council (SRC), with procurement support by SaskBuilds

Program Overview

- Economic stimuli to Saskatchewan-based oil service companies (vendors)
- Estimated that up to 8,000 inactive wells and facilities will be abandoned and reclaimed
- Approximately 2,100 full-time equivalent jobs
- Rolled out in several phases, \$100 million (Phase I), \$200 million (Phase II)
- Funding directed to the oil service companies, not licensees (Oil companies)

Program Eligibility

- Licensees who are in good standing in relation to debts owing to the Crown
- Allocation established by considering the eligible licensee's total deemed inactive infrastructure liability as a percentage of the total deemed inactive infrastructure liability of all eligible licensees
- Licensees will receive a minimum funding allocation of \$50,000 to support reclamation and abandonment activities
- Eligible program activities include:
 - Abandonment of oil and gas wells, facilities and associated flowlines
 - Environmental site assessments (Phase 1 and Phase 2)
 - Site remediation activities
 - Site reclamation activities

Vendor Assessment

- Divided into Major and Minor Oil Field Service (OFS) companies (vendors)
- SaskBuilds conducts two stage Request for Supplier Qualifications (RFSQ) of Major vendors
 - Stage 1 – Saskatchewan based assessment
 - Stage 2 – Pricing, capacity, safety records
- Major vendors are defined if they have internal capacity to complete any one service type:
 - *Rig Service, Site Supervisor, Coil Tubing, Wireline, Fluid Hauling/Disposal, Cut and Cap, Pressure Testing, Cementation and Service Maintenance, Downhole Tools, Initial EA, Detailed Site EA, Environmental Contracting, Engineering and Project Management, and Reclamation/Remediation and AOR*

Vendor Assessment

- Minor vendors are defined if they cannot fully perform one of the RFSQ 14 service types
- All vendors must be either Sask based or have major Sask component to be program eligible
- Major vendors given opportunities to align pricing with industry mean if their initial proposal not in alignment
- Non-competitive Major vendors will be used only if there are no other competitive vendors available
- Program assesses current oil field service vendors only; will not assess cross industry proposals

Packaging Process

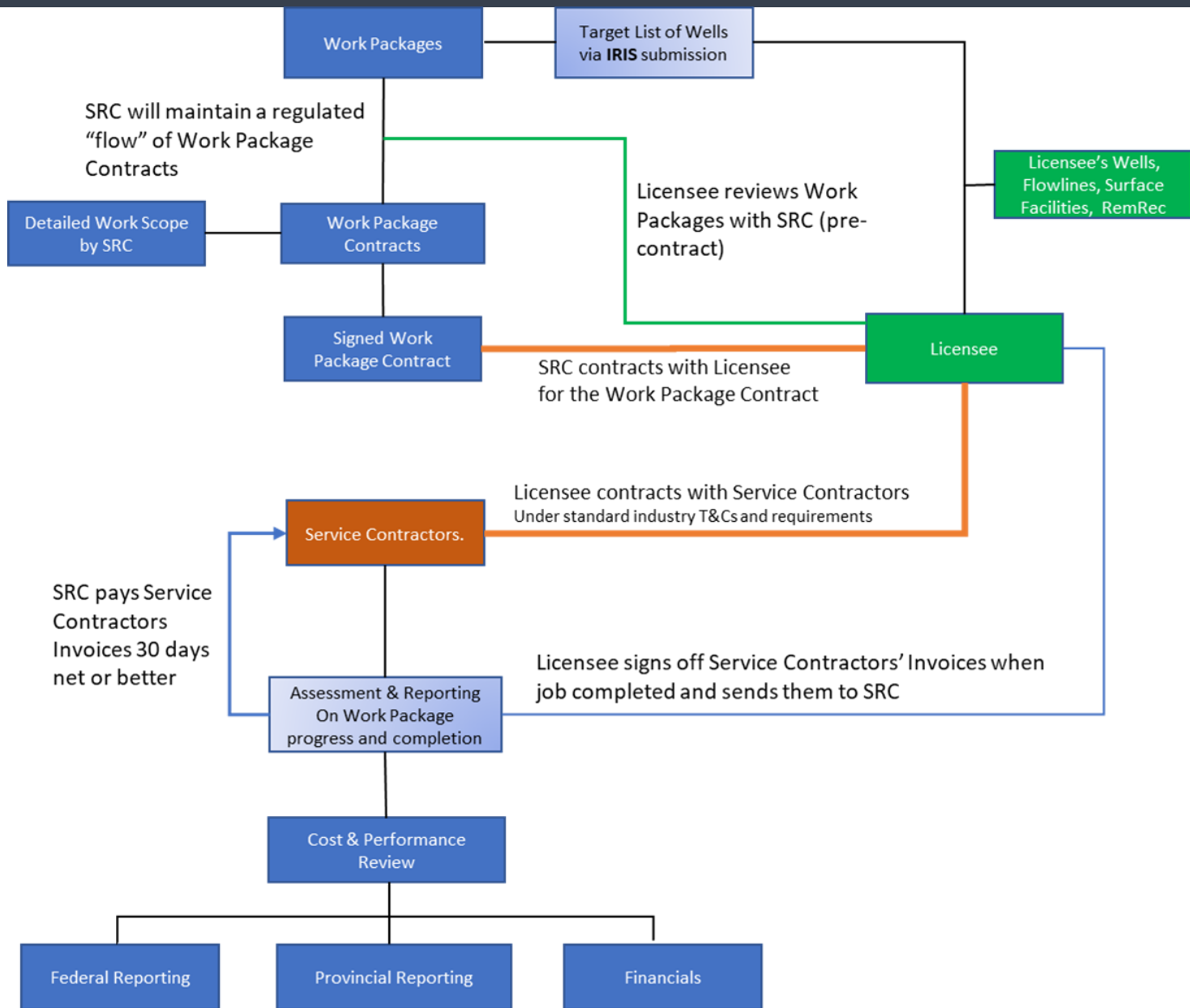
1. Licensee nominates sites/activities using Ministry's IRIS System (125% over allocation)
2. SRC downloads IRIS data and works with the licensee to develop area-based work package adding both sites/activities with qualified Major vendors and cost estimation
3. SRC sends the packages out via legal agreement with the licensees (two types: licensee as prime contractor, for larger licensee, and assigned prime contractor for smaller licensees)

Work Package Agreement

1. Licensees as Lead Contractors – The work package agreement is signed off by SRC and the licensees. All work by contractors with licensee as lead coordinator. For large and medium sized licensees that have inhouse capability.
2. Assigned Prime Contractor as Lead – A lead contractor is assigned by smaller licensees to coordinate all other contractors. Generally, for licensees that do not have inhouse capability.

Service Delivery

- Licensees self perform the work packages, signoff on the verified vendor invoices, and send invoices to SRC for payment
- SRC reviews all invoices against SaskBuilds and program requirements before directly paying the vendors
- SRC manages and cost tracks the completed work against the terms and conditions of the legal agreement
- Built-in flexibility for both parties using change direction mechanisms to add/remove sites, and adjust for actual pricing against estimated
- All data inputted into a central integrated data management system (IDMS) built specific for the program using QC and IA tools
- All information reported monthly to Ministry of Energy and Resources as part of Program requirements



Indigenous Inclusion

Objectives – Why should we do this?

- To take tangible and measurable action on the Growth Plan commitment to increase Indigenous participation in Saskatchewan's natural resource economy
- To action strategic priorities – securing Indigenous participation consistently identified by all divisions as having a major impact on resource development in the next five years
- To establish relationships with Indigenous governance, communities, leaders, and businesses across the province in relation to resource development
- To ensure that Indigenous-owned service companies and Indigenous communities are included in the program

Indigenous Inclusion Overview

To ensure that Indigenous communities and businesses benefit from the program, the ASCP is introducing:

**The First Nations Stewardship Fund; and
The Indigenous Business Credit Pool.**

These two initiatives will direct up to \$50M of ASCP funding to support Indigenous participation in the program.

The First Nations Natural Resource Centre of Excellence (COE) will be assisting with program management and administration.

First Nations Stewardship Fund

- The Stewardship Fund will allocate up to \$20M in program funding to conduct abandonment and reclamation activities in First Nations communities across Saskatchewan.
- Eligible licensees with oil and gas sites on-Reserve can access the Stewardship Fund and are asked to nominate sites with a surface location on-Reserve for consideration.
- Licensees will engage with First Nations communities in the development of work packages under the Stewardship Fund.

Indigenous Business Credit Pool

- The Credit Pool creates an incentive for ASCP licensees to work with eligible Indigenous major contractors and minor contractors to complete program work.
- For each program dollar spent on eligible Indigenous contractors, licensees will receive a fifty-cent ASCP credit for future use.
- The Indigenous Business Credit Pool will make an additional \$15M in ASCP funding available to participating licensees.
- If fully utilized, the Indigenous Business Credit Pool will support a \$30M spend on qualifying Indigenous businesses.

QUESTIONS

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