

ADVANCE CONTRACT AWARD NOTICE

Well Abandonment Consultant Services - Old Frobisher Sour Gas Wells – Hay River NT – 00-13-0033

Date: January 31, 2014

1. Purpose of an Advance Contract Award Notice (ACAN)

An Advance Contract Award Notice (ACAN) allows a department to post a notice, for no less than fifteen (15) calendar days, indicating to the supplier community that it intends to award a contract to a pre-identified supplier. If no other supplier submits, during the fifteen calendar day posting period, a statement of capabilities that meets the requirements set out in the ACAN, the competitive requirements of the government's contracting policy have been met. Following notification to suppliers not successful in demonstrating that their statement of capabilities meets the requirements set out in the ACAN, the contract may then be awarded using the Treasury Board's electronic bidding authorities.

If other potential suppliers submit statements of capabilities during the fifteen calendar day posting period, and meet the requirements set out in the ACAN, the department must proceed to a full tendering process on either the government's electronic tendering service or through traditional means, in order to award the contract.

2. Definition of Requirements

Background:

The Frobisher Gas Wells are seven orphaned exploration wells that were drilled between 1922 and 1947. The wells are located along the banks of the Hay River, NT, approximately 12 km south of the town of Hay River, and are situated across the river from the Hay River Golf Club and local residences, and on land within the Hay River Ski Club trail system.

In 2005, three of the seven wells were found to be leaking low levels of hydrogen sulphide (sour) gas (H₂S). Sour gas is any gas that contains H₂S, which is both explosive and toxic at very low concentrations. The exposure of humans to hydrogen sulphide is not a chronic exposure issues but rather an acute exposure issue if someone is present at the well when there is a high release of hydrogen sulphide.

In 2011, three of problem wells were re-drilled and cemented which stopped the leaking of the H₂S gas. In 2013, further monitoring and testing of the wells found one additional well (#7) contained lethal amounts of H₂S gas (8%). While the well is not currently leaking, significant corrosion was observed on the well casing and corrosive levels of H₂S gas found within the well casing will likely cause further corrosion over time and ultimately may result in failure of the well casing. The Department of Indian Affairs and Northern Development (DIAND) as the lands owner, must implement a safety plan to protect the Health and

Safety of the public and ensure the proper closure of the problem wells in a timely fashion.

Description of Services the contractor must provide:

The Department of Indian Affairs and Northern Development (DIAND) requires the services of a Well Abandonment Consultant with extensive technical expertise and experience regarding the management and closure of abandoned sour gas wells and the health and safety considerations and associated with sour gas wells in the NWT.

Under the proposed contract, the Contractor will be responsible for creating and implementing a Public Safety Plan to protect the human health and safety of the general public and site users; Developing and Implementing a Risk Management Plan to monitor the wells and ensure appropriate measures are in place to address the wells should they begin to leak before the wells can be permanently closed; Designing a well closure plan; And development of the necessary Regulatory Applications required for the closure program.

The work will include but is not limited to:

- Reviewing background documents to ensure a thorough understanding of the work and related requirements,
- Development and Implementation of a Public Safety Plan to ensure Public Safety until the wells can be properly closed (work includes public awareness meetings and the provision of training for key stakeholders with regular site access).
- Development and Implementation of a Risk Management Plan (includes implementation of an air quality monitoring program, development of an emergency response plan should the wells begin to leak before the well closure program can be implemented)
- Design of a Well Closure Plan (includes development of a detailed cost estimate and schedule, and a mobilization/demobilization plan)
- Completion of a field program to carry out well inspections and maintenance of the air quality monitoring equipment.
- Preparation of regulatory submissions necessary to obtain regulatory approvals from the National Energy Board in order to complete the well closure program.

The Contractor shall not act as a representative of Canada in any regard.

3. Criteria for assessment of the Statement of Capabilities

Minimum Essential Requirements

In order to ensure permanent closure of the wells by April 2015 and to ensure that appropriate Health and Safety measures are implemented in a timely

fashion, DIAND requires the services of a qualified and capable Well Abandonment contractor/consultant with demonstrated experience in each of the following areas (i through vii):

- i) The supplier must have five (5) years or more demonstrated experience in the design and execution of sour gas well abandonments (well closure), including program design, health and safety measures, public safety plans, public consultation associated construction and/ drilling related activities, etc...) on orphaned (>50 years old) sour gas wells;
- ii) The supplier must demonstrate experience within the past five(5) years working with the various Acts, Regulations, and Guidelines that govern Oil and Gas Well Activity in the NWT, i.e. The *Canada Oil and Gas Act* and associated National Energy Board *Drilling and Production Regulations (2010)*, and the *Canada Labour Code Part II Oil and Gas Occupational Safety and Health Regulations*;
- iii) The supplier must demonstrate experience within the past five (5) years developing an Operations Authorization application as per paragraph 5(1)(b) of the Canada Oil and Gas Operations Act (R.S.C., 1985, c. O-7) and Part 2 of the Canada Oil and Gas Drilling and Production Regulations (SOR/2009-0315) for approval by National Energy Board.
- iv) The supplier must have demonstrated experience in providing environmental assessment, and or remediation program design and or construction services on a Federal Contaminated Site within the past five (5) years;
- v) The supplier must have demonstrated experience within the past five (5) years working in remote northern locations. Remote in this context is defined as a location with only seasonal or intermittent road access or is only accessible by air and/or boat, or any other type of location that poses additional logistical challenges to accessing the site;
- vi) The supplier must have demonstrated experience of a minimum of one (1) project working on a sour gas well (active or abandoned) within 1 km of a nearby community or public/private dwelling; and
- vii) The supplier must be capable of delivering a well abandonment program design and a complete Operations Authorization application by July, 2014.

4. Applicability of the trade agreement(s) to the procurement

This procurement is subject to the following trade agreements:

- the Agreement on Internal Trade (AIT);
- the World Trade Organization – Agreement on Government Procurement (WTO-AGP);
- the North American Free Trade Agreement (NAFTA);
- the Canada Chile Free Trade Agreement (CCFTA);
- the Canada-Peru Free Trade Agreement (CPFTA); and
- the Canada-Colombia Free Trade Agreement (CCOFTA).

5. Justification for the proposed Supplier

The proposed Contractor, Abandonrite (a division of Nabors Canada), is an environmental, abandonment and reclamation services group.

The proposed contractor is considered to be the only contractor uniquely qualified to complete this work as they have demonstrated experience in all of the minimum essential criteria which are specific and unique.

Abandonrite has over 20 years experience in the abandonment of oil and gas wells (including sour gas), working in British Columbia, Alberta, Saskatchewan and the NWT. They have worked for the Orphan Well Associations of British Columbia, Alberta, and Saskatchewan in the abandonment of wells.

As a result of their abandonment work over the last 20 years, Abandonrite is extremely experienced with the Acts, Regulations and Guidelines that govern Oil and Gas Well Activity in Canada, including those that govern the NWT.

In 2010, they developed an Operations Authorization for the abandonment of sour gas wells in the NWT and have provided environmental assessment, and or remediation program design and or construction services on a Federal Contaminated Site in the NWT in 2007, 2009, 2010 and 2013.

They have demonstrated experience working in remote northern locations including work in British Columbia, Alberta, Saskatchewan and the NWT.

They have extensive experience working on sour gas well abandonment within 1 km of residences including the abandonment of a sour gas well in the city of Edmonton.

Abandonrite can also deliver a well abandonment program design and Operations Authorization application for the Frobisher Gas Well by July, 2014.

6. Government Contracts Regulations Exception(s)

The following exception to the Government Contracts Regulations is invoked for this procurement:

subsection 6(d) - "only one person is capable of performing the work".

7. Exclusions and/or Limited Tendering Reasons

The following exclusion(s) and/or limited tendering reasons are invoked:

Agreement on Internal Trade (AIT) – Article 506 Paragraph 12 (b), where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists.

World Trade Organization - Agreement on Government Procurement (WTO-AGP) – Article XV (15), Paragraph 1 (b), the products or services can be supplied only by a particular supplier and no reasonable alternative or substitute exists.

North American Free Trade Agreement (NAFTA) – Article 1016.2(B) the goods or services can be supplied only by a particular supplier and no reasonable alternative or substitute exists.

Canada-Peru Free Trade Agreement – Article 1409, Paragraph 1 (b) iii, the goods or services can be supplied only by a particular supplier and no reasonable alternative or substitute goods or services exist.

Canada-Colombia Free Trade Agreement – Article 1409, Paragraph 1 (b) iii, the goods or services can be supplied only by a particular supplier and no reasonable alternative or substitute goods or services exist.

8. Ownership of Intellectual Property.

The Department of Indian Affairs and Northern Development has determined that any intellectual property arising from the performance of the work under the contract will vest in Canada, for the following reason: statutes, regulations or prior obligations of Canada to a third party or parties preclude Contractor ownership of the Intellectual Property Rights in Foreground Information.

9. The period of the proposed contract or the delivery date(s)

Commencement Date: At contract award
Completion Date: December 31, 2015

10. A cost estimate of the proposed contract

\$300,000.00 (GST excluded)

11. Name and address of the proposed Contractor:

Abandonrite - A Division of Nabors Canada
2800 - 500 - 4th Ave SW
CALGARY, AB
T2P2V6
Telephone: (403) 263-6777
Fax: (403) 237-8001

12. Submission of Statement of Capabilities by suppliers

Suppliers, who consider themselves fully qualified and available to provide the services described herein, may submit a statement of capabilities in writing to the contact person identified in this Notice on or before the closing date of this Notice. The statement of capabilities must clearly demonstrate how the supplier meets the advertised requirements.

13. The closing date for a submission of a statement of capabilities.

The closing date and time for accepting statements of capabilities is **February 14, 2014 at 15:00 EST.**

14. Inquiries and submission of statements of capabilities

Inquiries and statements of capabilities are to be directed e-mail to:

Céline Viner
Senior Contracting Officer
Materiel and Asset Management Directorate
Department of Indian Affairs and Northern Development
10 Wellington Street
Gatineau, QC, K1A 0H1
Telephone: (819)-994-7304
Facsimile: (819)-953-7830
E-mail: celine.viner@aandc-aadnc.gc.ca