

MADE at the City of Calgary, in the
Province of Alberta, on

October 22, 2015

ALBERTA ENERGY REGULATOR

Under section 29 of the *Pipeline Act*

Nexen Energy ULC
c/o Registered Office
801-7 Ave SW
Calgary, Alberta
T20 3P7
(Nexen)

WHEREAS by order dated August 28, 2015 under section 29 of the *Pipeline Act* (Order), the Alberta Energy Regulator (AER) suspended operations of certain Nexen licences at the Long Lake facility as outlined in the Order (Licences) as a result of non-compliances with AER requirements;

WHEREAS by orders dated September 6th and 16th, 2015, under section 29 of the *Pipeline Act* (respectively Amendment Order No. 1 and No. 2), the AER lifted the suspension regarding the Water and Utility Pipelines; and Production Pipelines, subject to certain terms and conditions;

WHEREAS Licence Nos. 39429 and 54599 consist of pipelines that transport disposal, brackish, and low pressure condensate water used for operations at the Long Lake facility (collectively the “Disposal and Production Water Pipelines”);

WHEREAS Nexen has requested that the AER lift the suspensions in the Order in respect of the Disposal and Production Water Pipelines and submitted information on September 10th, 15th, 24th and October 6th, 16th and 19th, 2015 to the AER to support its request (Submitted Information);

WHEREAS the Submitted Information states the following:

- i) Nexen has conducted inspections of all lines of Disposal and Production Water Pipelines located at water crossings and has confirmed it found no evidence of leaks, loss of cover, or earth movement in respect of those lines;
- ii) Nexen has conducted inspections of the rights of way of all Disposal and Production Water Pipelines and has found and addressed a minor leak relating the pigging station associated with Line 1 under Pipeline Licence 39429 and has confirmed it found no evidence of soil movement, leaks, encroachment, loss of cover, or ground disturbance associated with any of its other Disposal and Production Water Pipelines;
- iii) Nexen has received an assessment from an independent third party that categorizes the overall risk of each Disposal and Production Water Pipelines as scale of low, medium, high and extreme, considering both the probability and consequence of a failure, including the potential harm to people and the environment. The assessment determined

- a) No lines were rated as high or extreme;
- b) All lines transporting saline were considered low risk with the exception of one;
- c) Disposal lines were rated as medium risk based on previous failures and pipelines being uncoated; and
- d) Those lines transporting condensate were rated as medium risk due to a river crossing and being uncoated.

WHEREAS in the Submitted Information Nexen committed to the following actions to address the non-compliances and manage and mitigate the risk to public safety and the environment in relation to the Disposal and Production Water Pipelines (Action Plan):

- i) Commencing immediately Nexen will conduct 30 day, 90 day and long term actions designed to identify and mitigate risks in relation to and to ensure safe operation of the Disposal and Production Water Pipelines;
- ii) Commencing immediately Nexen will conduct inspections of the rights-of-way of Disposal Pipelines, at a minimum, of once a day;
- iii) Nexen will monitor 24 hours a day the Disposal and Water Production Pipelines for pressure and flow as set out in letter dated October 6, 2015; and
- iv) If Nexen identifies any operating conditions in ii) and iii) above or evidence of a leak of the Disposal and Production Water Pipelines, Nexen will immediately shut down, isolate the pipeline and advise the appropriate authorities.

WHEREAS on September 30, 2015 2015 AER staff inspected a number of the Disposal and Production Water Pipelines and observed no immediate risk to public safety or the environment;

WHEREAS Nexen isolated the pigging piping bypass section associated with Line 1 under Licence 39429, and Nexen has confirmed that the section will remain isolated from the main line until the permanent repair is made;

WHEREAS the AER has completed inspections, reviewed the Submitted Information, the Action Plan stating Nexen's commitments, and the AER is satisfied that the operation of the Disposal and Production Water Pipelines poses a low risk to public safety and the environment;

WHEREAS the AER is satisfied that the actions committed to be taken by Nexen in the Action Plan are sufficient to manage and mitigate the inherent risk associated with the Disposal and Production Water Pipelines that have been determined to be medium risk;

WHEREAS the AER is satisfied that lifting the suspension on the Disposal and Production Water Pipelines is appropriate in the circumstances;

WHEREAS the Director, Compliance and Enforcement (Director) is authorized to issue orders under the *Pipeline Act*;

WHEREAS the Director is of the opinion that the Order should be amended to rescind the suspension of the Disposal and Production Water Pipelines subject to the terms and conditions outlined below;

THEREFORE, pursuant to section 29 of the *Pipeline Act*, the Director does hereby amend the Order as follows:

1. To repeal paragraph 1 of the Amendment Order No. 1 and replace with:

- 1. Operations authorized under the Licences, except the Water and Utility Pipelines, Production Pipelines and Disposal and Production Water Pipelines, are suspended until further order of the AER.

2. To repeal paragraphs 2, 3, 4 of the Amendment Order No. 2, and replace with:

2. Commencing immediately Nexen shall comply with the Action Plan in respect of the Water and Utility Pipelines, Production Pipelines, Disposal and Production Water Pipelines.
3. Commencing immediately Nexen shall report to the AER regarding its activities under the Action Plan relating to the Water and Utility Pipelines, Production Pipelines, and Disposal and Production Water Pipelines at least weekly by e-mail at Nexensection29order@aer.ca by 12 noon on each Wednesday unless otherwise directed in writing by the Director.
4. Notwithstanding paragraph 3, Nexen shall immediately report to the AER in respect of the Water and Utility Pipelines, Production Pipelines, and Disposal and Production Water Pipelines:
 - a. Any change in operating conditions as described in section iv) of the Action Plan;
 - b. Any evidence of a leak;
 - c. Any risk to public safety or the environment; and
 - d. Any non-compliances under the Water and Utility Pipelines, Production Pipelines, Disposal and Production Water Pipelines Action Plan;unless otherwise directed by the Director in writing.
5. The AER may rescind the Amendment Order and reinstate all or part of the Order in the event of:
 - a. Any change in operating conditions as described in section iv) of the Action Plan;
 - b. Any evidence of a leak in respect of the Water and Utility Pipelines, Production Pipelines, and Disposal and Production Water Pipelines;
 - c. Any risk to public safety or the environment in respect of the Water and Utility Pipelines, Production Pipelines, Disposal and Production Water Pipelines;
 - d. Any non-compliances under the Water and Utility Pipelines, Production Pipelines, Disposal and Production Water Pipelines Action Plan;
 - e. Noncompliance with the Order, Amendment Orders and/or the Action Plan; or
 - f. Any other reason the AER considers appropriate.

DATED at the City of Calgary in the Province of Alberta, on the 22nd day of October 2015.

<original signed by>

Erin Maczuga
Director, Compliance and Enforcement
Alberta Energy Regulator

Notwithstanding the above requirements, Nexen shall obtain all necessary approvals in complying with this Order.

Take notice that this Order in no way precludes any additional compliance and enforcement tools being used pertaining to this matter under the *Pipeline Act* or any other provincial or federal legislation, or by any other regulator having jurisdiction.

Under the *Responsible Energy Development Act*, an eligible person may file a request for a regulatory appeal on an appealable decision. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request in the form and manner and within the timeframe required by the AER. You can find filing requirements and forms on the AER website, www.aer.ca, under Applications & Notices: Appeals.