

IN THE ALBERTA COURT OF JUSTICE
CRIMINAL DIVISION

Between:

His Majesty the King
and
Whitecap Resources Inc.

Agreed Statement of Facts

Background

1. On Information 230558447P1, Whitecap Resources Inc. ("**Whitecap**") stands charged that:

Count 1

On or about the 20th day of June 2021, at or near Didsbury, in the Province of Alberta, did release or permit the release into the environment of a substance in an amount, concentration or level or at a rate of release that causes or may cause a significant adverse effect contrary to section 109(2) of the *Environmental Protection and Enhancement Act* and did thereby commit an offence contrary to s. 227(j) of the *Environmental Protection and Enhancement Act*.

2. Whitecap is an Alberta corporation with a head office in Calgary. Whitecap is an energy company with over 450 employees. Its operations are conducted in north-east British Columbia, Alberta, and Saskatchewan, and include the operation of the world's largest carbon capture, utilization, and storage project.

Background

3. Whitecap's assets include an oil and gas producing field near Didsbury, Alberta that is monitored and operated by Whitecap employees located in Olds, Alberta at Whitecap's Olds Gas Plant Control Room ("**OGPCR**"). Employees at the OGPCR remotely monitor Whitecap's oil and

gas producing field with a computer-based system for Supervisory Control and Data Acquisition ("SCADA") that provides real time control and monitoring of Whitecap's wells and pipelines. The purpose of a SCADA system is to provide early detection of low or high pressure anomalies in oil and gas infrastructure and to alert operations personnel to potential issues. Any issues that arise are investigated and resolved by specially trained and suitably experienced oil field operators employed by Whitecap.

4. On June 20, 2021 there was a release into the environment of hydrogen sulphide ("**H₂S**") from Whitecap's gas well located at 15-33-30-01W5 near Didsbury, Alberta (the "**Well**"). At 8:41 pm, the OGPCR received a low low-pressure SCADA alarm from the Well, indicating a potential issue with the wellhead. The alarm was acknowledged and monitored by the OGPCR operator.

5. The OGPCR alerted the on-call operators to the possibility of a release from the Well. The on-call operator and foreman attended the Well to investigate and assess the situation and upon confirming that a release was occurring, developed a plan to safely isolate the Well. By 9:41 p.m. on June 20, 2021 the wellhead was isolated, the release was stopped, and the scene rendered safe.

6. An estimated 649m³ to 1418 m³ of H₂S was released into the environment from the Well.

7. Exposure to H₂S may cause a significant adverse effect. There were no injuries, property damage, or permanent environmental harm reported as a result of the release. That said, if the released gas had come into contact with a person within approximately one kilometer of the release site, that person would likely have suffered transitory health effects such as sore eyes, sore throat, and potential breathing issues. While there were residents within close proximity of the release site there were no adverse effects reported.

Investigation and Cause

8. The Well was acquired by Whitecap's amalgamation predecessor NAL Resources Limited as part of a 2015 asset purchase from an unrelated third party. Whitecap amalgamated with NAL effective January 1, 2021.

9. H₂S causes corrosion of metallic components. Changes were made to the wellhead shutdown equipment in 2014 (prior to the sale to Whitecap's amalgamation predecessor). During

the change, sour service piping specifications were not followed by the third-party owner of the Well. A ½" schedule 40 pipe nipple was installed, instead of a thicker walled schedule 80/160 pipe nipple. The ½" schedule 40 pipe nipple was not designed for use in a sour gas well because it had thin wall thickness and was therefore more susceptible to corrosion and failure. As a result of its insufficient wall thickness, the schedule 40 ½" pipe nipple corroded to the point of failure causing the H₂S gas release. There was no way to visually inspect the nipple for serviceability once installed because H₂S corroded the components from the inside out.

10. The Well was equipped with emergency shutdown devices ("**ESD**"), but the trip mechanisms failed to activate the ESDs. The Well was manually shut in by Whitecap's operator.

11. There was a preventive maintenance program in place and the ESDs had been inspected and recalibrated within 12 months of the incident. Operators visually inspected the Well on a weekly basis. The preventive maintenance plan in place in the time leading up to the release included:

- (a) Annual shutdowns and inspections of ESDs;
- (b) Regular integrity inspections;
- (c) Calibration of the low-pressure ESDs at a point that was below the average pressure of the field; and
- (d) A downhole shut-off device.

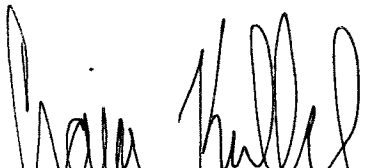
12. The 2020 annual inspection report for the Well noted "no trip" on the low-pressure device. There was a seized component that was rebuilt and then the device was calibrated to 500kpa (below the average field pressure of 560-580 kpa). The low-pressure device failed for unknown reasons and was replaced post incident.

Agreements


13. The parties agree:

- (a) Whitecap will plead guilty to Count 1 on Information 230558447P1. The remaining charge on Information 230558447P1 shall be withdrawn upon the Court sentencing Whitecap;
- (b) The facts set out in this Agreed Statement of Facts are fully admitted and acknowledged by Whitecap and will solely form the facts to be considered by the Justice pronouncing sentence upon Whitecap;
- (c) The parties will jointly submit that Whitecap should receive a global penalty of \$80,000 on Information 230558447P1, inclusive of Victim Fine Surcharge; and
- (d) This Agreed Statement of Facts may be filed and relied upon even if signed in counterpart or by facsimile copies of the signatures of any person or both.

CONSENTED TO WITH RESPECT TO FORM AND SUBSTANCE THIS 26 day of February 2024.



Craig Kallal
Solicitor for the Appeals and Specialized
Prosecutions Office of the Alberta Crown
Prosecution Service



Craig Alcock
Solicitor and Agent for Whitecap Resources
Inc.