March 1, 2013

INSTRUCTION LETTER

TO: ALL SASKATCHEWAN OIL AND GAS OPERATORS

H₂S EMISSION REGULATORY COMPLIANCE REQUIREMENTS

This letter will serve as a reminder to those operating in southeast Saskatchewan that they may encounter elevated concentrations of hydrogen sulphide (H₂S) in the producing fields and facility operations.

The Ministry of the Economy (ECON) reminds all operators to actively monitor and take measures to prevent H₂S emissions and ensure compliance obligations under the applicable regulations are adhered to.

Investigations conducted by ECON have determined that there have been emissions from certain single-oil-well batteries (SWB) and multi-oil-well facilities operated in southeast Saskatchewan that exceeded the regulated limits. ECON has immediately shut-in the operation(s) where there were risks to public and worker safety or the environment.

The emission problems are attributed to fugitive emissions from improperly sealed or operated processing and storage equipment; loading, unloading and transportation of the production fluid via tanker trucks; inadequately designed and improperly operated vapour recovery unit and flare stack; and inexperienced or inadequately trained operators and contractors.


All operators are responsible to read, understand and comply with these requirements.
Emissions exceeding the regulatory limit is considered to be a critical violation under *The Oil and Gas Conservation Act*. ECON will order shut-in and immediate application of remedial measures of any wells and facilities that are found to be emitting in excess of the regulated limits.

Where warranted, especially in case of serious infractions or repeated offenses, ECON may sanction escalated enforcement, penalty and/or prosecution.

Over past months, ECON has been working with industry associations and related provincial regulatory agencies to develop practicable and permanent solutions to abate the H₂S emission problems in southeast Saskatchewan. This issue is of the highest priority for both government and industry to take immediate action to mitigate and correct the problem.

The Government of Saskatchewan intends to introduce further actions in the coming weeks which may include specific action plans, operational standards, regional and site-specific air monitoring programs and requirements and regulatory directives.

**ECON’s Regional Office contact information:**

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If you have further questions with regards to the aforementioned regulations, directives or this letter, please contact Mr. Todd Han, Director, Petroleum Development, ECON at (306)787-2221.

Sincerely,

[Signature]

Tim McMillan
Minister Responsible for Energy and Resources

cc: Kent Campbell, Deputy Minister, ECON
Ed Dancsok, Assistant Deputy Minister, ECON
Todd Han, Director, Petroleum Development, ECON