

FINANCIAL ASSURANCE DEMONSTRATION PLAN
40 CFR 146.82(a)(14) and (19), 146.85

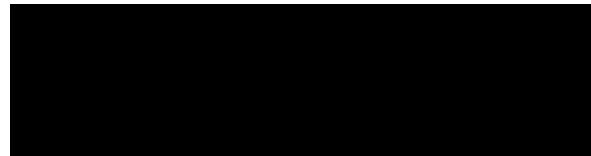
Brown Pelican CO₂ Sequestration Project

| | |
|--|---|
| 1.0 Facility Information and Overview..... | 1 |
| 2.0 Activities Requiring Financial Assurance | 2 |
| 3.0 Instruments to Meet Financial Responsibility | 2 |
| 4.0 Cost Estimate for Activities Covered by Financial Responsibility | 2 |

1.0 Facility Information and Overview

Facility name: Brown Pelican CO₂ Sequestration Project
BRP CCS 1, CCS2 and CCS 3 Wells

Facility contact:



Well location: Penwell, Texas

| | | |
|----------|-------------|--------------|
| BRP CCS1 | 31.76479314 | -102.7289311 |
| BRP CCS2 | 31.76993805 | -102.7332448 |
| BRP CCS3 | 31.76031163 | -102.7101566 |

The matter of financial assurance demonstration is relevant to the requirements of Environmental Protection Agency (EPA) document 40 CFR Subpart H - Criteria and Standards applicable to Class VI Wells. The main topics covered in this document are activities requiring financial assurance, instruments to meet financial responsibility, and the plan to be implemented by Oxy Low Carbon Ventures, LLC (“OLCV”) for the Brown Pelican CO₂ Sequestration Project (“BRP Project” or “Project”).

2.0 Activities Requiring Financial Assurance

Pursuant to 40 CFR 146.85, OLCV, is required to demonstrate financial ability to successfully complete all the tasks associated with performing well corrective action, well plugging, post-injection site care, site closure, and implementation of an emergency remedial plan as specified in Table 1.

Table 1—List of Project activities that require Financial Assurance

| Activity | Period of Performance |
|---|-------------------------------------|
| Performing corrective action | As needed |
| Plugging injection and monitoring wells | One time |
| Post-injection site care | Throughout the post-injection phase |
| Site closure | One time |
| Emergency/remedial response | As needed |

3.0 Instruments to Meet Financial Responsibility

OLCV has reviewed the extensive guidance, research, and analysis documents published by the EPA and proposes to utilize a letter of credit to demonstrate financial responsibility for all activities requiring financial assurance. The letter of credit will be issued by a U.S. commercial bank or a U.S. branch office of a foreign bank that has (a) assets of at least Ten Billion Dollars (\$10,000,000,000) and (b) has a Long-Term Credit Rating of at least “A-” by S&P and at least “A3” by Moody’s. The letter of credit will require the issuing institution to provide notice if it does not plan to reissue the letter of credit and will include a provision for automatic renewal. OLCV will establish a standby trust fund in accordance with EPA’s guidance to receive any funding necessary to address the cost of covered activities. OLCV may change the instrument used to demonstrate financial assurance in accordance with 40 CFR 146.85.

4.0 Cost Estimate for Activities Covered by Financial Responsibility

Per 16 TAC 5.205 (c)(2)(C)(i), the cost estimates must be performed for each phase separately and must be based on the costs to the Texas Railroad Commission of hiring a third party to perform the required activities.

For future activities related to plugging injection wells, post injection site care, and site closure, OLCV applied a discounted rate of 2.341% to discount those future cost estimates to today’s dollars. The discount rate was calculated using a 15 year historical average of the Consumer Price Index for All Urban Consumers (CPI-U).

4.1 Corrective Action

OLCV will provide financial assurance sufficient to cover the costs identified in Table 2. Costs are in 2024 \$USD. A detailed cost estimate is included as a separate document PBI_FA_BRP_COST_EST_V3_2024.pdf.

Table 2—Cost Estimate for Activities Covered by Financial Assurance

| Activity | Cost (Millions of \$USD); Discounted |
|------------------------------|---|
| Performing corrective action | -* |
| Plugging injection wells | 0.41 |
| Post-injection site care | 5.96 |
| Site closure | 2.05 |
| Emergency/remedial response | 2.06 |

*Corrective action will be conducted prior to commencement of CO₂ injection operations and therefore is not included in FA.

Three wells within the Area of Review (AoR) were determined to require corrective action. OLCV will conduct corrective action on: Eidson-E-1 (API 4213531130), Scharbauer Eidson-1 (API 4213510667) and Eidson Scharbauer-1 (API 4213506139) prior to commencement of CO₂ injection operations. Details of the corrective action plan are found in Section 5 of the Area of Review and Corrective Action Plan document of this permit application.

4.2 Plugging Injection Wells

Details of the well plugging plan are found in the Plugging Plan document of this permit application.

4.3 Post-Injection Site Care

Details of the post-injection site care plan are found in the Post Injection Site Care and Site Closure Plan document of this permit application. Post-injection site care costs were estimated from cessation of injection to site closure and account for seismic studies at five-year intervals, maintenance of the wells until closure, and monitoring the site to ensure protection of the USDW. Site closure costs include plugging monitoring wells, removal of surface facilities, and reclamation of the site.

4.4 Site Closure

Details of the site closure plan are found in the Post Injection Site Care and Site Closure Plan document of this permit application.

Surface infrastructure removal and restoration scope is included in the Site Closure and includes such items as:

- CO₂ pipeline abandonment and right-of-way restoration
- Water pipeline abandonment and right-of-way restoration
- Removal of pipeline valve stations
- Removal of surface facilities including pig traps, meters, monitors, etc.
- Restoration of well pads
- Removal of electrical infrastructure such as de-commissioned powerlines and communications panels

4.5 Emergency and Remedial Response

Details of the emergency and remedial response plan are found in the Emergency and Remedial Response plan document of this permit application.

The instrument values included in this document are based upon cost estimates by BRP Project team with input cost data from 3rd party service providers. Cost estimates were provided during the permit application process. If the cost estimates change during the permitting process or the life of the Project, OLCV will adjust the value of the financial instruments.

The estimation method applied to the BRP site is based on the peer-reviewed approach pioneered by 3rd party consultants; the approach has been used to inform estimation of coverage amounts for emergency and remedial response in previously approved Class VI permits. The valuation parameters of the Carbon Capture and Storage stochastic Monte Carlo model, which is the cornerstone of the estimation method, have been tailored to reflect site-specific factors associated with the BRP site. Specifically, the model's input parameters reflect the geologic location and specific chemical composition of the project's CO₂ injectate stream, as well as site-specific conditions that exist within the established area of review. The analysis adopts several conservative input assumptions and incorporates probabilistic calculations that allow for multiple release incidents across geologic sequestration activities – from injection through post-injection site care to site closure. The resulting coverage values are based on generally accepted response actions commonly used to respond to contamination incidents that could impair the public's ability to safely access Underground Source(s) of Drinking Water (USDWs).

A model run of 50,000 Monte Carlo trials yields an upper-bound coverage estimate to satisfy emergency and remedial response of approximately \$2.06 million in current 2024 dollars.

Plan revision number: 2

Plan revision date: 7/20/2024

This upper-bound estimate reflects the single Monte Carlo trial with the greatest estimate of emergency and remedial response costs out of the 50,000 trials run (comprising four separate ERR actions over the 62-year combined duration of injection and post-injection site care periods). The estimates described in this report specifically account for an array of possible risk events of potential concern at Carbon Captures and Sequestration (CCS) sites, including undocumented deep well leaks, CO₂ injection well leaks, CO₂ monitoring well leaks, rapid leakage through the caprock, slow leakage through the caprock, releases through an existing fault, releases through an induced fault, leakage through caprock/faults then a shallow well and pipeline release events. These estimates are reasonable and appropriately conservative, in keeping with the recommendations set forth in EPA's financial assurance guidance for Class VI wells.