

CMAG meeting regarding Trident Energy – Reed Ranch School, June 25th, 2019

More than 150 were in attendance

CMAG started in 2005 as a reaction to coal bed methane production wells and the uncertainties that surrounded it with respect to water usage, road impact and taking acres out of farm production.

Four Presentations were given

Trevor Gosselin – AER (Director, Closure and Liability)

- Trident assets were; 4392 licenses 3652 wells 238 facilities, 502 pipeline segments
- Issue with trident happened very quickly with the following timeline;
 - April 18th trident informed the AER that they were seeking funding for the CCAA process
 - April 23 creditor issues a notice of default to trident
 - April 30 trident ceases operations terminates staff and directors resign
 - May 3 Price Waterhouse Cooper (PWC) appointed as receiver over tridents assets.
- What is the AER doing? AER working to ensure that the public and the environment are protected. AER field support continues
- PWC hired veracity energy services to managed Emergency response and shutting in assets
- What does the receiver do? Care and custody of tridents assets including overseeing shut in of wells, has the authority to market and sell tridents assets
- How will the liability be managed? AER continues to follow its exiting regulatory requirements to protect public interest
- What is next? The AER will review transfer asset applications, look to viable working interesting participants (WIPs) to carry out the closure work
- 24 hour response lines AER 18002226514 veracity 18666182933, sales interest Susan Shabluk 403 509 7381
- <https://www.aer.ca/providing-information/by-topic/liability-management>

Susan McQuire – Surface Rights Board (SRB)

- A lot of people didn't know there was an option to apply under the legislation application through the surface rights board if you did not get a rental payment.
<https://surfacerights.alberta.ca/Resources/Forms.aspx>
- ARB is a quasi-judicial, has very limited power but thanks to the legislation the SRB will make the decision on your case.
- When you apply for non-payment of surface lease payments, the SRB requires evidence that payment is appropriate.

- The SRB payments comes from tax-payer dollars in the form of general revenue, essentially the government. If applications are simple and straightforward, then the turn around time is about 90 days. What makes it complicated is receivership which will cause delays. There are only 40 people in the SRB office with 10 people dedicated to processing these applications.

Lars De Paues, ED of the Orphan Well Association (OWA)

- Non-profit organization
- Operate as delegated authority of AER
- Financially and legally separate from the AER
- Funded by the Alberta oil and natural gas industry, includes the 2017 loan from Government of Alberta for 235Million \$ (comes from the oil and gas industry).
- What is an orphan well? Well facility, pipeline or associated site, no legally responsible or financially viable party, after receivership 100% Orphan, no working interest participants (WIP), must be designated by AER as orphan
- What if less than 100%? Property does not become an orphan if there is still an active interested party, AER directed WIP to manage sites, WIP may decommission and reclaim site
- How can you confirm if the OWA is managing a site? Landowner notice from the OWA once AER designates as orphan, sign of lease, OWA website has all locations (orphan inventory), after receivership process is completed <http://www.orphanwell.ca/> (There is a media release regarding Trident on the OWA website)
- Landowner notifications;
 - First identify and contact landowner, provide an information package, reclamation
 - Phase 1 – landowner feedback request, contractor contacts landowner when field work begins (decommissioning and reclamation).
- Access issues for OWA? Many landowners have been impacted by defunct operations, surface rent owed, condition of site. OWA does not pay back rent, landowner must apply to the SRB, Reminder OWS is a delegate authority of the AE (legal access under legislation), abandonment section 101 of OGCA entry on land, section 250 of EPEA
- OWA funding? Funded by the annual orphan levy, total industry contribution to date \$374 million, \$45 mill in 2018 and \$60 mill in 2019
- Orphan inventory as of June, 3048 wells for decommissioning, 2328 sites for reclamation, 3264 pipeline segments for decommissioning
- How are sites prioritized?
 - Top priority is public safety
 - Second priority efficient operation
 - 3rd priority chronologically
 - Most sites addressed in 2019 to 2021 will be based on 1 and 2 priority rating.

Michele del colle, farmers advocate office (FAO)

- Established in 1973 by the minister of Agriculture, not a regulator and not a decision maker, but try to bring your voice forward
- FAO is a resource for farmers by providing information and advice

- In response to trident? Advisory on rental reduction payments, what does insolvency meant? Incorrect registration of builders liens, liability management and landowner rights.
- What do you do when failure of rental payments? Section 36 of the surface rights act, section 27 entitles landowners to the opportunity to negotiate rental payments.
- Companies must pay the rental lease until the reclamation certificate is granted.
- The FAO is encouraging landowners to let the WIPS and OWA to have access in order to protect the sites to the fullest ability, even in the case of trident.
- Keep in touch with the FAO through the call of the land ag and forestry (phone 310-farm) michele.delcolle@gov.ab

Questions

The heaters in the trident well shack are still going full blast, can I turn them off? No, please contact the AER or Veracity.

Can we apply to the SRB before the anticipated payment date knowing that Trident is in receivership? No, we need to follow legislation.

Is the well operator obligated to contact the landowner when it is designated orphan? No. the OWA will contact them.

Can I remove the road to the well? Every site must have access, so you can not remove the access road. Access will still be required for reclamation

Who do contractors that got laid off contact for back pay? Contact the receiver. There is also federal program that prioritizes wages for employees (wage earners protection act).

Why don't we just get more money from the orphan levy so we can fix the problem quicker? At the current pace, if there were no more additions to the orphan well, we would be done in 10 years. There is no more money to be requested. There is much uncertainty on the additions to the Orphan well inventory that may occur in the upcoming years.

If a company asks to reduce the rental by 50% do we as land owners have to accept it? Companies are required to make the full payment as per the surface lease contract. You can accept the 50% payment and then go to the SRB application to see if the remainder to be recovered through the SRB program is justified.

Why did the AER approve the sale of husky to trident when they knew trident was in trouble (September 2018)? AER looked at both husky and trident, it seemed like the right thing to do. The AER looks at the licensee liability rating (LLR) and now realizes that this is not the only measure that should be considered. Back in 2018 it looked like the right decision, however, commodity prices have dropped since then. The regulator makes about 1200 decisions on asset transfers every year, with the intent of keeping the oil and gas assets held in the hands of the most responsible operators. 2013 values for commodities are used for assets over liabilities calculations, this is an insufficient tool in isolation and is a poor predictor and indicator in the current environment. The AER will be changing the way they look at the health of companies moving forward, which is currently being developed.

Why is the SRB reducing annual compensation to landowners without communication with landowners? The SRB does not reduce the rental amount agreed with the operator, however legislation does allow the SRB to pay only a portion of the rental agreement amount as per their finding based on the evidence provided by the landowner during the application process.

What is the total amount of the wells given reclamation certificates? 811 in our history, check the website.

What do you do with noxious weeds if it is not under the OWA? The landowners are responsible under the weed control act. If the Counties go in to deal with the weeds and the operator is not paying for it, the landowner can be billed. You can call the receiver, but commonly they are not dealing with weeds. Can go to the SRB to make an application for compensation to deal with weeds.

Supreme court of Canada red water decision and impacts? Check the website. Insolvency is not a reason to walk away from the liability. It means that going forward when we run insolvency, the monies from the sale first goes to receivers, and then everything else goes to address the liability associated with those assets. The problem is that the sale usually results on pennies on the dollars and there are insufficient funds to deal with the liabilities.

In receiving annual compensation from the SRB, can the landowner still request a five-year review of the surface lease payments? Yes

Suspension is making sure the assets cannot produce (usually the OWA does not suspend), abandonment is a regulatory term, prefer decommissioning going down into the well making sure that the zones are isolated, cut and cap the assets, reclamation is putting everything back as close to virgin.

Rent and compensation terms are inter-changeable.

Who gets the mineral rights if you buy and orphan well? In order to buy the orphan well you must have the mineral rights first

Will there be more people hired at the SRB given the current and expected environment? In 2014 there was 1 person processing applications, now we have 10 in 2019. As of May 26th, the SRB have approved 2.2 million \$ of payments.

What to do when a lien is put on the property? Registered as an interest, but may be against the operator which is no impact to the landowner. If it is a lien against the fee simple title it is a problem. Contact the land titles offices stating that you wish to have this removed. Contact the FAO for support.

Can a landowner purchase a well from the OWA for personal use? Directive 67 eligibility required if the company is still active. You need to have both the surface and mineral rights acquired prior to purchase. You would be held to the AER standards of liability.

Oil company director liability. Are they personally liable for reclamation liability and remediation? The AER keeps a register of directors. They can be barred from operating in the province under section 106. The response was not considered complete enough so the AER said they would take this back to their legal council and provide the answer to the FAO to publish on their website.

Will the AER look at the general health of companies prior to assets transfers? Yes.