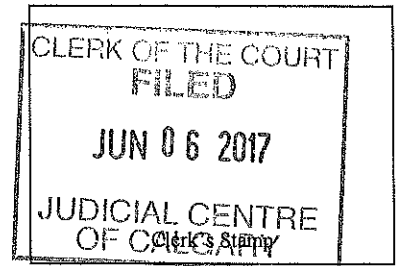


COURT FILE NUMBER 1701-03460
COURT Court of Queen's Bench of Alberta
JUDICIAL CENTRE Calgary
APPLICANT Alberta Energy Regulator
RESPONDENT Lexin Resources Ltd.

DOCUMENT **APPLICATION ON BEHALF OF ALEXANDER
(SANDY) SOUTZO AND SECTION23
DEVELOPMENTS LTD.**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT **Carscallen LLP**
1500, 407 — 2nd Street S.W.
Calgary, Alberta T2P 2Y3
Telephone: (403) 262-3775
Facsimile: (403) 262-2952
Attention: Michael B. Niven, Q.C./
Hema Ahuja
File No.: 22914.015



NOTICE TO RESPONDENT(S): See Service List, attached as Schedule "A" to this Application

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Justice.

To do so, you must be in Court when the application is heard as shown below:

Date: Tuesday, June 27, 2017
Time: 4:00 p.m.
Where: Calgary Court Centre, 651 - 5th Street S.W.
Before Whom: Justice Jeffrey

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1. Alexander (Sandy) Soutzo and Section23 Developments Ltd. (collectively, the "Landowners") seek:

- (a) An Order declaring that service of this application is deemed good and sufficient and dispensing with service on any other parties;
- (b) An Order declaring that the stay of proceedings contained in the Receivership Order granted by the Honourable Justice Jeffrey on March 21, 2017 (the “**Receivership Order**”) does not operate to stay their application to the Alberta Energy Regulator (“**AER**”), filed on March 14, 2017 (the “**AER Application**”), and that no leave of this Honourable Court is required to continue the AER Application;
- (c) In the alternative, an Order lifting the stay of proceedings in the Receivership Order for the purpose of permitting the Landowners to proceed with their AER Application;
- (d) Costs of the within application; and
- (e) Such further and other relief as this Honorable Court deems just.

Grounds for making this application:

- 2. On March 14, 2017, the Landowners filed their AER Application for a reconsideration in relation to a prior decision made by the AER, cited as 2013ABAER020 (the “**2013 Decision**”), and for the abandonment and reclamation of 10-13-22-29 W4M (the “**10-13 Well**”) and 11-24-22-29 W4M (the “**11-24 Well**”).
- 3. The 10-13 Well and the 11-24 Well are critical sour gas wells located on lands owned by the Landowners and within the City of Calgary. The wells contain hydrogen sulfide (“**H₂S**”) concentrations in excess of 35%. In addition to the impact that the 10-13 Well and the 11-24 Well had, and are having, on urban development, the continued existence of these two critical sour gas wells located within the City of Calgary present significant health, safety and environmental concerns, not only for the Landowners, but for the general public as well.
- 4. The licenses for the 10-13 Well and the 11-24 Well are tenuous at best. The pipeline which these wells tie into (bearing Pipeline License No. 21027), and specifically its effect upon urban development, is subject to a direction by the AER in the 2013 Decision that a review of the said license is required to be initiated within 5 years of the date of the issuance of the 2013 Decision (November 5, 2013). The expiration of that 5 year period will be next year. One aspect of the AER Application is simply to accelerate the conduct (and scope) of that review.
- 5. On March 21, 2017, Grant Thornton Limited was appointed receiver over the assets of Lexin Resources Ltd. (“**Lexin**”). The Receivership Order, at paragraph 10, provides that all proceedings affecting Lexin or its property are stayed without the written consent of the Receiver or leave of the Court (the “**Stay**”). The Stay does not, however, affect proceedings that are taken in respect of Lexin by or before a regulatory body, other than the enforcement of a payment order by the regulatory body or the Court (the “**Regulatory Exception**”).

6. The Landowners' AER Application fits within the Regulatory Exception because:
 - (a) it is a proceeding taken in respect of Lexin (as Lexin is the licensee of the 10-13 Well and the 11-24 Well);
 - (b) it is a proceeding before a regulatory body, namely the AER;
 - (c) the AER Application is regulatory in nature and relates to the AER acting in its role as regulator to address, among other things, the health, safety and environmental dangers arising from the continued existence of these two critical sour gas wells within the City of Calgary; and
 - (d) the AER Application does not relate to the enforcement of a payment order by a regulatory body or the Court.
7. If the Regulatory Exception does not apply, the Landowners seek leave from this Honourable Court to have the Stay lifted so that their AER Application may proceed. The AER has declined to move forward with the Landowners' AER Application unless and until it receives confirmation from the Court that the Regulatory Exception applies to the AER Application or alternatively, the Stay is lifted for purposes of permitting the AER Application to continue.
8. The Landowners will be materially prejudiced by a refusal to lift the Stay or it would be equitable to lift the Stay, because:
 - (a) each passing day, the Landowners, their tenants, and others who live in densely populated areas in close proximity to the 10-13 Well and the 11-24 Well, remain exposed to significant health and safety dangers arising from the continued existence of these two improperly supervised critical sour gas wells within the Calgary of Calgary;
 - (b) given the extremely high H₂S levels, the proximity of these critical sour gas wells to densely populated areas (which continue to grow) and to the South Health Campus Hospital, the termination of the surface leases and discharge of the related caveats and the intention to suspend the wells, the saleability of these wells by the Receiver is slim to none;
 - (c) the Landowners continue to be burdened by the presence of these sour gas wells on their lands, which restricts their ability to proceed with urban development of their lands; and
 - (d) the Orphan Well Association (the "OWA") has care and custody of (among many others) the 10-13 Well and the 11-24 Well and the OWA intends to suspend the two wells, however, abandonment, not suspension, is the appropriate manner in which to deal with these wells.
9. The Landowners are not aware of any prejudice to the Respondent, Lexin, or to any creditor of Lexin if the Stay is lifted to permit their AER Application to proceed.

10. The Receiver does not oppose the within application.
11. Such further and other grounds as counsel may advise.

Material or evidence to be relied on:

12. Affidavit of Chris Plosz, sworn on May 29, 2017;
13. The materials previously filed in this Action and in Action No. 1701-02272; and
14. Such further and other materials as counsel may advise and this Honourable Court may permit.

Applicable rules:

15. Rule 6.3 of the Alberta *Rules of Court*.

Applicable Acts and regulations:

16. The *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended, in particular sections 69.4 and 69.5;
17. The *Bankruptcy and Insolvency General Rules*, C.R.C. 1978, as amended; and
18. The inherent jurisdiction of this Honourable Court.

Any irregularity complained of or objection relied on:

19. None.

How the application is proposed to be heard or considered:

20. In person before the Honourable Justice Jeffrey, with one, some or all of the parties present.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule "A"

COURT FILE NUMBER	1701-03460
COURT	Court of Queen's Bench of Alberta
JUDICIAL CENTRE	Calgary
APPLICANT	Alberta Energy Regulator
RESPONDENT	Lexin Resources Ltd.

DOCUMENT

SERVICE LIST

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Carscallen LLP 1500, 407 – 2nd Street S.W. Calgary, Alberta T2P 2Y3 Telephone: (403) 262-3775 Facsimile: (403) 262-2952 Attention: Michael B. Niven, Q.C./ Hema Ahuja File No.: 22914.015
---	---

Summit Acceptance Corp.	4620 Blackfoot Trail SE Calgary AB T2G 4G2
MFC Energy Finance Inc.	1860 - 400 Burrard Street Vancouver BC V6C 3A6
Taq North	2100-308 4 Avenue SW Calgary AB T2P 0H7
Marquinn Industries Ltd.	7115 Sparrow Drive Leduc AB T9E 7L1
Baker Hughes Canada Company	c/o DLA Piper (Canada) LLP 1000-250 2 Street SW Calgary AB T2P 0C1
Her Majesty the Queen in Right of Alberta	c/o Service Alberta Crown Debt Collections 8 th Floor John E. Brownlee Building Edmonton AB T5J 3W7
Deloitte Management Services LP	c/o Miller Thomson LLP 2700 Commerce Place 10155 102 Street Edmonton AB T5J 3W7
Tom Gusa	tgusa@millerthomson.com
Municipal District of Ranchlands No. 66	PO Box 1060 Nanton AB T0L 1R0
Vulcan County	c/o Brownlee LLP 396 11 Ave SW Calgary, AB T2R 0C3
Greg Plester	gplester@brownleelaw.com
Enerflex Ltd.	10121 Barlow Trail NE Calgary AB T3J 3C6
Municipal District of Willow Creek No. 26	26 Highway 520 W Claresholm AB T0L 0T0
1049597 BC Ltd.	1860-400 Burrard Street Vancouver BC V6C 3A6
AltaGas Processing Partnership	1700, 355 - 4 Avenue SW Calgary AB T2P 0J1
Taq North	2100-308 4 Avenue SW Calgary AB T2P 0H7
Triple Seven Integrity Management Inc.	c/o Warren Sinclair LLP 600-4911 51 Street Red Deer AB T4N 6V4
Alberta Treasury Branches	600-444 7 Avenue SW Calgary, AB T2P 0X8
Alex Corbett	acorbett@atb.com
MFC Acquisition Inc., As Administrative Agent	1000 925 W. Georgia Street Vancouver BC V6C 3L2
MFC Industrial Ltd.	1620 400 Burrard Street Vancouver BC V6C 3A6
Summit Acceptance Corp	4620 Blackfoot Trail SE Calgary AB T2G 4G2
Lexin Resources Ltd. (OCW8) 300-404 6 Avenue SW Calgary AB T2P 0R9 (416) 412-4112	jgroia@groiaco.com brjones@groiaco.com tokun@groiaco.com
Joe Groia, Bonnie Jones, Tatsiana Okun	

Adeco Exploration Company Ltd. (0ZA0) c/o Bennett Jones LLPL 4500-855 2 Street SW Calgary AB T2P 4K7	
President Bonavista Energy Corporation (A5RX) 1500-525 8 Avenue SW Calgary AB T2P 1G1	Colin.hennel@bonavistaenergy.com
Caledonian Royalty Corporation (A684) 2200-300 5 Avenue SW Calgary AB T2P 3C4 Charles Selby	David.horn@caledonianroyalty.com Charles@selbypro.com
President Canadian Natural Resources Limited (OHE9) 2100-855 2 Street SW Calgary AB T2P 4J8	Orest.kotelko@cnrl.com
President Coastal Resources Limited (OPR1) 1400-520 5 Avenue SW Calgary AB T2P 3R7	rlakhoo@coastal.ab.ca
President ConocoPhillips Canada Resources Corp. (A5G3) 1600-401 9 Avenue SW Calgary AB T2P 2H7	regulatoryaffairsmailbox@conocophillips.com
President Crescent Point Energy Corp. (A2J6) 2000-585 8 Avenue SW Calgary AB T2P 1G1	regulatory@crescentpointenergy.com
President Ember Resources Inc. (A1H9) 800-400 3 Avenue SW Calgary AB T2P 4H2	tzuorro@emberresources.com
President Encana Corporation (0026) 500 Centre Street SE Box 2850 Calgary AB T2P 2S5	Dawn.cochrane@encana.com
President Exxon Mobil Canada Ltd. (0057) PO Box 2480 Stn M Calgary AB T2P 3M9	Ashley.l.laycraft@esso.ca
President Houston Oil & Gas Ltd. (A74H) 800-903 8 Avenue SW Calgary AB T2P 0P7	mark@houstonoil.ca

President Husky Oil Operations Limited (0R46) 707 8 Avenue SW PO Box 6525 Stn D Calgary AB T2P 3G7	Husky.regulatory@huskyenergy.ca
Ms. Nancy Penner Interwest Petroleums Ltd. c/o Parlee McLaws LLP 3400-150 6 Avenue SW Calgary AB T2P 3Y7	
President Lochwest Resources Ltd. (0MG8) 1820-715 5 Avenue SW Calgary AB T2P 2X6	
President Murphy Canada Exploration Company (0MY7) 1700-555 4 Avenue SW Calgary AB T2P 3Y3	Gaye_marshall@murphyoilcorp.com
President New North Resources Ltd. (0CZ4) 320-700 4 Avenue SW Calgary AB T2P 3J4	Pradeep@new-north.com
President Omers Energy Inc. (A08E) 3000-520 3 Avenue SW Calgary AB T2P 0R3	Jessica.gregorash@omersenergy.com
Mr. Paul Bothwell Pengrowth Energy Corporation (A5R5) 2100-222 3 Avenue SW Calgary AB T2P 0B4	Paul.bothwell@pengrowth.com
President Penn West Petroleum Ltd. (0BP8) 200-207 9 Avenue SW Calgary AB T2P 1K3	regulatory@pennwest.com
President Phillips Petroleum Canada Ltd. (0945) 1600-401 9 Avenue SW Calgary AB T2P 2H7	
President Pine Cliff Energy Ltd. (A1GR) 850-1015 4 Street SW Calgary AB T2R 1J4	tmcneill@pinecliffenergy.com hisidoro@pinecliffenergy.com
Pat Maguire R.W. Berry Canada, Inc.	

c/o Bennett Jones LLP 4500-855 2 Street SW Calgary AB T2P 3K7	
President SanLing Energy Ltd. (A7AZ) 1700-250 2 Street SW Calgary AB T2P 0C1	Kate.ramage@sanlingenergy.com Stuart.widmer@sanlingenergy.com
President Prospex Resources Ltd. (A120) c/o Paramount Resources Ltd. (04W4) 4700-888 3 Street SW Calgary AB T2P 5C5	
President Signalta Resources Limited (0R89) 700-840 6 Avenue SW Calgary AB T2P 3E5	Angela.meister@signalta.com
President Southern Pacific Energy Ltd. (A5A6) 1700-205 5 Avenue SW Calgary AB T2P 2V7 Rick Osuna	c/o PricewaterhouseCoopers Inc. in its capacity as Court appointed Receiver of Southern Pacific Energy Ltd. and not in its personal capacity rick.f.osuna@ca.pwc.com
President Stockwork Properties Ltd. (0EN3) 501-888 4 Avenue SW Calgary AB T2P 0V2	dmdixon@telus.net
President Sutton Energy Ltd. (0M9E) 450-736 8 Avenue SW Calgary AB T2P 1H4	B_gough@shaw.ca
Michael Bolianatz TAQA North Ltd. (A2TG) 2100-308 4 Avenue SW Calgary AB T2P 0H7	regulatoryaffairs@taqa.ca
President Tamarack Valley Energy Ltd. (A04N) 600-425 1 Street SW Calgary AB T2P 3L8	Deb.kniss@tamarackvalley.ca
President Trident Exploration (Alberta) Corp. (A663) 1000-444 7 Avenue SW Calgary AB T2P 0X8	phawke@tridentexploration.ca
President Westhill Petroleum Ltd. (0EX2) 260-435 4 Avenue SW Calgary AB T2P 3A8	

President Zargon Oil & Gas Ltd. (0MP9) 700-333 5 Avenue SW Calgary AB T2P 3B6	rdoetzel@zargon.ca
President 6058931 Canada Inc. 1650-801 6 Avenue SW Calgary AB T2P 3W2	6058931_operations@questerre.com
President 0989 Resource Partnership c/o Lexin Resources Ltd. (0CW8) 300-404 6 Avenue SW Calgary AB T2P 0R9	jgroia@groiaco.com brjones@groiaco.com tokun@groiaco.com
President Dauntless Energy Inc. (A6H3) 1410-606 4 Street SW Calgary AB T2P 1T1	
President Freehold Royalty Trust 400-144 4 Avenue SW Calgary AB T2P 3N4	
President Bounty Developments Ltd. (0HP8) 1250-340 12 Avenue SW Calgary AB T2R 1L5	Kelly@bountydev.com
President The Paddon Hughes Development Co. Ltd. (0D74) 940-1122 4 Street SW Calgary AB T2R 1M1	waldyk@paddonhughes.com
President Bears paw Petroleum Ltd. (0NL1) 5309-333 96 Avenue NE Calgary AB T3K 0S3	gschermers@bears pawpet.com
President Canadian Freehold Consulting (1991) Ltd. 47 Edgehill Crescent NW Calgary AB T3A 2X5	
President Chessor Holdings Ltd. 460 30 Ave Avenue NW Calgary AB T2M 2N4	
President Copper Creek Gold Corp. 710 750 West Pender Street Vancouver BC V6C 2T7	

President Country Rock Resources Ltd. (A2BY) 79 Windmill Way Calgary AB T3Z 1H5			
President Direct Energy Marketing Limited (0RC3) PO Box 4335 Stn C Calgary AB T2T 4K3		catherine.hiscocks@centrica.com	
President Long Term Asset Management Inc. (A6JF) 925 Veterans Boulevard NW Airdrie AB T4A 2G6		maugust@ltam.ca	
President Newbert Petroleum Engineering Ltd. (0Z8W) Box 528 Crossfield AB T0M 0S0			
President Scotia Oils Limited (0DK9) 1164-7620 Elbow Drive SW Calgary AB T2V 1K2			
President Roseland Development Ltd. (0M21) 602 25 Avenue SW Calgary AB T2S 0L6			
President Westhill Resources Limited (0T49) 300 5 Richard Way SW Calgary AB T3E 7M8		wrltd@telus.net	
President 264646 Alberta Ltd. 4th Floor 4943 50 Street Red Deer AB T4N 1Y1			
Joseph Groia Bonnie Roberts Jones Tatsiana Okun Counsel for Lexin Resources Inc.	Groia & Company 365 Bay Street, 11 th Floor Toronto ON M5H 2V1	P. 1-416-203-4476 Fax: 416-203-9231	jgroia@groiaco.com brjones@groiaco.com tokun@groiaco.com
Brad Gilmour Laura Gill Counsel for the Orphan Well Association	Bennett Jones 4500 Bankers Hall East 855 2 nd Street SW Calgary, AB T2P 4K7	P. 403 298 3382	Gilmourb@bennettjones.com Gilll@bennettjones.com
Greg Plester	Brownlee LLP	P. 403-260-1475 F. 403-232-8408	gplester@brownleelaw.com

Counsel for Vulcan County			
Sean Fairhurst Counsel for Municipal District of Foothills	MLT Aikins LLP 1600 – 520 3 Avenue SW Calgary AB T2P 0R3	P. 403-693-4307 F. 403-508-4349	sfairhurst@mltaikins.com
Richard N. Billington, Q.C. Counsel for Young EnergyServe Inc.	Billington Barristers 1910 Elveden House 717 – 7 Avenue SW Calgary AB T2P 0Z3	P. 403-930-4101 (main) F. 403-930-4110	rbillington@billingtonbarristers.com
Matthew T. Mowbrey Counsel for Triple Seven Integrity Management Inc.	Warren Sinclair LLP 600-4911 51 Street Red Deer AB T4N 6V4		mmowbrey@warrensinclair.com
John P. Gruber Counsel for Bearspaw Petroleum	MLT Aikins LLP 1600 - 520 3 Avenue SW Calgary AB T2P 0R3	403-542-0705	jgruber@mltaikins.com
Bradley Squibb Lexin Resources Ltd.	Stikeman Elliott LLP 4300 Bankers Hall West 888 3 Street West Calgary AB T2P 5C5		bsquibb@stikeman.com
Raymond Lee and Lori Williams Counsel for Indian Oil and Gas	Department of Justice Canada Counsel Prairie Region 601-606 4 Street SW Calgary, AB T2P 1T1	403-299-3984 Fax 403-299-3507	Raymond.lee@justice.gc.ca Lori.williams@justice.gc.ca
Michael B. Niven, Q.C. and Hema Ahuja Counsel for Landowners: Section 23 Developments Ltd. and Alexander Soutzo	Carscallen LLP 1500 - 407 2 Street SW Calgary AB T2P 2Y3	403-298-8464 F. 403-262-2952	niven@carscallen.com Ahuja@carscallen.com
Doug Nishimura Counsel for Compass Compression Services Ltd.	Field Law LLP 400-444 7 Ave. S.W. Calgary ABT2P 0X8	403 260 8548	dnishimura@fieldlaw.com
Chris Simard Counsel for Exxon Mobil	Bennett Jones 4500 Bankers Hall East 855 2 nd Street SW Calgary, AB T2P 4K7	T. 403 298 4492	simardc@bennettjones.com
Jeff Davidson	CNRL		Jeff.davidson@cnrl.com
Angus T. McKinnon Counsel for 1049597 BC Ltd.	Lerners LLP 130 Adelaide Street West, Suite 2400 Totonto, ON M5H 3P5	416 360 2632	amckinnon@lerners.ca

Sarah Gregory BC Oil & Gas Commission	BC Oil and Gas Commission PO Box 9331 Stn Prov Govt, Victoria, B.C., V8W 9N3 Attention: Sara Gregory		Sara.Gregory@bcogc.ca
Karen Fellowes Counsel for MNP, Trustee in Bankruptcy for LR Processing	DLA Piper (Canada) LLP		Karen.fellowes@dlapiper.com
Jacqueline Chow Counsel for Tamarack Valley Energy Ltd.	Cassels Brock LLP 1250 Millennium Tower 440 – 2nd Avenue SW Calgary AB T2P 5E9	P. 403-351-2932	jchow@casselsbrock.com
Glenn C. Blackett Counsel for various land owners	Carscallen LLP 1500-407 2 Street SW Calgary AB T2P 2Ye	P. 403-298-8474	Blackett@Carscallen.com
Patricia Johnston Keely Cameron Counsel for the AER	Alberta Energy Regulator 1000-250 5 Street SW Calgary AB T2P 0R4	403-476-9381 Fax 403-297-7031	Patricia.johnston@aer.ca Keely.cameron@aer.ca
Bill Hagel			hagelb@shaw.ca
David Girard	MLT Aikins LLP 1600, 520 3rd Avenue SW Calgary, Alberta T2P 0R3	(403) 693-4348	dgirard@mltaikins.com
PrairieSky Royalty Ltd. Matthew McMahon	1700, 350 – 7 Avenue SW Calgary, AB T2P 3N9	(587) 293-4099	matthew.mcmahon@prairiesky.com
Glen Hickerson Counsel for Stan Schieck	Wilson Laycraft 1601, 333 11th Avenue SW Calgary AB T2R 1L9	(403) 441-2258	ghickerson@wilcraft.com
Michael A. Thackray, Q.C. Counsel for HESC Energy Corporation	McMillan 1700, 421 7 Avenue SW Calgary, AB T2P 4K9	(250)589-4710	Michael.Thackray@mcmillan.com
Maggie Rettie			mrettie@platinum.ca brettie@platinum.ca

Robyn Gurofsky and Jessica Cameron Counsel for the Receiver	Borden Ladner Gervais LLP 1900, 520 3 rd Avenue S.W. Calgary, AB T2P 0R3	403-232-9774	rgurofsky@blg.com jcameron@blg.com
David Mercer Counsel for the City of Calgary	The City of Calgary P.O. Box 2100 Stn. M Calgary, AB T2P 2M5	403-268-2441	David.Mercer@calgary.ca
Christa Nicholson Counsel for the Alberta Energy Regulator	Jensen Shawa Solomon Duguid Hawkes LLP 800, 304 - 8 Avenue SW Calgary, AB T2P 1C2	403-571-1053	nicholsonc@jssbarristers.ca