



COURT FILE NUMBER	1701-03460
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	ALBERTA ENERGY REGULATOR
DEFENDANTS	LEXIN RESOURCES LTD., 1051393 B.C. LTD., 0989 RESOURCE PARTNERSHIP, LR PROCESSING LTD. and LR PROCESSING PARTNERSHIP
DOCUMENT	<u>AFFIDAVIT</u>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	BENNETT JONES LLP Barristers and Solicitors 8500 Bankers Hall East 855- 2 nd Street SW Calgary, Alberta T2P 4K7 Attention: Ken Lenz, Q.C. Telephone No.: 403-298-3317 Fax No.: 403-265-7219 Client File No.: 56977.9

AFFIDAVIT OF LARS DE PAUW
Sworn on October 17, 2017

I, LARS DE PAUW, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Executive Director of the Orphan Well Association ("**OWA**") and therefore have personal knowledge of the matters hereinafter deposed to save where otherwise stated to be based upon information and belief, in which case I verily believe the same to be true.
2. The responsibility for ensuring that the assets formally owned by Lexin Resources Ltd. ("**Lexin**") and the other Defendants are appropriately and safely maintained has been largely delegated to the OWA. In excess of 1200 wells and facilities have been designated as orphans

under the responsibility of the OWA since February 15, 2017. The cost of administering and maintaining these assets from the time of their designation until now has been \$1,174,310.71. There are significant internal costs as well, as set out below.

3. Lexin has approximately 183 wells, 1,383 pipeline segments plus facilities including approximately 100 sour wells. The sour wells are located close to places where people live and therefore their prompt and proper administration was critical to ensuring the safety of those residents.

4. Since the appointment of the Receiver, the following activities have taken place and external expenses incurred:

(a)	Contract support for ERP site specific, landowner contacts/notifications	\$221,812.39
(b)	Contract field staff, field supervisor and two people on shift seven days a week to complete well inspections, install OWA signage, remove gauges and replace them, inspect for leaks, record tubing, casing and pipeline pressures, inform, notify and discuss issues with landowners, collecting dumped trash and disposal, controlling weeds	\$636,969.58
(c)	Install H2S monitors on 49 sites and prepare, calibrate and reactivate alarms	\$77,504.56
(d)	Power bills for February, March and May	\$23,000.00
(e)	Tank draining, spill clean-up	\$23,000.00
(f)	Weed control	\$157,000.00
(g)	Wellhead servicing for 55 sour wells	\$23,000.00
(h)	Signage purchase	<u>\$12,024.18</u>
	Total	\$1,171,310.71

5. The ongoing costs for managing the Lexin wells and facilities are approximately \$100,000 per month for contract field staff. In addition, we have scheduled, but not yet completed, a \$900,000 expense to pig and purge the Lexin Resources processing pipeline. Finally, there is anticipated a \$150,000 expense to bring the facilities into compliance with provincial regulations.

6. These figures do not include significant internal costs to the OWA for managing, planning, obtaining reads, hiring contractors, developing emergency response, reporting to the AER and other duties. I estimate these internal costs to exceed \$300,000 to date.

7. I am concerned that if the sales do not proceed expeditiously, the OWA will incur significant additional costs. It is the position of the OWA that the sales should be completed, and if there is a dispute about title, that that dispute be over the proceeds, rather than the assets themselves.

SWORN BEFORE ME at Calgary,
Alberta, this 17 day of October, 2017

A Commissioner for Oaths
in and for the Province of Alberta

KENNETH T. LENZ
BARRISTER AND SOLICITOR

LARS DE PAUW