

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 **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **Carscallen LLP**
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Attention: Michael B. Niven, Q.C./
Hema Ahuja
File No.: 22914.015

CLERK OF THE COURT
FILED
JUN 06 2017
JUDICIAL CENTRE
OF CALGARY

AFFIDAVIT OF CHRIS PLOSZ

Sworn on the 29th day of May, 2017

I, Chris Plosz, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the President of Section23 Developments Ltd. ("**Section23**") and as such I have personal knowledge of the facts and matters deposed to herein, except where stated to be based on information and belief and where so stated I believe those matters and facts to be true. Section23 is one of the applicants for the within application, along with Alexander (Sandy) Soutzo ("**Soutzo**").
2. Section23 and Soutzo shall be collectively referred to herein as the "**Landowners**".

THE AER APPLICATION, THE 10-13 WELL AND THE 11-24 WELL

3. Section23, a land development company, is the owner of the west half of Section 24 and the south half of Section 23 in Township 22, Range 29, West of the Fourth Meridian. The 11-24-22-29 sour gas well (the "**11-24 Well**") is located on its lands.
4. I am advised by Soutzo and do verily believe that he is the owner of lands within the E ½ Section 10, Section 11, Section 12, the east half of Section 13 and the southeaster quarter of Section 24 in Township 22, Range 29, West of the Fourth Meridian and that the 10-13-22-29 W4M sour gas well (the "**10-13 Well**") is located on his lands.
5. On March 14, 2017, Section23's counsel, Mr. Michael B. Niven, Q.C., of Carscallen LLP filed an application with the Alberta Energy Regulator ("**AER**") on behalf of the

Landowners. Our application requests reconsideration of a direction in a prior AER decision, cited as 2013ABAER020 (the "**2013 Decision**"), and the issuance of an order for the abandonment and reclamation of the 10-13 Well and the 11-24 Well and the related pipelines (the "**AER Application**"). Now shown to me and attached as **Exhibit "A"** to this my Affidavit is a copy of the AER Application.

6. The 10-13 Well and the 11-24 Well are both located within the City of Calgary, in close proximity to densely populated residential areas and to the South Health Campus Hospital.

The 10-13 Well has not produced since May 2016

The 11-24 Well has not produced since May 2016

7. 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.
8. As can be seen in the attached letter authored by Todd Wilson, P. Eng., of Behr Integrated Solutions Inc., which is now shown to me and marked as **Exhibit "B"** to this my Affidavit, the 10-13 Well and the 11-24 Well are critical sour gas wells which produce from a formation which has extremely high hydrogen sulfide ("**H₂S**") concentration levels, ranging from 35% to 40%. I understand based on this letter and from certain materials I have read in connection with this matter, including various affidavits filed by the AER and Lexin Resources Ltd. ("**Lexin**"), that these critical sour gas wells present serious health and safety dangers to the public and to the environment. As was deposed to in paragraph 5 of an Affidavit filed by Cory Shieman, the Regional Coordinator for Enforcement and Surveillance at the AER, on February 14, 2017:
 5. ...Critical sour gas wells have high levels of hydrogen sulphide, which if released, could be toxic to humans and livestock, and is also flammable and corrosive...
9. I also understand that Lexin, the licensee of the 10-13 Well and the 11-24 Well, advised the AER that it was unable to ensure that it would be able to provide the appropriate health and safety measures for its sour gas wells. To address these and other concerns, the AER issued a Suspension Order and declared these wells as orphan wells. Now shown to me and marked as **Exhibit "C"** and **Exhibit "D"**, respectively, to this my Affidavit is a copy of a letter dated January 31, 2017 from Lexin and an excerpt of the Suspension Order.
10. Lexin's surface rights for the 11-24 Well have been terminated for non-payment and its corresponding surface access caveat has been discharged from title. I am advised by Soutzo and do verily believe that is also the case with respect to the 10-13 Well.

11. As can be seen in the attached Order, which is now shown to me and marked as **Exhibit "E"** to this my Affidavit, the Mazeppa sour gas facility, into which the 10-13 Well and the 11-24 Well produce, is subject to an order issued by the AER on August 9, 2016 which directed Lexin and a related entity to immediately suspend and discontinue the said facility.

THE RECEIVERSHIP ORDER AND THE REGULATORY EXCEPTION

12. I am advised by Mr. Niven and do verily believe that on March 21, 2017, Justice Jeffrey granted an application by the AER for a receivership order (the "**Receivership Order**") over the assets of Lexin. Attached hereto and marked as **Exhibit "F"** to this my Affidavit is a copy of the Receivership Order.
13. The Receivership Order 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**"). However, it also includes an exception to the Stay for proceedings before a regulatory body (the "**Regulatory Exception**"). Specifically, paragraph 10 of the Receivership Order states:
 10. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall...: (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. "**Regulatory Body**" means a person or body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province [Emphasis Added].
14. As seen in the attached letter from the AER which is now shown to me and marked as **Exhibit "G"** to this my Affidavit, the AER has declined to move forward with our AER Application until the Court confirms that the Regulatory Exception applies or that the Stay is lifted.
15. It was the Landowners' belief that the Regulatory Exception would apply, such that no leave would be required from this Honourable Court for our AER Application to proceed. I am advised by Mr. Niven, and do verily believe that:
 - (a) our understanding that the proposed form of receivership order contained in the AER's receivership application materials would not forestall or prevent the AER from proceeding with the Landowners' AER Application was put on the record by Mr. Niven in Court on March 15, 2017;
 - (b) counsel for Lexin, counsel for the AER and counsel for the proposed Receiver were all in Court on that day and none expressed any objections to the stated understanding; and

- (c) paragraph 10 of the proposed form of receivership order did not change in the Receivership Order that was ultimately granted.
16. Further and in any event, our AER Application fits within the Regulatory Exception because:
- (a) as shown in the attached document which is an excerpt taken from materials filed by the AER, which is now shown to me and marked as **Exhibit "H"** to this my Affidavit, Lexin is the licensee of the 10-13 Well and the 11-24 Well. Accordingly, our AER Application is a proceeding taken in respect of the debtor (Lexin);
 - (b) our AER Application was filed with the AER and is to proceed before the AER, a body which I am advised by Mr. Niven and do verily believe fits within the definition of "Regulatory Body" as set out in the Regulatory Exception;
 - (c) our AER Application is regulatory in nature and I am advised by Mr. Niven and do verily believe relates to the AER acting in its role as regulator of the oil and gas industry and within the statutory framework and mandate of the AER; and
 - (d) our AER Application is not requesting that the AER enforce any type of payment order. Rather it relates to a request to the AER for the issuance of a decision to reconsider a previous direction it made and/or the issuance of an abandonment order.

LIFTING OF STAY

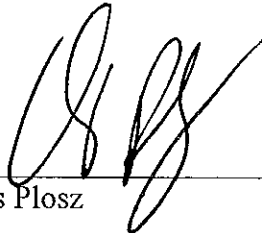
17. If this Court finds that the Regulatory Exception does not apply, the Landowners seek leave to have the Stay lifted so that our AER Application may proceed before the AER. The Landowners will be significantly prejudiced by the continued operation of the Stay or it would be equitable to lift the Stay because:
- (a) we and our tenants, along with the others who live in the densely populated areas in close proximity to the 10-13 Well and the 11-24 Well, remain exposed each day to the significant health and safety dangers arising from the continued existence of these two improperly supervised critical sour gas wells;
 - (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 Campus Health Centre, the termination of the surface leases and discharge of the related caveats and the intention to suspend the wells (as described below), the saleability of these wells within the Receivership is slim to none as I believe companies would be extremely hesitant to take on such liabilities;
 - (c) as described further below in paragraphs 18 and 19, the Landowners continue to be burdened by the presence of these sour gas wells on our lands, which has restricted for years, and continues to restrict, our ability to proceed with urban development of our lands; and

- (d) as advised by Mr. Niven, 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 these two wells. However, abandonment, not suspension, is the appropriate manner in which to deal with these wells due to the associated health, safety and environmental risks, particularly when considered in light of the growing residential communities which surround these wells.
18. Section23, which was formerly known as Ollerenshaw Ranch Ltd., has had its lands and our development plans burdened by the 11-24 Well for over 3 decades. I am advised by Mr. Soutzo and do verily believe that he has also had his lands and development plans burdened by the 10-13 Well over that same period of time.
19. By way of example and as explained in our AER Application, on May 15, 2015, Section23 wrote to the City of Calgary to initiate the process for the creation of an Area Structure Plan for the Section23 lands in W1/2 of 24. In response, by letter dated February 3, 2016, the City of Calgary stated that the 11-24 Well located on those lands was a "serious concern" that needed to be addressed [see Tab C of the AER Application].
20. I am not aware of any prejudice to Lexin or to any creditor of Lexin if the Stay is lifted to permit our AER Application to proceed. Indeed, I understand from Mr. Niven and do verily believe that Lexin itself had filed an application in Court (which is currently adjourned) for an order that the AER issue an abandonment order for both of these wells.
21. I am advised by Mr. Niven and do verily believe that he has been advised that the Receiver does not oppose the within application.
22. I swear this Affidavit in support of an application for an Order declaring that the Regulatory Exception applies, or alternatively, an Order lifting the Stay for the purpose of permitting the Landowners to proceed with their AER Application.

SWORN (OR AFFIRMED) BEFORE ME at)
Calgary, Alberta, this 30 day of May, 2017)

(Commissioner for Oaths in and for the
Province of Alberta)

MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor



Chris Plosz

EXHIBIT A



CARSCALLEN LLP

THIS IS EXHIBIT A
referred to in the Affidavit of
Chris Ploetz
Sworn before me this 30
day of May A.D. 2017
[Signature]
A Commissioner for Oaths
in and for the Province of Alberta

MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor

March 14, 2017

Michael B. Niven, Q.C.

Direct Line: (403) 298-8464
niven@carscallen.com

File No. 22914.015

Alberta Energy Regulator
Suite 1000, 250 - 5th Street SW
Calgary, AB T2P 0R4

Attention: Well Operations Group

Re: **Application to Abandon**
10-13-22-29 W4M Sour Gas Well (the "10-13 Well") and 11-24-22-29 W4M Sour Gas
Well (the "11-24 Well")

Introduction and Relief Sought

We are legal counsel to Alexander (Sandy) Soutzo ("Soutzo") and Section23 Developments Ltd., formerly known as Ollerenshaw Ranch Ltd. ("Section23"). Soutzo and Section23 shall be collectively referred to herein as "**These Landowners**". These Landowners are each the owners of lands upon which the 10-13 Well and the 11-24 Well, respectively, are located [Tab A].

The Alberta Energy Regulator ("AER")¹ conducted an informal written review of Pipeline License No. 21027 (the "**License**"), which extends from LSD 11-24-22-29 W4M to LSD 10-02-022-29W4M, in 2013 ABAER 020 (the "**2013 Decision**"). The 10-13 Well and the 11-24 Well are tied into the pipeline. In that decision, the AER found that the pipeline would not adversely affect urban development within the next five years but stated that it would revisit the status of the License on the next informal written review. The AER directed that that review was required to be initiated within 5 years of the date of the issuance of 2013 Decision (November 5, 2013). The expiration of that 5 year period will therefore be next year. While These Landowners recognize that in accordance with the 2013 Decision, it is the licensee of the pipeline that was required to initiate the review, as a result of the serious health and safety concerns and circumstances relating to the operator and licensee of the 10-13 Well and the 11-24 Well, Lexin Resources Ltd. ("**Lexin**"), as described below, These Landowners request that the AER conduct a full review of these sour gas facilities immediately, and further, or in any event,

¹ In this Application, reference to the "AER" includes the Alberta Energy Regulator and all its predecessor boards

order the abandonment of the 10-13 Well and the 11-24 Well. Specifically, These Landowners hereby make an application to the AER:

- a) for reconsideration of the previous direction in the 2013 Decision that the review of the License be conducted on the basis of an informal written review and rather, that it immediately conduct a full review, whether in the form of written submissions or an oral hearing, in respect of the sour gas facilities, including the 10-13 Well and the 11-24 Well; and further, or in any event,
- b) for an order that Lexin and all other working interest owners in the well:
 - i. abandon the 10-13 Well and related pipeline;
 - ii. abandon the 11-24 Well and related pipeline; and
 - iii. reclaim the well sites.

Based on Lexin's current track record relating to compliance with orders or directions from the AER, as described below, These Landowners have no confidence that Lexin will abide by such AER order. If Lexin fails or refuses to abandon the 10-13 Well and the 11-24 Well, as ordered, These Landowners request that the AER either abandon the wells or authorize the Orphan Well Association ("OWA") to conduct the abandonment and reclamation of the wells. Lexin would, of course, remain liable for resulting costs and penalties. These Landowners appreciate that the OWA has a substantial inventory of orphaned wells in its care and custody. However, because these wells are critical sour gas wells located within the City of Calgary a short distance from existing residential communities and the South Health Campus, These Landowners submit that the abandonment of the 10-13 Well and the 11-24 Well should be made a priority and should, therefore, be placed at the top of the list of the OWA's wells, with the immediate commencement of abandonment operations.

Over the past 35+ years, These Landowners have participated in proceedings before the AER in relation to these critical sour gas wells and the related pipeline. During the course of those proceedings, the AER recognized the need for a balance between resource recovery and urban development, encouraged the depletion of the sour gas reserves on an accelerated basis and contemplated that the time would come when abandonment of the wells would be necessary because of urban development.² Despite those considerations, These Landowners have had their lands and their development plans burdened by these sour gas wells since that time. Now, in addition to the impact that the 10-13 Well and the 11-24 Well are having on urban development, serious health, safety and environmental risks have arisen, not only for These Landowners, but for the general public as well. Specifically, Lexin is in the midst of an unprecedented and potentially dangerous situation involving, among other things, non-compliance with the rules, regulations and requirements of the AER, a suspension order, and an admitted inability to address health, safety and environmental risks at its sites. It has also lost the right to even access

² Decision 2000-20, at pg. 31

the two wells by means of the previous surface leases, both of which have been terminated for failure to pay annual rentals.

While These Landowners recognize that the 10-13 Well and the 11-24 Well are currently subject to the aforementioned suspension order, and that the OWA intends to suspend these wells, These Landowners submit that abandonment, not suspension, is the appropriate recourse.

As a result of all of the foregoing, it is respectfully submitted that the time has come for the AER to order the abandonment of these critical sour gas wells.

Grounds for Application

The AER called for another review of the License to be initiated, at the latest, by November 5, 2018. As a result of serious public safety concerns as well as the impact the sour gas facilities are having on urban development, These Landowners now request that the AER conduct its review, in the form of a full review of the sour gas facilities, including the 10-13 Well and the 11-24 Well, immediately. These Landowners submit that given the unprecedented conduct of the licensee and the urgent health and safety risks, the AER should exercise its discretion pursuant to section 42 of the *Responsible Energy Development Act*, SA 2012, c. R-17.3 ("*REDA*"), by varying its direction with respect to the form and content of the review.

As part of that review, These Landowners submit that pursuant to section 27 of the *Oil and Gas Conservation Act*, RSA 2000, c 0-6 ("*OGCA*") and section 3.012 of the *Oil and Gas Conservation Rules*, Alta Reg 151/1971 ("*OGCR*") the AER ought to order the abandonment of the 10-13 Well and the 11-24 Well, as a result of the following:

1. the termination of the respective surface leases associated with the 10-13 Well and the 11-24 Well, as a result of non-payment of surface rental payments;
2. Lexin has contravened an Act, a rule, a regulation or an order or direction of the AER and the AER has suspended Lexin's licenses, including its licenses associated with the 10-13 Well and the 11-24 Well; and
3. the AER has notified the licensee that in its opinion, the 10-13 Well and the 11-24 Well may constitute environmental or safety hazards.

In addition, These Landowners respectfully request that the AER exercise its discretion to order that the 10-13 Well and the 11-24 Well be abandoned in order to protect the public and the environment. This is particularly the case as a result of the recent events and safety concerns relating to Lexin, as evidenced by the unprecedented steps taken by the AER in relation to Lexin, both within its own regulatory framework and through the Court, whereby the AER obtained an Interim Order on February 14, 2017, and thereafter an Order on its merits on March 3, 2017, against Lexin. In the words of the Regional Coordinator for Enforcement and Surveillance at the AER, Mr. Corey Shieman, who deposed that he has worked for the AER for almost 23 years,

“[the] behaviour by the licensee [Lexin] in terms of disregard of regulatory requirements is unprecedented and serious, including from a safety perspective”.³

Statutory Authority Under Which The Application Is Being Made

a) Reconsideration

The 5 year informal written review process is a process directed by the AER in accordance with the direction in the Default Addendum dated March 21, 2001 and is grounded in the AER's authority to establish its own process. The AER's authority to do so includes, among others, section 14(1) of *REDA*:

14(1) The Regulator, in the carrying out of duties and functions imposed on it by this Act or any other enactment, may do all things that are necessary for or incidental to the carrying out of any of those duties or functions.

Pursuant to section 42 of *REDA*, the Regulator may reconsider and vary a decision made by it:

Reconsideration of decisions

42 The Regulator may, in its sole discretion, reconsider a decision made by it and may confirm, vary, suspend or revoke the decision.

“Decision” is defined as including an approval, order, direction, declaration or notice made or issued by the AER:

1(1) In this Act, (f) “decision” of the Regulator includes an approval, order, direction, declaration or notice of administrative penalty made or issued by the Regulator;

b) Abandonment

Section 27(1) of the *OGCA* provides that a licensee shall abandon a well when directed by the AER or required by the regulations or rules. Section 27(3) provides that the AER may order that a well be abandoned where the AER considers that it is necessary to do so in order to protect the public or the environment.

Suspension and abandonment

27(1) Subject to subsection (2), a licensee or approval holder shall suspend or abandon a well or facility when directed by the Regulator or required by the regulations or rules.

(2) Notwithstanding subsection (1),

- (a) if the Regulator so directs, a well or facility must be suspended or abandoned by a working interest participant other than the licensee or approval holder, and
- (b) with the consent of the Regulator, a well or facility may be suspended by a working interest participant other than the licensee or approval holder.

³ Affidavit of Corey Shieman, sworn February 14, 2007 (the “First Shieman Affidavit”), at para 2.

(3) The Regulator may order that a well or facility be suspended or abandoned where the Regulator considers that it is necessary to do so in order to protect the public or the environment.

(4) A suspension or abandonment must be carried out in accordance with the regulations or rules.

The applicable regulation is Section 3.012 of the *OGCR* which requires that a licensee abandon a well in the following circumstances:

3.012 A licensee shall abandon a well or facility

- (a) on the termination of the mineral lease, surface lease or right of entry,
- (b) where the licensee fails to obtain the necessary approval for the intended purpose of the well, if the licensee does not hold the right to drill for and produce oil or gas from the well,
- (c) if the licensee has contravened an Act, a rule, a regulation or an order or direction of the Regulator and the Regulator has suspended or cancelled the licence,
- (d) if the Regulator notifies the licensee that in the opinion of the Regulator the well or facility may constitute an environmental or a safety hazard,
- (e) if the licensee is not or ceases to be a working interest participant in the well or facility,
- (e.1) if the licensee
 - (i) is not or ceases to be resident in Alberta,
 - (ii) has not appointed an agent in accordance with section 91 of the Act, and
 - (iii) does not hold a subsisting exemption under section 1.030 from the requirement to appoint an agent,
- (f) if the licensee is
 - (i) a corporation registered, incorporated or continued under the *Business Corporations Act* whose status is not active or has been dissolved or if the corporate registry status of the corporation is struck or rendered liable to be struck under any legislation governing corporations, or
 - (ii) an individual who is deceased,
- (g) if the licensee has suspended the well in contravention of the requirements established by the Regulator under section 3.020, or
- (h) where otherwise ordered to do so by the Regulator.

c) Mandate of the AER

In addition, pursuant to *REDA*, the AER's mandate includes providing for the safe, orderly, efficient and environmentally responsible development of energy resources in Alberta. On an application, the AER is required to take into consideration the interests of landowners:

Mandate of Regulator

2(1) The mandate of the Regulator is

- (a) to provide for the efficient, safe, orderly and environmentally responsible development of energy resources in Alberta through the Regulator's regulatory activities, and
- (b) in respect of energy resource activities, to regulate
 - (i) the disposition and management of public lands,
 - (ii) the protection of the environment, and
 - (iii) the conservation and management of water, including the wise allocation and use of water,

in accordance with energy resource enactments and, pursuant to this Act and the regulations, in accordance with specified enactments.

Factors to consider on applications, etc.

15 Where the Regulator is to consider an application or to conduct a regulatory appeal, reconsideration or inquiry, it shall, in addition to any other factor it may or must consider in considering the application or conducting the regulatory appeal, reconsideration or inquiry, consider any factor prescribed by the regulations, including the interests of landowners.

Statement of Facts Relevant to This Application

d) Review

In Decision 2000-20, which includes the Default Addendum dated March 21, 2001, the AER extended the term of the License for a minimum 12 year term, commencing on March 31, 2000, provided that prior to the end of the 12 year term, the licensee initiate an informal written review of the License. Compton Petroleum Corporation initiated the said review by submitting a letter to the AER.

In the 2013 Decision, the AER found that urban development would not be adversely affected by the presence of the License within five years of the informal written review. In addition, in accordance with the intention of the Default Addendum, the AER also ordered that another informal written review be initiated within five years of the 2013 Decision.

e) Soutzo/Section 23 and the Classic Land Use Conflict

Soutzo, a farmer and cattle rancher, is the owner of lands within the E ½ Section 10, Section 11, Section 12, the east half of Section 13 and the southeaster quarter of Section 24 in Township 22, Range 29, West of the Fourth Meridian (the "**Soutzo Lands**"). As shown in Tab A, the 10-13 Well is located on the Soutzo Lands. Soutzo's family purchased the land in 1948 and he has lived on these lands since that time. His house is only 4 kilometers away from the well.

Section23 is the owner of the west half of Section 24 and the south half of Section 23 in Township 22, Range 29, West of the Fourth Meridian ("the "**Section23 Lands**"). Over the years

Section23 has evolved from a farming corporation to a fully active land developer. As shown in Tab A, the 11-24 Well is located on the Section23 Lands.

These Landowners have been involved in issues relating to the sour gas facilities, including the 10-13 Well and the 11-24 Well, for several decades, dating back to 1980. During that time, the AER, and its predecessors, including in Decision 80-6, Informational Letter 81-7, Inquiry Report D83-12, Decision 84-7, Decision 2000-20 and Decision 2005-060, emphasized the importance of accelerated depletion of the sour gas reserves to minimize the conflict between resource development and urban land development. For example, in Decision 2006-060, the Board found that “accelerated recovery of the sour gas reserves would have the effect of shortening the timeframe until abandonment..., allowing high-density urban development to proceed.”⁴ Despite such direction from the AER, and despite the resource owners having been given ample opportunities to expeditiously deplete the sour gas reserves, this has not been done. Instead, during that period of time and up to the present, These Landowners have been burdened by these sour gas facilities, the effect being to sterilize the urban development of their lands. This burden is contrary to the expressed intention of the AER to achieve fairness and balance between the rights of surface landowners, on the one hand, and mineral operators, on the other. As a result of the current circumstances, the AER has not only the opportunity, but we submit it now has the obligation, to order the abandonment of both the 10-13 Well and the 11-24 Well.

As further described above, the continued existence of these critical sour gas wells on These Landowners’ lands within the City of Calgary, continues to restrict the opportunities of These Landowners to proceed with the urban development of their lands.

f) The 10-13 Well, the 11-24 Well and Proximity to Urban Development

Urban Development

Both the 10-13 Well and the 11-24 Well are in the City of Calgary.

The 10-13 Well is located approximately 2.5 kilometres southeast of existing Calgary residential neighbourhoods and the 11-24 Well is located approximately 1.0 kilometers southeast of existing Calgary residential neighbourhoods. As explained in more detail below, the anticipated rapid expansion of urban development in the immediate vicinity of the 10-13 Well and the 11-24 Well has now come to fruition.

South Health Campus and Seton Town Centre

The South Health Campus is located at the corner of Deerfoot Trail and 196th Avenue S.E. and comprises approximately 44 acres. Although the figures have not been updated, by late 2013, the South Health Campus expected to have 2,400 full time staff and 180 doctors who would see approximately 200,000 patients per year. This hospital is less than 4 kilometers from the 11-24 Well and 5 kilometers from the 10-13 Well. Adjacent to the hospital sits the Seton Town Centre, which has plans for higher density residential, senior homes, a new high school,

⁴ Decision 2005-060, at pg. 17.

public library, recreational facility and up to 1.5 million square feet of office and professional space. 90% of Seton Phase 1 and 31% of Seton Phase 2 is now leased Commensurate with the resulting employment arising from the opening of the South Health Campus hospital and the Seton Town Centre, the southeast sector of the City of Calgary has experienced and continues to experience rapid growth.

Mahogany Subdivision

The Mahogany community generally comprises the lands within Development Cell "B" as shown in the drawing attached hereto as **Tab B**. The Mahogany subdivision celebrated its grand opening in September 2008 and has proceeded at a rapid pace since that time.

This community includes an abundance of amenities, which have resulted in exponential growth. Mahogany's interconnected lake was open for winter use in 2009, while in 2010, summer activities such as swimming and boating started. Mahogany's West Beach, featuring a sandy beach, play equipment and beach volleyball courts also opened in the summer of 2010. Mahogany Lake was fully completed in 2015.

Rangeview ASP and Area Structure Plan

In July, 2014, Section23, along with other landowners in the area, received approval from the City of Calgary for the Rangeview Area Structure Plan (the "**Rangeview ASP**"). The Rangeview ASP includes approximately 320 acres of land along 88th Street SE owned by Section23. Once fully built, that 320 acre portion of the Rangeview ASP will contain approximately 1,800 single family residences and 700 multi-family residences. The Rangeview ASP is identified as the next area for the City of Calgary's capital infrastructure investment.

The Section23 Lands are located in the City of Calgary's East Regional Context Study ("**East RCS**"). The East RCS indicates that the Section23 Lands will be developed into an urban residential community but identifies the 11-24 Well and its associated pipeline as a constraint on the urban development. Nearby urban development has progressed rapidly for the lands on the west side of 88th Street S.E. and in addition, the lands on the west side of 88th Street are being developed into the Mahogany residential communities. On May 15, 2015, Section23 wrote to the City of Calgary to initiate the process for the creation of an Area Structure Plan for the Section23 Lands in W1/2 of 24. In a letter dated February 3, 2016, the City of Calgary responded that the 11-24 Well located on the said lands was a "serious concern" that needed to be addressed [**Tab C**].

Hydrogen Sulfide

Critical sour gas wells have high levels of hydrogen sulfide. H₂S is toxic to humans and animals and is also flammable and corrosive.⁵ HS₂ is a significant public safety and

⁵ First Shieman Affidavit, at para 5.

environmental risk. As described in H₂S Release Reports prepared by BEHR Energy in relation to the 10-13 Well and the 11-24 Well, which are attached hereto as **Tab D** and **Tab E**, respectively, based on an August 7, 1969 gas sample, the 10-13 Well produces gas with the highest valid H₂S concentration of 37.49% (374.9 mol/kmol) while the 11-24 produces gas with the highest valid H₂S concentration of 39.57% (395.7 mol/kmol) based on a June 11, 1970 gas test sample. Included in those reports are the EPZ's for the 10-13 Well and the 11-24 Well. These extremely high concentrations of H₂S, particularly when considered in combination with the proximity of the wells to densely populated areas as well as the express recognition by Lexin that it was unable to continue to provide proper health and safety overview and measures for the sour wells beyond February 15, 2017 [Tab F], have created unacceptable and intolerable health and safety risks not only for These Landowners and their tenants, but also for the public generally in Southeast Calgary, including the residents in the districts of Mahogany, Seton, Auburn Bay, Legacy, Hotchkiss, Copperfield and McKenzie Town and the many people involved in and around the South Health Campus.

All of the above demonstrates that the urban and residential development in this area has reached a point whereby the AER ought to recognize that its proximity to the 10-13 Well and the 11-24 Well requires the abandonment of the wells. As set out in numerous previous proceedings and decisions, including most recently in the 2013 Decision, "there will come a point in time when urban development will be adversely affected and the sour gas facilities will need to be removed even if energy resources remain unproduced".⁶ That time has come.

g) Lexin

These Landowners understand that the OWA may have taken over care and custody of the 10-13 Well and the 11-24 Well for the time being for suspension purposes Lexin, however, remains the licensee of the 10-13 Well and the 11-24 Well. Neither Lexin, any other working interest owner in the two wells, or even the OWA have any right of access to the wells due to the termination of the surface leases. The AER and Lexin itself both agree that Lexin is unable to conduct its operations safely and that there are significant health, safety and environmental risks at issue. These concerns are heightened when dealing with critical sour gas facilities immediately adjacent to urban development in the City of Calgary.

These concerns are augmented by the following examples of Lexin's conduct over the past year, which are described in the First Schieman Affidavit:

- Outstanding non-compliances, including:
 - a failure to install a dilution gas meter at a sour gas facility; and
 - a failure to clean up a spill or release;
- Failure to comply with AER-issued orders, including the following:

⁶ 2013 ABAER 020, at para 63.

- Metering and Removal Order issued on February 15, 2016 directing Lexin to remove numerous bags of spent catalyst from the grounds of a facility ;
- The Mazeppa Order issued on August 9, 2016 directing, *inter alia*, that Lexin and LR Processing Ltd. immediately suspend and discontinue the Mazeppa sour gas facility and infrastructure; and
- The Clean-Up Order issued on October 25, 2016 requiring Lexin to take immediate steps to clean up a hydrocarbon spill at a sour gas facility;
- Failure to prove to the satisfaction of the AER that it has a valid entitlement to the right to produce or access select sites;
- In May 2006, a Lexin employee advised the AER by email that there were a number of issues that Lexin management was not dealing with;
- In June 2016, Lexin laid off all but 6 of its employees and advised that it would not be able to respond to an incident or emergency should one occur at or relating to a sour gas facility licensed to it;
- Admission by Lexin on January 31, 2017, that it would be unable to provide “proper health and safety overview and measures for [its] sour wells beyond February 15, 2017”;
- Failure to pay its 2016 administration fee and its proportionate share of both of the 2016 orphan fund levies, in an outstanding amount of over \$1 million;
- Failure to pay its licensee liability rating security deposit in the sum of over \$70 million; and
- Issuance of a declaration by the AER under section 106(1) of the *OGCA*, naming three directors of Lexin as persons in direct or indirect control of Lexin and declaring that Lexin has, *inter alia*, contravened AER requirements or failed to comply with orders of the AER or is indebted to the AER.

As a result of these concerns, on February 14, 2017 the AER issued Closure Order No. C2017-01, ordering the immediate suspension of the AER licenses of all of Lexin’s wells, facilities and pipelines and the cessation of the operations at the associated wells, facilities and pipelines (the “Suspension Order”) [Excerpt at Tab G]. When that closure Order is seen in the context of the termination of the surface leases, it must be recognized that at the current time, nobody has any access to or control over those two critical sour gas wells located within the City of Calgary.

Lexin’s conduct, including its extensive non-compliances and safety issues, and its inability, unwillingness, or blatant disregard for complying with directions of the AER, poses an unacceptable and serious health and safety risk to These Landowners, the public and to the environment.

Argument

Informal Written Review

The 2013 Decision references a review of the License and such a review also includes the 10-13 Well and the 11-24 Well. These are the facilities referenced in paragraph 63 of the 2013 Decision. Much has changed since the 2013 Decision. Therefore, while the review is not currently required to be initiated until November 2018, the AER has the discretion to conduct it earlier given that the review is to be initiated within 5 years. As detailed herein, urban development has progressed to the point that the Rangeview Area Structure Plan has been approved and another Area Structure Plan for the Section 23 Lands in W1/2 of 24 has been stalled as a result of the 11-24 Well. Rapid growth in this area has resulted from the South Campus Hospital, Seton Town Centre and residences in the communities of Mahogany, Auburn Bay, Seton, Legacy, Hotchkiss and others. The dangers associated with having urban development close to sour gas facilities are even more pronounced as a result of the current extremely serious health and safety risks. Given the circumstances, These Landowners respectfully urge the AER to act immediately by conducting the review now, rather than waiting until it is initiated by the licensee.

In addition, it is submitted that the AER ought to exercise its discretion in accordance with section 42 of *REDA* by varying its previous direction as to the form and purpose of the said review, such that the review be a full review of the sour gas facilities, including the 10-13 Well and the 11-24 Well. The potentially dangerous situation to These Landowners, the public and the environment that has been created as a result of the circumstances described herein, the AER's mandate to provide for the safe, orderly, efficient and environmentally responsible development of energy resources in Alberta and the continued and expanding urban development in proximity to the sour gas facilities, all demonstrate that a full review is not only appropriate but is critically necessary at this time.

Section 27 of the OGCA and Section 3.012 of the OGCR

These Landowners submit that the cumulative effect of section 27 of the *OGCA* and section 3.012 of the *OGCR* is that the AER is mandated to order the abandonment of the 10-13 Well and the 11-24 Well if any of subsections (a) through (g) of section 3.012 of the *OGCR* are met. In this case, as outlined below, subsections (a), (c) and (d) have all been met. Therefore, it is submitted that the AER must order the abandonment of the 10-13 Well and the 11-24 Well and has no discretion to do otherwise.

Termination of Surface Lease - Section 3.012(a)

Lexin was the successor in interest of the lessee under a surface lease dated May 20, 1969 between Soutzo and Amerada Petroleum Corporation, as amended from time to time (the "Soutzo Lease"). Since May 2015, Lexin has failed to pay the rental payments owing under the Lease. By letter dated January 27, 2017, Soutzo advised Lexin that its failure to pay was a fundamental breach of the Lease, which entitled Soutzo to terminate the Lease unless payment

was received within 10 days. Lexin failed to pay, thereby resulting in the termination of the Soutzo Lease.

Lexin is also the successor in interest to the lessee under a surface lease dated March 20, 1970 with Section23, as amended from time to time (the "Section23 Lease"). Lexin has failed to pay Section23 its rental payments since March 20, 2016. By letter dated December 8, 2016, Lexin was advised that it was required to pay its outstanding rental payments. It failed to do so, thereby resulting in the formal termination of the Section23 Lease.

As a result of the foregoing, both the Soutzo Lease and the Section23 Lease have terminated and Lexin has no valid surface lease in relation to either the 10-13 Well or the 11-24 Well. Lexin's caveats with respect to their surface leases and access roads have been, or are about to be, discharged. Subsection 3.012(a) of the *OGCR* is therefore applicable.

Contravention of an Act, Rule, Regulation or an Order or Direction of the Regulator and the Regulator Has Suspended or Cancelled the License - Section 3.012(c)

As outlined above, Lexin is in contravention of numerous Acts, Rules, Regulations, Orders or Directions of the Regulator. This has resulted in the AER suspending all of Lexin's AER licenses, which has included suspension of Lexin's License No. W0036284 for the 10-13 Well and its License No. W0038033 for the 11-24 Well. As a result, both parts of subsection 3.012(c) have been met.

Regulator Notifies The Licensees That In The Opinion Of The Regulator The Well Or Facility May Constitute An Environmental Or A Safety Hazard - Section 3.012(d)

In the First Shieman Affidavit, at paragraph 34, Mr. Shieman attests that the AER "has serious concerns in all the circumstances that Lexin's continued operation of its Sites poses an unacceptable risk to public safety and the environment." By virtue of its definition in paragraph 4 of the said Affidavit, "Sites" includes the 10-13 Well and the 11-24 Well.

The AER has notified Lexin that in its opinion the 10-13 Well and the 11-24 Well may constitute an environmental or safety hazard. By virtue of its application, Lexin agrees with the AER in that respect. Therefore, subsection 3.012(d) is applicable.

Where Otherwise Ordered To Do So By The Regulator - Section 3.012(h)

In addition, pursuant to 3.012(h) of the *OGCR* the AER has the discretion to order the abandonment of a well. Given the circumstances described above, These Landowners respectfully urge the AER to exercise its discretion by ordering the abandonment of the 10-13 Well and the 11-24 Well pursuant to Section 3.012(h) of the *OGCR*.

While the Suspension Order is a step in the right direction, it does not ensure that the pressing health, safety and environmental concerns at the 10-13 Well and the 11-24 Well are adequately addressed. As described in the Third Supplemental Affidavit of Mr. Shieman, the AER has designated 1088 of the 1662 Lexin AER licensed sites (these include the 10-13 Well

and the 11-24 Well) as orphans for suspension purposes. As a result, the OWA is authorized to assist Lexin, if necessary, in carrying out its responsibilities respecting those sites.⁷

Suspension of a well is defined as being a temporary cessation of operations, with the result that a suspended well can be re-activated. These Landowners respectfully submit, however, that the present and future urban growth, and the immediate danger arising from the continued existence of these two unsupervised and unadministered critical sour gas wells within the City of Calgary as described herein, should preclude any such re-activation. These Landowners submit that immediate abandonment should be ordered.

Conclusion

Circumstances have changed significantly since the 2013 Decision. The AER therefore ought to immediately conduct a full review of these sour gas facilities.

There is a serious public danger from the continued existence of these critical sour gas wells within the City of Calgary.

The surface leases have terminated, the related caveats have been or are about to be discharged, the AER has suspended all of Lexin's licenses and the AER has found that the sour gas wells may constitute an environmental or safety hazard. Therefore, it is submitted that, the AER is required to order the abandonment of the 10-13 Well and the 11-24 Well.

After 35 years, it is unreasonable that the presence of the 10-13 Well and the 11-24 Well should further be allowed to impede urban development. To continue to do so, would be to prevent the surface owners from enjoying their ownership in circumstances where Lexin and its predecessors had been directed to carry out the accelerated depletion of the sour gas resources, but have failed to do so.

The health and safety of the public and These Landowners is paramount. Each day that passes is another day in which there may be dire consequences. These Landowners therefore urge the AER to fulfil its mandate to provide for the efficient, safe, orderly and environmentally responsible development of energy resources by taking immediate steps to have the 10-13 Well and the 11-24 Well plugged and abandoned.

Accordingly, These Landowners hereby respectfully request that the AER conduct a full review of the sour gas facilities and that it order that the 10-13 Well and the 11-24 Well be abandoned and the well sites reclaimed.

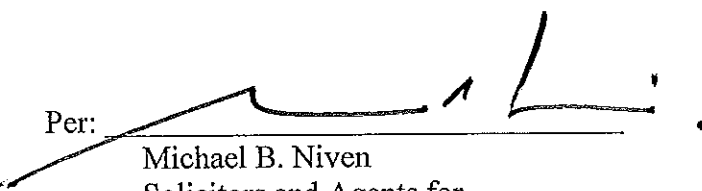
⁷ Affidavit of Corey Shieman, sworn on February 22, 2017, at para 7.

March 14, 2017

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All of which is respectfully submitted.

Carscallen LLP

Per: 

Michael B. Niven
Solicitors and Agents for
Alexander (Sandy) Soutzo and
Section23 Developments Ltd.

cc: Service List Attached

Schedule A – Service List

Schedule A to Equipment Order - PPR Claimants And other PPR Claimants	
PPR Claimant	Address
Compass Compression Services Ltd.	1537 - 9 Avenue SW Calgary AB T2G 5N4
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
Caledonian Royalty Corporation	2150-300 5 Avenue SW Calgary AB T2P 3C4
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
Municipal District of Ranchlands No. 66	PO Box 1060 Nanton AB T0L 1R0
Vulcan County	c/o McPherson Leslie Tyerman LLP 1600, 520 3 Ave SW Calgary AB T2P 0R3
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
Caledonian Royalty Corporation	2150-300 5 Avenue SW Calgary AB T2P 3C4
Triple Seven Integrity Management Inc.	c/o Warren Sinclair LLP 600-4911 51 Street

Schedule A – Service List

	Red Deer AB T4N 6V4
Alberta Treasury Branches	600-444 7 Avenue SW Calgary AB T2P 0X8
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

Schedule B to Equipment Order – WIPs	
ADDRESS	EMAIL
President Lexin Resources Ltd. (OCW8) 300-404 6 Avenue SW Calgary AB T2P 0R9	tmccrary@lexin.ca
President Adeco Exploration Company Ltd. (OZA0) 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
President Caledonian Royalty Corporation (A684) 2200-300 5 Avenue SW Calgary AB T2P 3C4	David.horn@caledonianroyalty.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)	regulatoryaffairsmailbox@conocophillips.com

Schedule A – Service List

1600-401 9 Avenue SW Calgary AB T2P 2H7	
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

Schedule B to Equipment Order – WIPs	
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 Petroleum 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	

Schedule A – Service List

President Murphy Canada Exploration Company (OMY7) 1700-555 4 Avenue SW Calgary AB T2P 3Y3	Gaye_marshall@murphyoilcorp.com
President New North Resources Ltd. (OCZ4) 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 OR3	Jessica.gregorash@omersenergy.com

Schedule B to Equipment Order – WIPs	
Mr. Paul Bothwell Pengrowth Energy Corporation (A5R5) 2100-222 3 Avenue SW Calgary AB T2P OB4	Paul.bothwell@pengrowth.com
President Penn West Petroleum Ltd. (OBP8) 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	Kate.ramage@sanlingenergy.com Stuart.widmer@sanlingenergy.com

Schedule A – Service List

Calgary AB T2P 0C1	
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	
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

Schedule B to Equipment Order – WIPs	
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)	

Schedule A – Service List

260-435 4 Avenue SW Calgary AB T2P 3A8	
President Zargon Oil & Gas Ltd. (OMP9) 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. (OCW8) 300-404 6 Avenue SW Calgary AB T2P OR9	tmccrary@lexin.ca

Schedule B to Equipment Order – WIPs	
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. (OHP8) 1250-340 12 Avenue SW Calgary AB T2R 1L5	Kelly@bountydev.com
President The Paddon Hughes Development Co. Ltd. (OD74) 940-1122 4 Street SW Calgary AB T2R 1M1	waldyk@paddonhughes.com

Schedule A – Service List

Schedule B to Equipment Order – WIPs	
DELIVERED BY REGISTERED MAIL	
President Bears paw Petroleum Ltd. (ONL1) 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 (ORC3) PO Box 4335 Stn C Calgary AB T2T 4K3	catherine.hiscocks@centrica.com

Schedule B to Equipment Order – WIPs	
President Long Term Asset Management Inc. (A6JF) 925 Veterans Boulevard NW Airdrie AB T4A 2G6	maugust@ltam.ca
President Newbert Petroleum Engineering Ltd. (OZ8W) Box 528 Crossfield AB T0M 0S0	
President Scotia Oils Limited (ODK9)	

Schedule A – Service List

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	

Name / Counsel	Address	Phone	Email
Joseph Groia Bonnie Roberts Jones 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
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Greg Plester Counsel for Vulcan County	Brownlee LLP	P. 403-260-1475 F. 403-232-8408	gplester@brownleelaw.com
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

Schedule A – Service List

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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
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Doug Nishimura Counsel for Compass Compression Services Ltd.	Field Law LLP 400-444 7 Ave. S.W. Calgary AB T2P 0X8	403 260 8548	dnishimura@fieldlaw.com
Laura Gill Counsel for Exxon Mobil	Bennett Jones 4500 Bankers Hall East 855 2 nd Street SW Calgary, AB T2P 4K7	T. 403 298 4492	gill@bennettjones.com
Jeff Davidson	CNRL		Jeff.davidson@cnrl.com
Angus T. McKinnon Counsel for 1049597 BC Ltd.	Learners LLP 130 Adelaide Street West, Suite 2400 Toronto, ON M5H 3P5	416 360 2632	amckinnon@lerner.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

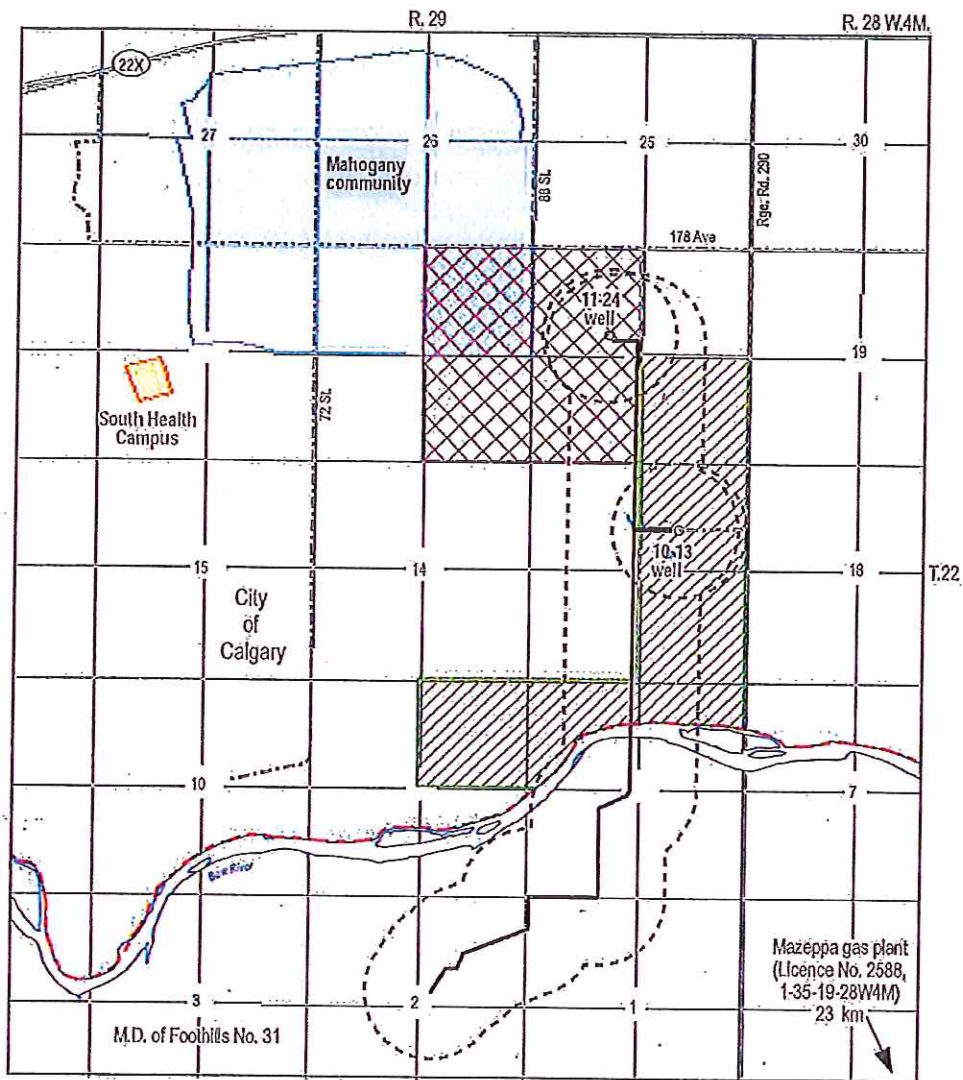
Schedule A – Service List

Karen Fellowes Counsel for MNP, Trustee in Bankruptcy for LR Processing	DLA Piper (Canada) LLP		Karen.fellowes@dlapiper.com

The City of Calgary P.O. Box 2100 Stn. M Calgary, AB T2P 2M5	Attention: David Mercer Email: David.Mercer@calgary.ca
Alberta Energy Regulator Suite 1000, 250-5 th Street SW Calgary, AB T2P 0R4	Attention: Patricia Johnston and Keely Cameron Email: patricia.johnston@aer.ca and Keely.Cameron@aer.ca
Jensen Shawa Solomon Duguid Hawkes LLP 800, 304 - 8 Avenue SW Calgary, AB T2P 1C2	Attention: Christa Nicholson Email: Nicholson@jssbarristers.ca

TAB

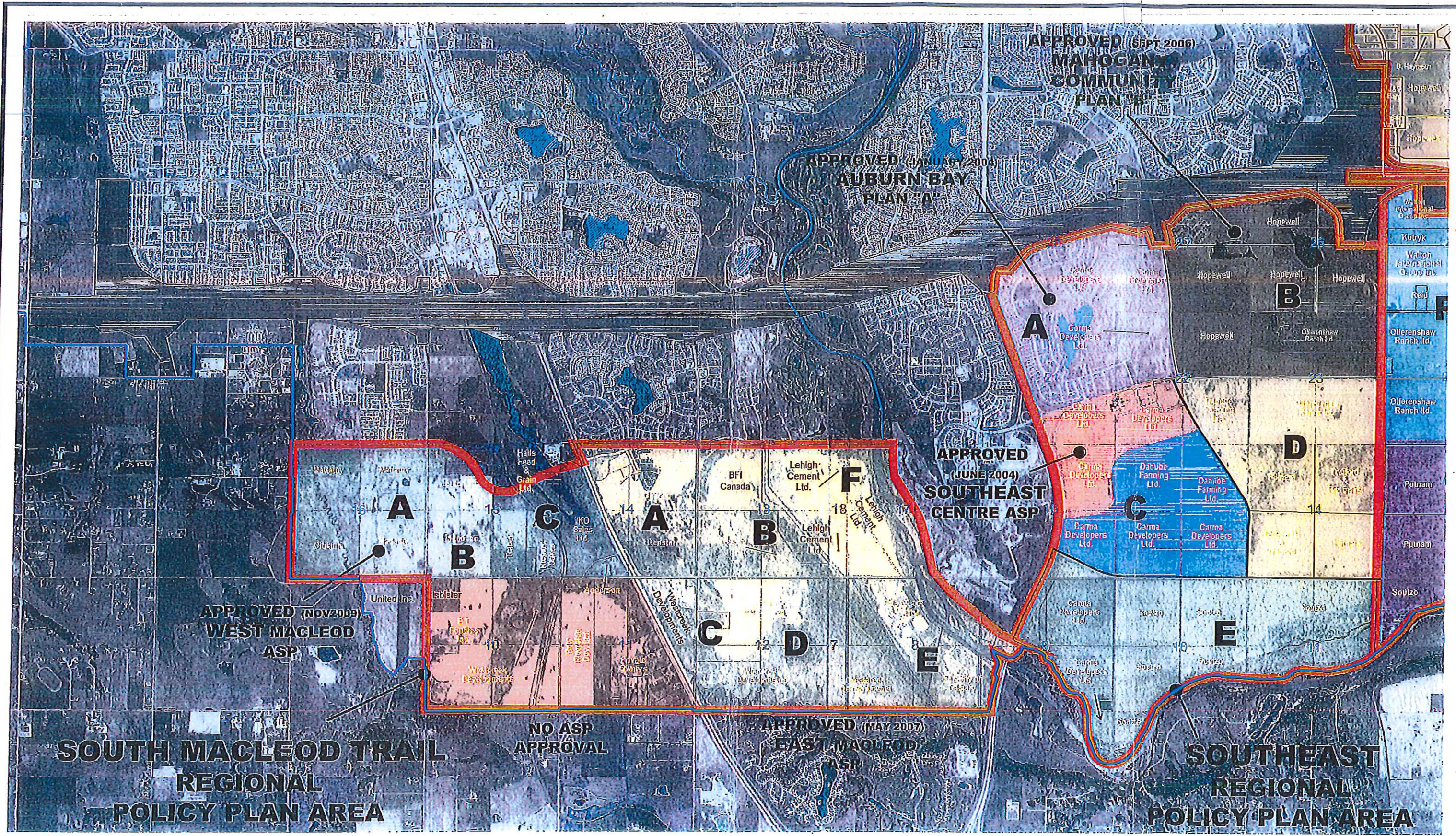
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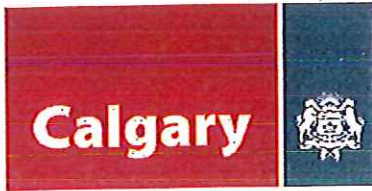
- Existing well
- Pipeline Licence No. 21027
- Buffer of 500 m
- Major road
- Secondary road
- Municipality

TAB
B



SOUTH EAST REGIONAL POLICY PLAN AREAS
Ownership and Planning Cells

TAB
C



2016 February 03

Via Email: cplosz@section23.com

Mr. Plosz
Section 23 Group 1717 9th Street SW
Calgary, AB T2T 3C1

Dear Mr. Plosz;

Re: Request for an Area Structure Plan for Cell E of the East Regional Context Study (ERCS)

Thank you for your request (Re: Letter submitted 2015 May 15) and ongoing discussions with City of Calgary staff regarding the commencement of an Area Structure Plan (ASP) for your noted lands (W1/2 24-22-29 W4). As you reference in your letter, the Rangeview ASP was recently completed as part of the Developer Funded ASP program as directed by Council. Work on an ASP requires commitment of resources across the corporation, and only Council can direct Administration to allocate the required staffing to begin a statutory plan.

On the merits of your request, it is a priority of The City to maximize current (in place) infrastructure and that planning for interim and permanent utility services in relation to Rangeview can be addressed through a new adjacent ASP. There are also synergies to be capitalized on through planning of interim and permanent tie-ins for the sanitary, water and transportation networks from Mahogany.

Senior Administration has discussed your request to commence an ASP. A serious concern that must be addressed is the existence of sour gas infrastructure on your lands, specifically the sour gas well (100/11-24-022-29 W4/0). As you will appreciate there are other lands within The City that are also available for residential growth that are not burdened by such sour gas facilities.

Given the outstanding concern with oil and gas infrastructure on your lands it is premature for The City to begin planning for residential growth given the uncertainty of the potential impacts of the sour gas facilities. Under these circumstances, City Administration is not prepared to recommend to Council that resources of the corporation be committed to the development of a statutory plan for your lands at this time.

2016 February 08

Mr. Plosz

Page 2

Should you wish to discuss this further, please contact me at 403-268-5394 or Jamal Ramjohn at 268-5790 or via email at jamal.ramjohn@calgary.ca.

Yours truly,



Matthias Tita, Director, Local Area Planning and Implementation
Planning Development and Assessment

T 403.268.5394 | **F** 403.268.2941 | Mail code #8075

Floor 5, Calgary Municipal Building, 800 Macleod Tr. S.E.

MT/JR/jk

C: Scott Lockwood, Manager, North Area, Local Area Planning & Implementation, MC8076
Jamal Ramjohn, Coordinator, Local Area Planning & Implementation, MC 8076
Kathy Dietrich, Manager, Growth Management, MC: 8032

TAB
D



March 3, 2017

Carscallen LLP
1500, 407 – 2nd Street SW
Calgary, AB T2P 2Y3

Attention: Michael Niven

Dear Mr. Niven:

**RE: COMPTON OKOTOKS 10-13-22-29 (W4M)
H₂S RELEASE RATE DETERMINATION REPORT**

Enclosed is one copy of the H₂S release rate determination report. The Emergency Planning Zone (EPZ) has been calculated in accordance with AER Directive 071 (Nov. 2008) using the ERCBH2S Ver. 1.20 computer model assuming 15 minutes mitigation.

Please call me or Todd Wilson at 403-444-6940 if you have any questions about this report.

Yours truly,

BEHR Energy Services Ltd.

Dan Ho, C.E.T.
H₂S Release Rate Group

Enclosure

COMPTON OKOTOKS 10-13-22-29 (W4M)
H₂S RELEASE RATE DETERMINATION REPORT

CONFIDENTIAL

Discussion

Carscallen LLP has engaged the services of BEHR Energy Services Ltd. to calculate the potential H₂S release rate for the Compton Okotoks 10-13-22-29 (W4M) well. The surface location for the 10-13-22-29W4 well is approximately 2.5 km southeast of the City of Calgary, AB.

Well Information

The Compton 10-13-22-29W4 well produces gas with highest valid H₂S concentration of 37.49% (374.9 mol/kmol) from an August 7, 1969 gas test sample. The same 10-13-22-29W4 well was reviewed for flow rate and the most recent absolute open flow (AOF) potential value from July 18, 1991 is 237.5 10³m³/d, based on an "n" value of 1.0 and a reservoir pressure of 7,360 kPa. The reservoir pressure will have depleted from the test value as a result of continued production since 1991. Consequently, we expected the AOF potential is currently lower. Additional reservoir analysis will be required if an estimate of the current flow capability of the well is requested. However, given that the surface development within the emergency planning zone is not extensive, we suggest that the H₂S release rate assessment is conservative (overestimated) and that there is little value in conducting the addition engineering analysis.

Main Hole Release Rate Summary

The highest H₂S concentration of 37.49% was used along with the most recent AOF of 237.5 10³m³/d to calculate a completion/servicing/workover release rate of 1.0305 m³/s, resulting in a calculated Emergency Planning Zone (EPZ) of 0.86 km (860 m).

Please refer to the following related attachment.

Attachment 1: ERCBH₂S ERP Dispersion Modelling Spreadsheet

Attachment 2: Representative Gas Analysis

Attachment 3: Representative Flow Rate

Attachment 4: Emergency Planning Zone (EPZ) Rev.2 , 15 minutes mitigation Map for 10-13-22-29 W4M and 11-24-22-29 W4M

MAXIMUM POTENTIAL H₂S RELEASE RATE DETERMINATION - AUDIT SHEETS
POTENTIAL H₂S RELEASE RATE SUMMARY SHEET - MAIN HOLE

Operator Name: Lexon Resources Ltd. Prepared by: Dan Ho
 Well Name: Compton Okotoks 10-13-22-29 (W4M) BEHR Energy Services Ltd.
 Wellbore Section (eg. Intermediate, Main): Main Date: 2017 03 03 Page: 2
 Nearest Urban Centre: Name: City of Calgary, AB¹ Distance From Well: ±2.5 km Revision: -

H₂S RELEASE RATE SUMMARY

Formation Name	H ₂ S Concentration		AOF Potential		H ₂ S Release Rate m ³ /s	Adjusted H ₂ S Release Rates ^B			Foot- notes
	Reference Well Unique ID	H ₂ S Conc. %	Reference Well Unique ID	Sandface AOF 10 ³ m ³ /d		Drilling m ³ /s	Servicing ^A m ³ /s	Susp/Prod ^A m ³ /s	
Wabamun	00/10-13-22-29W4/0	37.49	00/10-13-22-29W4/0	237.5	1.0305	-	1.0305	-	
						-	1.0305	-	

EMERGENCY PLANNING ZONE SUMMARY (DEFAULT)

Operation Type	Adjusted H ₂ S Release Rate - m ³ /s	Calculated EPZ km	Footnotes
Drilling	-	-	
Completion/Servicing	1.0305	0.88	2
Suspended/Producing	-	-	

LEVEL DESIGNATION SUMMARY

Operation Type	Adjusted H ₂ S Release Rate - m ³ /s	Facility Level (1,2,3 or 4)	Footnotes
Suspended/Producing	-	-	

Refer to Alberta Guide G-56 or BC Oil and Gas
Handbook for land-use set-back requirements

Footnotes:
1. A survey plan was not available when this report was prepared. The well location is approximately 2.5 km southeast of the City of Calgary, AB.
2. The EPZ has been calculated in accordance with AER Directive 071 (November 2008) using the ERCBH2S Version 1.20 computer model. The EPZ has been calculated assuming 15 minutes mitigation.

Supplemental Instructions:

- A. All formations may not be open to the wellbore during servicing and producing operations. Therefore, the potential H₂S release rate for servicing may be limited to the formation or formations that are anticipated to be open to the wellbore during the planned operations. Similarly, the potential H₂S release rate for producing operations should be based on the formation or formations that contribute the maximum producing H₂S release rate throughout the life of the well. The H₂S release rate potential for formations not open to the wellbore for the servicing or producing calculations may be shown as 0 m³/s.
- B. Any adjustments to the H₂S release rates must be supported with appropriate calculations and assumptions.
- C. All critical (special) sour wells require a full ERP and a detailed drilling program. Refer to Alberta Guide G-56 (or BC Oil and Gas Handbook) for definitions of critical (special) sour wells.
- D. Complete one sheet for each grouping of formations that may be simultaneously produced.
- E. If Mitigation is chosen, the licensee should be prepared to defend and provide documentation for all user selected inputs in the determination of the Emergency Response and Planning Zones (Reference: AER Directive 071, Section 3.2).

ATTACHMENT 1

ERCBH2S ERP DISPERSION
MODELLING SPREADSHEET

ERCBH2S Ver 1.20
ERP DISPERSION MODELLING SPREADSHEET
 Energy Resources Conservation Board

Administrative

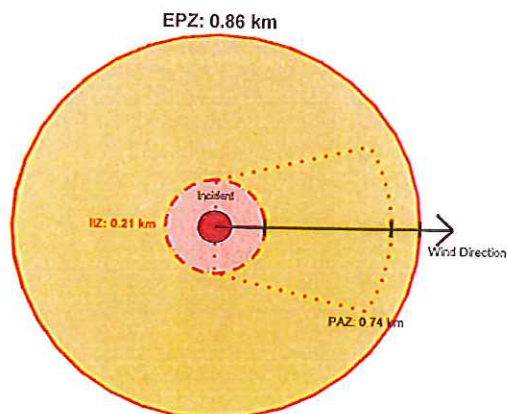
Licensee/Applicant Name	Lexin Resources Ltd.
Name of Well / Pipeline Licence Number	Compton Okotoks 10-13-22-29
Legal Surface Location of Well or Pipeline Line Number	10-13-022-29 W4M
Pipeline From Location (na if well)	na
Pipeline To Location (na if well)	na
Surface Elevation (m ASL)	1020.5

Source Details

Scenario Name	10-13-22-29W4						
Source Operations Type	Gas Well						
Calculation Type	GAS WELL (steady horizontal jet)						
Analysis Type	WITH-MITIGATION						
GAS WELL (includes oil well and other well with Gas to Liquid Ratio>1000)	User Specified Source Mitigation			Buoyant			
	Units	User Input	Warnings	GAS PHASE FRACTIONS	INPUT	EXPECTED	LICENCED
Phase of Well Operations ?	--	Servicing		H ₂	0.0000	0.0000	0.0000
Is Well Classified as Critical ?	--	Critical		He	0.0000	0.0000	0.0000
Unique Well Identifier	--	00/10-13-022-29W4/0		N ₂	0.0205	0.0205	0.0205
Casing or Tubing Inside Diameter at Exit	mm	159.4		CO ₂	0.1055	0.1055	0.1055
Expected Maximum H ₂ S Concentration	% (dry), (15°C, 101.325 kPa)	37.49		H ₂ S	0.3749	0.3749	0.3749
H ₂ S Release Rate (Cumulative if Multi-zone)	m ³ /s (15°C, 101.325 kPa)	1.0305		CH ₄	0.4909	0.4909	0.4909
SOURCE MITIGATION		MODEL INPUT		C ₂ H ₆	0.0075	0.0075	0.0075
	--	--		C ₃ H ₈	0.0002	0.0002	0.0002
Time from initial release until ignition or stop flow	minutes	15		i-C ₄ H ₁₀	0.0000	0.0000	0.0000
	--	--		n-C ₄ H ₁₀	0.0003	0.0003	0.0003
	--	--		i-C ₃ H ₁₂	0.0001	0.0001	0.0001
	--	--		n-C ₃ H ₁₂	0.0001	0.0001	0.0001
	--	--		n-C ₂ H ₁₄	0.0000	0.0000	0.0000
	--	--		n-C ₃ H ₁₆	0.0000	0.0000	0.0000
	--	--		H ₂ O	--	0.0000	0.0000
	--	--		Total	1.0000	1.0000	1.0000

RESULTS

Land Use H ₂ S Release Rate	m ³ /s	na
Land Use Setback Level	--	Level na
Compressibility Factor z for Level at Licenced Conditions	--	na
Existing EPZ Distance	km	na
Nomograph EPZ Calculation	km	2.35

Emergency Response and Planning Zones

COMPTON OKOTOKS 10-13-22-29|10-13-022-29 W4M|10-13-22-29W4

LEGEND		CALCULATED
IIZ	Initial Isolation Zone	0.21 km
PAZ	Protective Action Zone	0.74 km
EPZ	Emergency Planning Zone	0.86 km

IMPORTANT:

Each zone submitted as part of an ERP must reflect site-specific features such as population density, topography, access/egress routes and any other identifiable factors that may affect timely implementation of emergency response procedures. Thus each zone distance calculated by ERCBH2S may require further consideration for planning or during response. The implied shape of the combined planning zones represented here, therefore, is a schematic simplification for display purposes.

ATTACHMENT 2

GAS ANALYSIS

GEOLOGY

Date of Analysis: August 7, 1969
 Analyzed by:

Date of Sampling: August 4, 1969
 Lab No.: No Lab No. Given

Well Name and Number: Amerada CPOG Chester 10-13-22-29
 Well Location: Lsd. 10 Sec. 13 Twp. 22 Rge. 29 West 4 Mer.
 Field or Area: Pool:

Sample obtained from: High pressure separator
 Method of Production: Flowing
 D.S.T. Recovery: 8.3 mcfd gas
 Sampling Temperature: 115 °F.
 Sampling Pressure: 970 p.s.i.g.
 Container Pressure when filled: p.s.i.g.

Depth interval sampled: ** to Elevation: KB 3363, Grd. 3348

Name of zone and formation sampled: D-1

Sample obtained by:

Operator: Amerada Petroleum Corp.

(individual)
 (company)

OIL AND GAS CONSERVATION BOARD
 PROVINCE OF ALBERTA

ANALYSIS of NATURAL GAS

07157

Pressure in container when received

p.s.i.g.

	VOLUME PERCENT		IMP. GALS. PER M.S.C.F. AS SAMPLED
	AS SAMPLED	ACID GAS FREE	
Hydrogen			
Methane	49.09	94.48	
Ethane	0.75	1.44	
Propane	0.02	0.04	
Isobutane	Trace		.0046
n-Butane	0.03	0.05	
i-Pentane	0.01	0.02	.0078
n-Pentane	0.01	0.02	.0030
Hexanes	Trace		.0030
Heptanes	Trace		
Octanes+			
Nitrogen	2.05	3.95	
Helium			
Carbon Dioxide	10.55	0.00	
Hydrogen Sulphide	37.49	0.00	
TOTALS	100.00	100.00	.0184

Gross Heating Value, BTU per SCF: (moisture and acid gas free.)

Measured:

Calculated: 981

Specific Gravity (moisture free, as sampled)

Measured:

Calculated: .9021

Specific Gravity (moisture and acid gas free)

Measured:

Calculated: .5790

Calculated pseudo critical properties:

Gas as sampled: pPc: 949

p.s.i.a.;

pTc: 488 °R.

Acid gas free: pPc: 666

p.s.i.a.;

pTc: 342 °R.

MH

Remarks:

** 8338-50; 56-66; 76-88; 91-95; 8404-18; 26-47.

H₂S
 1971

XEROXED

* standard conditions: 14.65 p.s.i.a., 60°F

ATTACHMENT 3

FLOW RATE

SANDFACE DELIVERABILITY

Simplified Analysis

(Pressure Squared)

CDN OXY Chester
10-13-22-29 W4M

Okotoks Wabamun "B"
Jul 4-18, 1991

	Time	Sandface Pressure	Pressure Squared	Delta Pressure Squared	Gas Rate
	hr	kPa	6 2 10 kPa	6 2 10 kPa	3 3 10 m /d
Shut-in	-	11800.9	139.261		
Extended Flow	45.830	7360.7	54.180	85.081	145.100
Stab. Shut-in	STAB.	11800.9	139.261		
Stab. Flow	STAB.	-	-	-	-

n - Extended = 1.000

C - Extended = 1.705x10⁻⁶ 3 3 2 n
10 m /d/(kpa)

AOF - Extended = 237.500 3 3
10 m ,d

Fekete
Asphaltico

ATTACHMENT 4

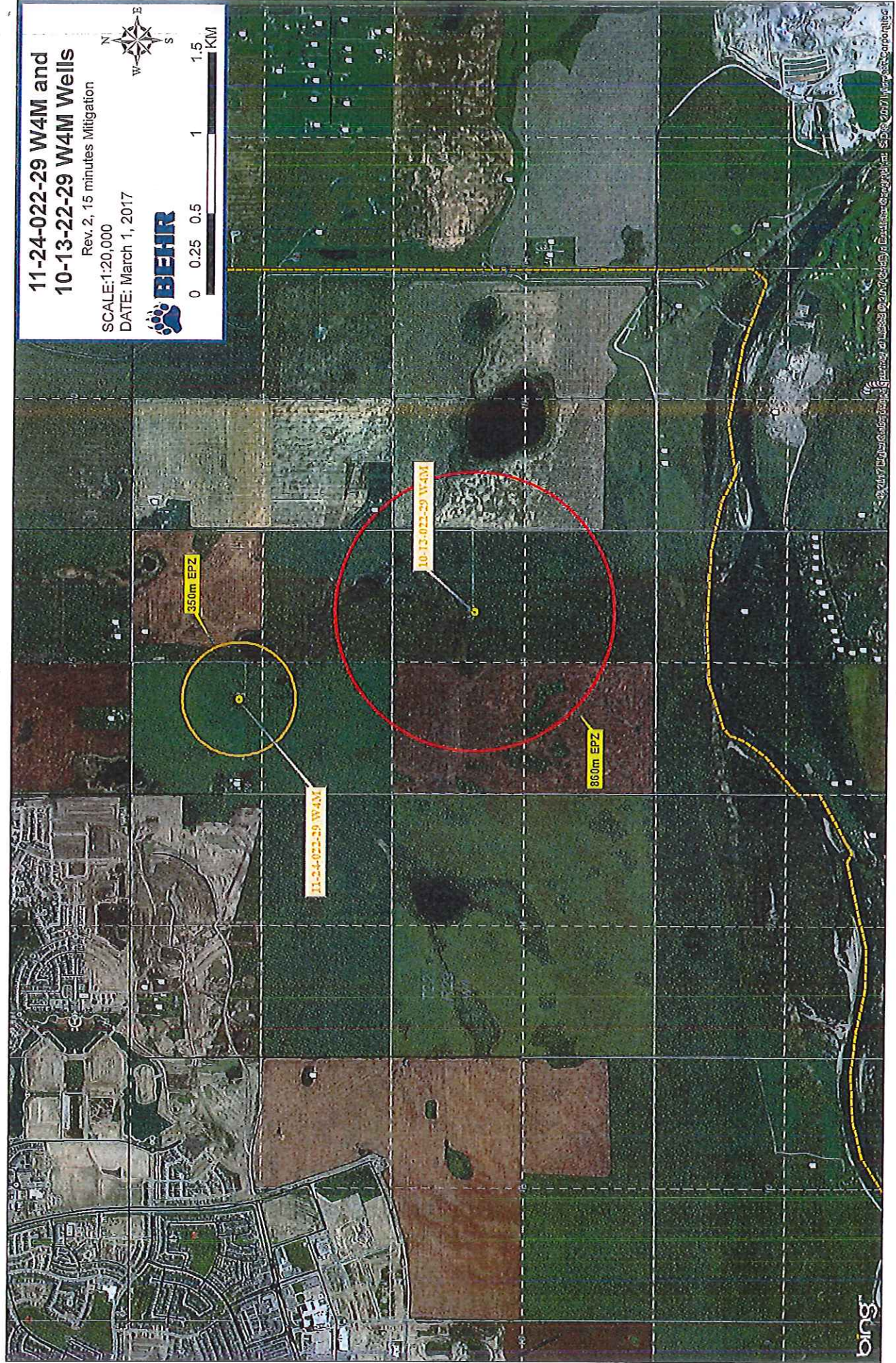
EMERGENCY PLANNING ZONE REV. 2, 15 MINUTES MITIGATION MAP

**11-24-022-29 W4M and
10-13-22-29 W4M Wells**

Rev. 2, 15 minutes Mitigation

SCALE: 1:20,000

DATE: March 1, 2017



TAB E



March 3, 2017

Carscallen LLP
1500, 407 – 2nd Street SW
Calgary, AB T2P 2Y3

Attention: Michael Niven

Dear Mr. Niven:

RE: COMPTON OKOTOKS 11-24-22-29 (W4M)
H₂S RELEASE RATE DETERMINATION REPORT

Enclosed is one copy of the H₂S release rate determination report. The Emergency Planning Zone (EPZ) has been calculated in accordance with AER Directive 071 (Nov. 2008) using the ERCBH2S Ver. 1.20 computer model assuming 15 minutes mitigation.

Please call me or Todd Wilson at 403-444-6940 if you have any questions about this report.

Yours truly,

BEHR Energy Services Ltd.

Dan Ho, C.E.T.
H₂S Release Rate Group

Enclosure

**COMPTON OKOTOKS 11-24-22-29 (W4M)
H₂S RELEASE RATE DETERMINATION REPORT**

CONFIDENTIAL

Discussion

Carscallen LLP has engaged the services of BEHR Energy Services Ltd. to calculate the potential H₂S release rate for the Compton Okotoks 11-24-22-29 (W4M) well. The surface location for the 11-24-22-29W4 well is approximately 1.0 km southeast of the City of Calgary, AB.

Well Information

The Compton 11-24-22-29W4 well produces gas with highest valid H₂S concentration of 39.57% (395.7 mol/kmol) from a June 11, 1970 gas test sample. The same 11-24-22-29W4 well was reviewed for flow rate and the most recent absolute open flow (AOF) potential value from October 13, 1997 is 43.3 10³m³/d, based on an "n" value of 1.0 and a reservoir pressure of 8,645 kPa. The reservoir pressure will have depleted from the test value as a result of continued production since 1997. Consequently, we expected the AOF potential is currently lower. Additional reservoir analysis will be required if an estimate of the current flow capability of the well is requested. However, given that the surface development within the emergency planning zone is not extensive, we suggest that the H₂S release rate assessment is conservative (overestimated) and that there is little value in conducting the addition engineering analysis.

Main Hole Release Rate Summary

The highest H₂S concentration of 39.57% was used along with the most recent AOF of 43.3 10³m³/d to calculate a completion/servicing/workover release rate of 0.1986 m³/s, resulting in a calculated Emergency Planning Zone (EPZ) of 0.35 km (350 m).

Please refer to the following related attachment.

Attachment 1: ERCBH₂S ERP Dispersion Modelling Spreadsheet

Attachment 2: Representative Gas Analysis

Attachment 3: Representative Flow Rate

Attachment 4: Emergency Planning Zone (EPZ) Rev.2 , 15 minutes mitigation Map for 10-13-22-29 W4M and 11-24-22-29 W4M

MAXIMUM POTENTIAL H₂S RELEASE RATE DETERMINATION - AUDIT SHEETS
POTENTIAL H₂S RELEASE RATE SUMMARY SHEET - MAIN HOLE

Operator Name: Lexin Resources Ltd. Prepared by: Dan Ho
 Well Name: Compton Okotoks 11-24-22-29 (W4M) BEHR Energy Services Ltd.
 Wellbore Section (eg. Intermediate, Main): Main Date: 2017 03 03 Page: 2
 Revision: -
 Nearest Urban Centre: Name: City of Calgary, AB¹ Distance From Well: ±1.0 km

H₂S RELEASE RATE SUMMARY

Formation Name	H ₂ S Concentration		AOF Potential		H ₂ S Release Rate m ³ /s	Adjusted H ₂ S Release Rates ^b			Foot- notes
	Reference Well Unique ID	H ₂ S Conc. %	Reference Well Unique ID	Sandface AOF 10 ³ m ³ /d		Drilling m ³ /s	Servicing ^a m ³ /s	Susp/Prod ^a m ³ /s	
Wabamun	00/11-24-22-29W4/0	39.60	00/11-24-22-29W4/0	43.3	0.1986	-	0.1986	-	
						-	0.1986	-	

EMERGENCY PLANNING ZONE SUMMARY (DEFAULT)

Operation Type	Adjusted H ₂ S Release Rate - m ³ /s	Calculated EPZ km	Footnotes
Drilling	-	-	
Completion/Servicing	0.1986	0.35	2
Suspended/Producing	-	-	

LEVEL DESIGNATION SUMMARY

Operation Type	Adjusted H ₂ S Release Rate - m ³ /s	Facility Level (1,2,3 or 4)	Footnotes
Suspended/Producing	-	-	

Refer to Alberta Guide G-56 or BC Oil and Gas
Handbook for land-use set-back requirements

Footnotes:

1. A survey plan was not available when this report was prepared. The well location is approximately 1.0 km southeast of the City of Calgary, AB.
2. The EPZ has been calculated in accordance with AER Directive 071 (November 2008) using the ERCBH2S Version 1.20 computer model. The EPZ has been calculated assuming 15 minutes mitigation.

Supplemental Instructions:

- All formations may not be open to the wellbore during servicing and producing operations. Therefore, the potential H₂S release rate for servicing may be limited to the formation or formations that are anticipated to be open to the wellbore during the planned operations. Similarly, the potential H₂S release rate for producing operations should be based on the formation or formations that contribute the maximum producing H₂S release rate throughout the life of the well. The H₂S release rate potential for formations not open to the wellbore for the servicing or producing calculations may be shown as 0 m³/s.
- Any adjustments to the H₂S release rates must be supported with appropriate calculations and assumptions.
- All critical (special) sour wells require a full ERP and a detailed drilling program. Refer to Alberta Guide G-56 (or BC Oil and Gas Handbook) for definitions of critical (special) sour wells.
- Complete one sheet for each grouping of formations that may be simultaneously produced.
- If Mitigation is chosen, the licensee should be prepared to defend and provide documentation for all user selected inputs in the determination of the Emergency Response and Planning Zones (Reference: AER Directive 071, Section 3.2).

ATTACHMENT 1

ERCBH2S ERP DISPERSION MODELLING SPREADSHEET

ERP SUMMARY

ERCBH2S Ver 1.20
ERP DISPERSION MODELLING SPREADSHEET
Energy Resources Conservation Board

Administrative

Licensee/Applicant Name	Lexin Resources Ltd.
Name of Well / Pipeline Licence Number	Compton Okotoks 11-24-22-29
Legal Surface Location of Well or Pipeline Line Number	11-24-022-29 W4M
Pipeline From Location (na if well)	na
Pipeline To Location (na if well)	na
Surface Elevation (m ASL)	1026

Source Details

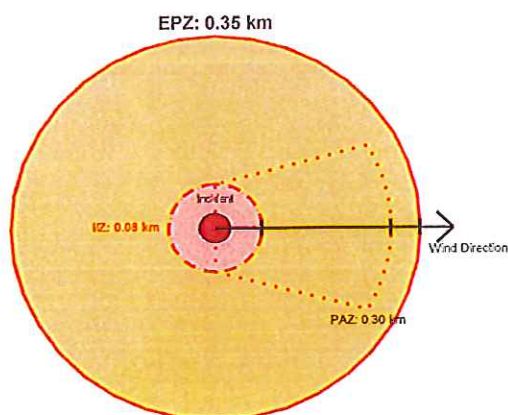
Scenario Name	11-24-22-29W4						
Source Operations Type	Gas Well						
Calculation Type	GAS WELL (steady horizontal jet)						
Analysis Type	WITH-MITIGATION User Specified Source Mitigation Buoyant						
GAS WELL (includes oil well and other well with Gas to Liquid Ratio > 1000)	Units	User Input	Warnings	GAS PHASE FRACTIONS	INPUT	EXPECTED	LICENCED
Phase of Well Operations ?	--	Servicing		H ₂	0.0000	0.0000	0.0000
Is Well Classified as Critical ?	--	Critical		He	0.0002	0.0002	0.0002
Unique Well Identifier	--	00/11-24-022-29W4/0		N ₂	0.0185	0.0185	0.0185
Casing or Tubing Inside Diameter at Exit	mm	50.67		CO ₂	0.0995	0.0995	0.0995
Expected Maximum H ₂ S Concentration (15°C, 101.325 kPa)	% (dry)	39.6		H ₂ S	0.3960	0.3960	0.3960
H ₂ S Release Rate (Cumulative if Multi-zone) (15°C, 101.325 kPa)	m ³ /s	0.1986		CH ₄	0.4793	0.4793	0.4793
SOURCE MITIGATION		MODEL INPUT		C ₂ H ₆	0.0036	0.0036	0.0036
	--	--		C ₃ H ₈	0.0007	0.0007	0.0007
Time from initial release until ignition or stop flow	minutes	15		i-C ₄ H ₁₀	0.0001	0.0001	0.0001
	--	--		n-C ₄ H ₁₀	0.0004	0.0004	0.0004
	--	--		i-C ₅ H ₁₂	0.0002	0.0002	0.0002
	--	--		n-C ₅ H ₁₂	0.0002	0.0002	0.0002
	--	--		n-C ₆ H ₁₄	0.0002	0.0002	0.0002
	--	--		n-C ₇ H ₁₆	0.0011	0.0011	0.0011
	--	--		H ₂ O	--	0.0000	0.0000
	--	--		Total	1.0000	1.0000	1.0000
	--	--					
	--	--					

RESULTS

Land Use H ₂ S Release Rate	m ³ /s	na
Land Use Setback Level ^a	--	Level na
Compressibility Factor z for Level at Licenced Conditions	--	na
Existing EPZ Distance	km	na
Nomograph EPZ Calculation	km	0.78

COMPTON OKOTOKS 11-24-22-29/[11-24-022-29 W4M]/11-24-22-29W4

Emergency Response and Planning Zones



LEGEND

LEGEND	CALCULATED
IIZ	Initial Isolation Zone
PAZ	Protective Action Zone
EPZ	Emergency Planning Zone

IMPORTANT:

Each zone submitted as part of an ERP must reflect site-specific features such as population density, topography, access/egress routes and any other identifiable factors that may affect timely implementation of emergency response procedures. Thus each zone distance calculated by ERCBH2S may require further consideration for planning or during response. The implied shape of the combined planning zones represented here, therefore, is a schematic simplification for display purposes.

ATTACHMENT 2

GAS ANALYSIS

GEOLOGY

Date of Analysis: June 11, 1970
 Analyzed by: Chem & Geo

Date of Sampling: May 30, 1970
 Lab No.: CGC70-5978

Well Name and Number: CDR CPOG Chester 11-24-22-29
 Well Location: Lsd. 11 Sec. 24 Twp. 22 Rge. 29 West 4 Mer.
 Field or Area: Pool:

Sample obtained from: Drill stem Sampling Temperature: 76 °F.
 Method of Production: DST #3 Sampling Pressure: 28 p.s.i.g.
 D.S.T. Recovery: 1247' black sulf. mud, Container Pressure when filled: p.s.i.g.
 336' black sulf. water; 1.25 mmcf/d dec. to 500 mmcf/d
 Depth interval sampled: 8350 to 8583 Elevation: KB 3378, Grd. 3366

Name of zone and formation sampled: Crossfield ✓

Sample obtained by: T.G. Eastland Testers Ltd.

(individual)
 (company)

OIL AND GAS CONSERVATION BOARD
 PROVINCE OF ALBERTA

ANALYSIS of NATURAL GAS 08301

Pressure in container when received 28 @ 76°F p.s.i.g.

	VOLUME PERCENT		IMP. GALS. PER M.S.C.F. AS SAMPLED
	AS SAMPLED	ACID GAS FREE	
Hydrogen	0.00		
Methane	37.00	93.74	
Ethane	0.33	0.83	
Propane	0.05	0.13	.0114
Isobutane	0.01	0.03	.0027
n-Butane	0.03	0.07	.0078
i-Pentane	0.02	0.05	.0061
n-Pentane	0.01	0.03	.0030
Hexanes	0.03	0.07	.0102
Heptanes	0.03	0.08	.0115
Octanes+	0.02	0.05	.0085
Nitrogen	1.91	4.84	
Helium	0.03	0.08	
Carbon Dioxide	20.96	0.00	
Hydrogen Sulphide	39.57	0.00	
TOTALS	100.00	100.00	.0612

Gross Heating Value, BTU per SCF. (moisture and acid gas free.)

Measured:

Calculated: 979

Specific Gravity (moisture free, as sampled)

Measured:

Calculated: 1.0156

Specific Gravity (moisture and acid gas free)

Measured:

Calculated: .5875

Calculated pseudo critical properties:

Gas as sampled: pPc: 1004 p.s.i.a.; pTc: 516 °R

Acid gas free: pPc: 663 p.s.i.a.; pTc: 342 °R

MR

Remarks:

* standard conditions: 14.65 p.s.i.a., 60°F

XEROXED
 REPRODUCED

ATTACHMENT 3

FLOW RATE

Sandface Deliverability Simplified Analysis

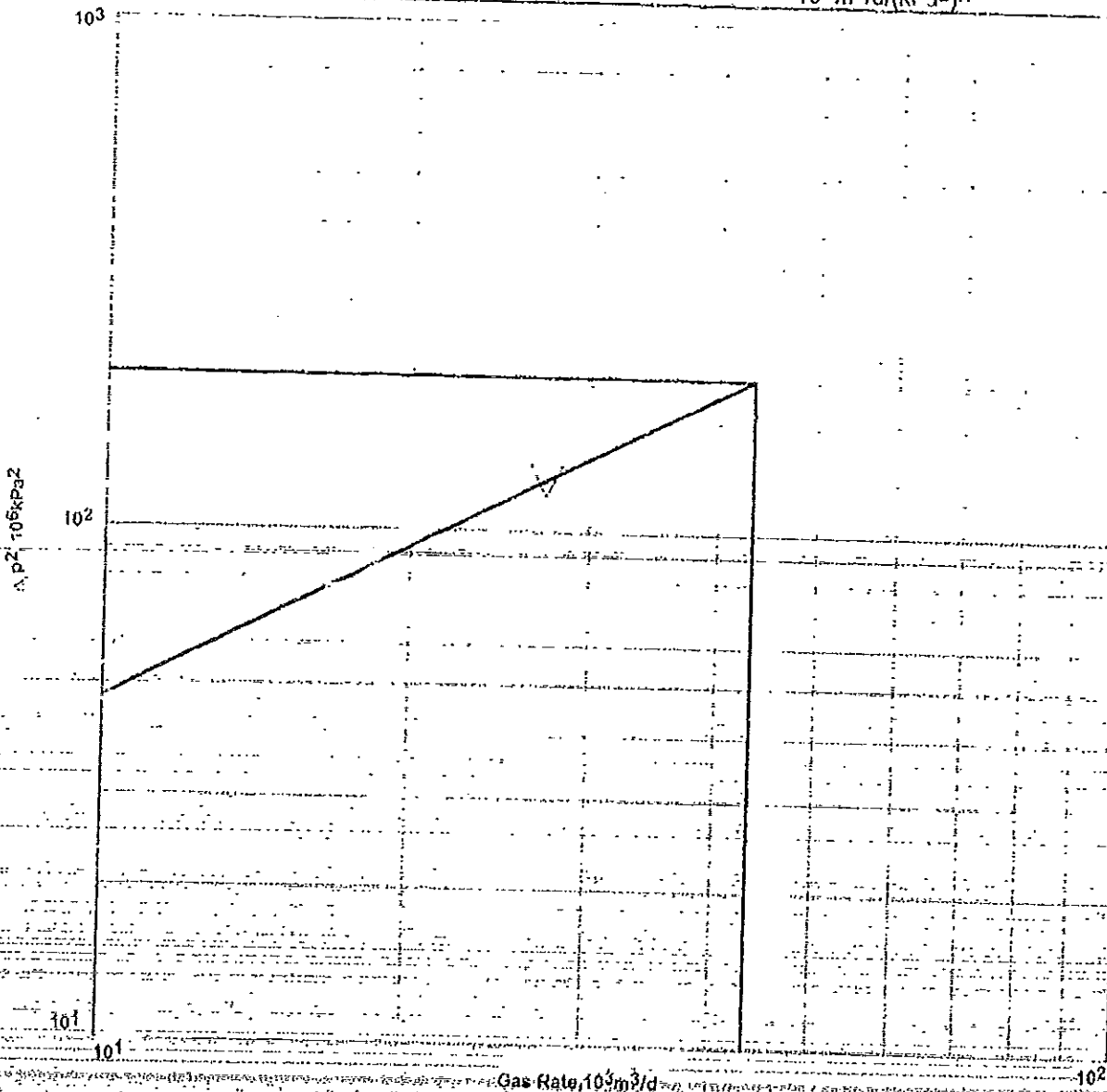
(Pressure Squared)

Compton Okoloks
11-24-22-29W4

Wabamun
Sept. - Oct. 1997

	Time hr	Sandface Pressure kPa	Pressure Squared 10^6 kPa^2	Δ Pres. Squared 10^6 kPa^2	Gas Rate $10^3 \text{ m}^3/\text{d}$
Extended Flow	19.0000	8645.50	74.74	126.00	27.200
Stab. Shut-in		14168.50	200.76		
Stab. Flow					

	Stabilized	Extended	Transient
AOF		43.335	$10^3 \text{ m}^3/\text{d}$
n		1.000	
C		$2.159\text{e-}7$	$10^3 \text{ m}^3/\text{d}/(\text{kPa}^2)\text{n}$

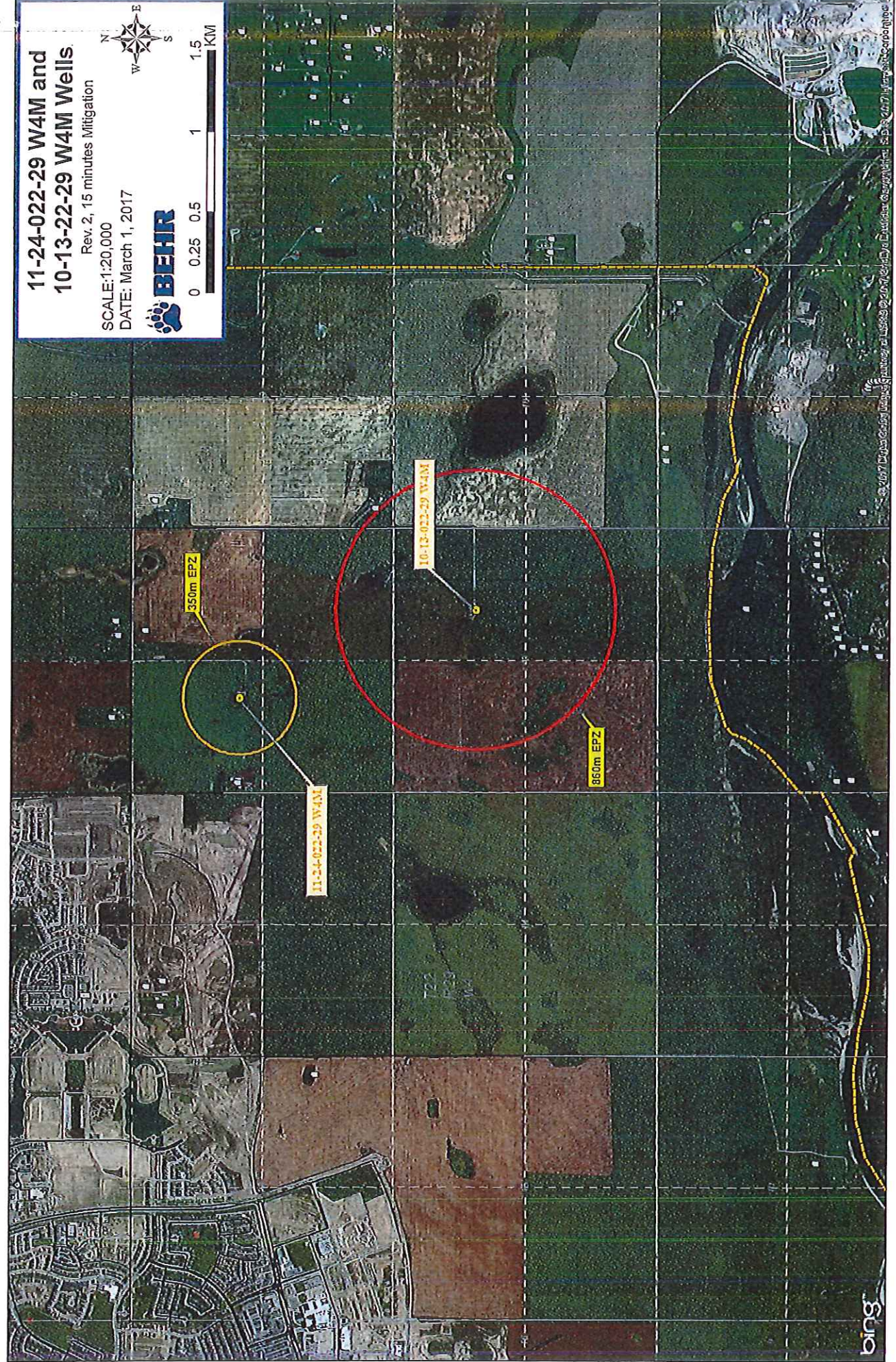


ATTACHMENT 4

EMERGENCY PLANNING ZONE REV. 2, 15 MINUTES MITIGATION MAP

**11-24-022-29 W4M and
10-13-22-29 W4M Wells**

Rev. 2, 15 minutes Mitigation
SCALE: 1:20,000
DATE: March 1, 2017



TAB F

LEXIN RESOURCES LTD.

January 31, 2017

VIA EMAIL/FACSIMILE

ALBERTA ENERGY REGULATOR
Suite 1000, 250-5th Street SW
Calgary, Alberta T2P 0R4

Attention: Kirk Bailey, Executive Vice President

Dear Sirs / Madams:

Re: Lexin Resources Ltd. ("Lexin") - Proposal

Further to our letter (the "Letter") to you of December 2, 2016 (a copy of which is enclosed herewith), we confirm your advice that the Alberta Energy Regulator ("AER") did not receive the same until later as a result of your internal computer/email issues and disruptions.

Defined terms used herein and not otherwise defined will have the meanings set forth in the Letter.

We are writing to reiterate that the Dispute between us has materially adversely affected our operations, liquidity and access to capital, including from your garnishing orders to our commercial counterparties.

This situation has been further exacerbated and deteriorated since our Letter and, in particular, has caused **very serious ongoing health and safety concerns regarding the Sour Wells** and their need to be transferred to the Orphan Fund.

We also advise that because of the Dispute and your actions, **we are not sure that we will be able to continue to provide proper health and safety overview and measures for the Sour Wells, particularly beyond February 15, 2017. We believe the situation creates serious health and safety risks for all concerned.**

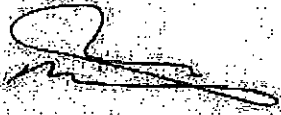
As a result, we hereby further reiterate our Proposal and request that we hear back from you by February 10, 2017, particularly in relation to the Sour Wells.

LEXIN RESOURCES LTD.

We are prepared to meet with you at the earliest opportunity to discuss the Proposal further and its implementation and, in particular, the need to address health and safety concerns around the Sour Wells.

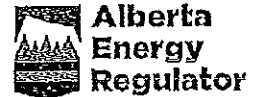
Sincerely,

LEXIN RESOURCES LTD.

A handwritten signature in black ink, appearing to read 'Michael J. Smith', with a stylized flourish at the end.

Michael J. Smith
Director

TAB
G



February 14, 2017

By Email, Courier, Registered Mail and Posted in AER Library

To: Lexin Resources Ltd. and enclosed list of addresses

Calgary Head Office
Suite 1000, 250 - 5 Street SW
Calgary, Alberta T2P 0R4
Canada

www.aer.ca

Legislative/Regulatory Enforcement

Closure Order No. C 2017-01

Dear Sir/Madam:

Enclosed for your immediate attention is Alberta Energy Regulator Closure Order No. C 2017-01 ordering the immediate suspension of all Lexin Resources Ltd.'s operational well, facility and pipeline licences, and cessation of operations at the associated wells, facilities and pipelines. This order has been issued as a result of the AER's concerns regarding Lexin's ability to carry out its obligations as a licensee responsibly given its limited number of employees and number of noncompliances, including the following:

- Lexin's failure to comply with AER issued orders including directions to address multiple substance releases;
- Lexin's failure to prove to the satisfaction of the AER that it has a valid entitlement to the right to produce or access select sites;
- Lexin's admission (in correspondence to the AER dated January 31, 2017) that it is unable to provide "proper health and safety overview and measures for [its] Sour Wells";
- Lexin's failure to pay its proportionate share of both of the 2016 orphan fund levies;
- Lexin's failure to pay its 2016 administration fee; and
- Lexin's failure to pay its licensee liability rating security deposit.

Operations may only resume if the AER provides written approval and will be subject to any terms and conditions the AER deems necessary.

Lexin remains under Global Refer for failure to meet ABR requirements.

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Please be advised:

- If the order is amended, only those parties affected by the amendment will be notified.
- Based on information available to the AER on the date of the closure order, Lexin and the parties listed in Schedule A, "Licenced Properties," of the order will be considered responsible and financially liable for the abandonment of the subject wells and facilities pursuant to sections 27 and 30 of the *Oil and Gas Conservation Act*, should an abandonment order be issued.

Please note, as licensee, Lexin remains legally responsible for its obligations as licensee, including emergency and incident response and obligations relating to the Alberta One-Call system for its licensed properties.

Questions regarding the enclosed closure order or the enforcement actions outlined in this letter may be directed to Laura Chant at laura.chant@aer.ca or 403-297-8592.

Regards,



Hélène de Beer
Director, Closure & Liability

cc: Midnapore, Red Deer, Drayton Valley, Medicine Hat, Grande Prairie, and Bonnyville Field Centres,
Associated Managers and Regional Coordinators, Environment & Operational Performance, AER,
Enforcement@aer.ca, Enforcement.Dashboard@aer.ca

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Delivered by courier:

President
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300, 404 - 6 Ave SW
Calgary, AB T2P 0R9

E-mail: tmccrary@lexin.ca

President
Adeco Exploration
Company Ltd. (0ZA0)
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President
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Corporation (A5RX)
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(0PR1)
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emergency 1-800-222-6514

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Mr. Paul Bothwell
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Inquiries 1-855-297-8311
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emergency 1-800-222-6514

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ca

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E-mail: rdoetzel@zargon.ca

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President
The Paddon Hughes Development Co.
Ltd. (0D74)
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Calgary, AB T2R 1M1

E-mail: waldyk@paddonhughes.com

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

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E-mail: maugust@ltam.ca

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President
264646 Alberta Ltd.
4th Floor, 4943 50 St
Red Deer, AB T4N 1Y1

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Posted in AER Library:

Compass Petroleum Inc.

Drake Energy Ltd.

Esprit Exploration Ltd.

Everest Oil & Gas Ltd.

Hornet Energy Ltd.

Ogc Pooling #249

Petrostar Holdings

RMX Exploration Ltd.

Western Canada Energy Ltd.

Verity Energy Ltd.

PROVINCE OF ALBERTA
ALBERTA ENERGY REGULATOR
OIL AND GAS CONSERVATION ACT

ORDER NO. C 2017-01

AN ORDER RESPECTING THE CLOSURE OF WELLS, FACILITIES AND PIPELINES

LICENSED TO

LEXIN RESOURCES LTD.

WHEREAS Lexin Resources Ltd. (Licensee) is the licensee of 1380 wells, 81 facilities and 201 pipeline licences as listed in Clauses 1, 2, 3, 4 and 5 (Licences);

WHEREAS the directors of the Licensee, Michael J. Smith, Jasmina Cezek, and Rob Jennings (Directors) are subject to decision 20170124A, wherein the Directors have been named in a declaration under section 106 of the *Oil and Gas Conservation Act (OGCA)* due to contraventions or failures to comply with orders of the AER and having a debt to the AER;

WHEREAS Lexin has advised the Alberta Energy Regulator (AER) that it is unable to provide care & custody over its sour well licences;

WHEREAS the Licensee has not fully complied with Order 201606-02 issued under section 22 of the OGCA on June 15, 2016. Specifically, it has not cleaned up bags of spent catalyst;

WHEREAS the licensee has not fully complied with Order 201608-01 issued under section 113 of the *Environmental Protection and Enhancement Act (EPEA)*, section 27 of the *OGCA*, and section 23 of the *Pipeline Act* on August 9, 2016. Specifically, it has not developed and submitted plans for monitoring and responding to incidents and emergencies at its Mazeppa Facility, licence no. 2588;

WHEREAS the Licensee has not complied with Order 201610-03 issued under section 104 of the OGCA, section 113 and 241 of (EPEA), and section 8.050 of the *Oil and Gas Conservation Rules (OCGR)* on October 25, 2016. Specifically, it has not cleaned up a hydrocarbon spill at its Mazeppa facility;

WHEREAS the Licensee remains in non-compliance with Closure/Abandonment Orders AD 2016-21 issued under the *OCGA* for failure to prove to the satisfaction of the AER that it has a valid entitlement to the right of access pursuant to section 3.012(a) of the *Oil and Gas Conservation Rules (OCGR)*;

WHEREAS the Licensee remains in non-compliance with Closure/Abandonment Order AD 2016-22 issued under the *OCGA* for failure to prove to the satisfaction of the AER that it has a valid entitlement to the right to produce the subject wells pursuant to section 16 of the *OGCA*;

WHEREAS the Licensee failed to submit its security deposit as required by section 1.100(2) of the *OGCR, Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*, and a Notice of Noncompliance dated September 8, 2016;

WHEREAS the Licensee has failed to pay its proportionate share of both 2016 Orphan Fund Levies plus the 20 percent penalties as required by section 74 of the *OGCA* and section 16.530 of the *OGCR*, and Notices of Noncompliance dated May 3, 2016 and September 21, 2016,

WHEREAS the Licensee has failed to provide the 2016 Administration Fee plus the 20 percent penalty as required by section 29 of the *Responsible Energy Development Act (REDA)* and section 7(2) of the *Alberta Energy Regulator Administration Fees Rules*;

WHEREAS the Alberta Energy Regulator (AER) has concerns about the ability of the Licensee to provide care and custody of the wells, facilities and pipelines outlined in Clauses 1, 2, 3, 4 and 5;

WHEREAS the parties identified in Schedule A: Licensed Properties, attached to this Order, are working interest participants (the Working Interest Participants) in various wells and facilities listed in Clauses 1, 2 and 3 as identified in Schedule A: Licensed Properties, attached to this Order;

WHEREAS the AER ordered select well and pipeline licences to be suspended and abandoned under Abandonment Order No. AD 2016-21 as outlined in Clauses 2 and 5 and the requirements of that order remain in effect;

WHEREAS the AER ordered select well licences to be suspended and abandoned under Abandonment Order No. AD 2016-22 as outlined in Clause 3 and the requirements of that order remain in effect;

THEREFORE, pursuant to s. 27 and s. 106(3) of the *OGCA*, RSA 2000, c. O-6; s. 12 of the *Pipeline Act*, RSA 2000, c. P-15; and *REDA*, SA 2012, c. R-17.3, the AER hereby orders as follows:

1. The subject well and facility licences are suspended and operations of the associated sites are suspended and shall not be resumed unless this Order is rescinded:

Wells

Licence No.	Surface Location
W0003288	12-19-021-28W4
W0009159	10-36-020-29W4
W0009613	10-31-020-28W4
W0010331	06-04-016-27W4
W0013028	12-19-018-29W4
W0016355	11-06-021-28W4

Inquiries 1-855-297-8311
 24-hour
 emergency 1-800-222-6514

W0017688	10-25-021-29W4
W0020028	10-21-020-27W4
W0021608	14-12-021-28W4
W0025463	11-07-021-28W4
W0026356	10-23-019-28W4
W0030770	10-01-020-01W5
W0031415	07-33-023-28W4
W0031683	06-21-019-28W4
W0034010	10-20-016-29W4
W0034652	06-29-022-28W4
W0035556	06-02-019-28W4
W0036157	07-35-021-29W4
W0036158	11-20-020-28W4
W0036284	10-13-022-29W4
W0037686	06-34-023-28W4
W0038033	11-24-022-29W4
W0048121	10-32-020-27W4
W0052408	06-33-009-02W5
W0054022	07-04-021-28W4
W0056188	07-11-020-27W4
W0058136	11-01-031-23W4
W0058591	06-14-018-26W4
W0059940	11-12-031-23W4
W0060346	06-08-016-21W4
W0062021	10-10-019-28W4
W0064585	10-16-020-27W4
W0065530	06-15-020-27W4
W0068660	11-10-020-27W4
W0068930	14-15-020-27W4
W0069808	06-22-020-27W4
W0070039	06-11-017-28W4
W0070389	08-15-020-27W4
W0071978	14-15-020-27W4
W0072655	10-01-016-21W4
W0074629	06-14-020-27W4
W0074644	10-13-021-28W4
W0075064	16-15-020-27W4
W0075389	16-09-020-27W4

	2	09-20-007-01W5	10-20-007-01W5
	3	06-33-009-02W5	13-34-008-02W5
	4	13-34-008-02W5	15-32-008-02W5
	5	09-31-008-01W5	07-03-009-02W5
	6	10-05-007-01W5	10-17-007-01W5
	7	03-03-010-03W5	16-16-009-02W5
	8	07-09-007-01W5	04-16-007-01W5
	9	04-16-007-01W5	16-08-007-01W5
	10	09-27-009-03W5	15-26-009-03W5
P47628	1	14-22-016-28W4	10-23-016-28W4
	2	12-24-016-28W4	10-23-016-28W4
	3	10-23-016-28W4	13-13-016-28W4
	4	13-13-016-28W4	06-18-016-27W4
	5	06-18-016-27W4	04-20-016-27W4
	6	04-20-016-27W4	06-18-016-27W4
	7	10-22-016-28W4	14-22-016-28W4
P47899	2	15-33-017-29W4	10-04-018-29W4
	3	07-18-018-29W4	15-18-018-29W4
	4	10-32-017-29W4	14-33-017-29W4
	5	09-05-018-29W4	10-04-018-29W4
	6	01-17-018-29W4	10-18-018-29W4
	7	01-20-018-29W4	15-18-018-29W4
	8	16-08-018-29W4	01-17-018-29W4
	9	14-33-017-29W4	15-33-017-29W4
	10	15-20-018-29W4	01-20-018-29W4
P48107	1	10-10-021-27W4	14-03-021-27W4
P48931	1	11-20-007-01W5	11-20-007-01W5
P49764	1	11-24-019-01W5	07-14-019-01W5
	2	11-24-019-01W5	07-14-019-01W5
	5	12-11-019-01W5	07-14-019-01W5
P51885	1	09-04-016-27W4	06-04-016-27W4
P51933	2	12-15-081-14W4	09-16-081-14W4
P52993	1	08-19-041-04W5	06-20-041-04W5
P53397	1	04-28-015-25W4	16-20-015-25W4
P53524	1	04-08-020-19W4	14-32-019-19W4

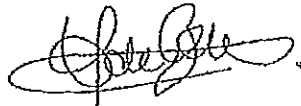
5. The following pipeline licences ordered suspended under ABR Abandonment Order AD 2016-21 remain ordered suspended under this Order:

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Licence Number	From Location	To Location	Lane Number
P34551	14-25-019-27W4	04-36-019-27W4	77
P33623	03-16-019-27W4	05-16-019-27W4	244

6. The Licences outlined in Clause 1, 2, 3, 4, and 5 shall remain suspended until the ABR rescinds this Order in writing subject to any terms or conditions it deems necessary.
7. Under section 101 of the *OGCA*, for the purposes of carrying out the activities contemplated in Clauses 1, 2, 3, 4 and 5, the Licensee and the Working Interest Participants, and their agents, are entitled to have access to and may enter on the land and any structures on the land concerned.
8. No equipment may be removed from any sites licensed to the Licensee without the ABR's written consent.
9. No records of Lexin may be destroyed, altered or removed without the ABR's written consent.
10. The ABR may amend this Order on any term or condition it may specify.

MADE at the City of Calgary, in the Province of Alberta, this 14th day of February, 2017.


ALBERTA ENERGY REGULATOR

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Under the *Responsible Energy Development Act*, an eligible person may file a request for a regulatory appeal on an appealable decision. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request in the form and manner and within the timeframe required by the AER. You can find filing requirements and forms on the AER website, www.aer.ca, under Applications & Notices: Appeals.

Schedule A: Licensed Properties

Wells

Licence No.	Surface Location	WIP Current Company	Percent Interest
W0003288	12-19-021-28W4	Lexin Resources Ltd.	100.00%
W0009159	10-36-020-29W4	Lexin Resources Ltd.	100.00%
W0009613	10-31-020-28W4	Lexin Resources Ltd.	100.00%
W0010331	06-04-016-27W4	Lexin Resources Ltd.	100.00%
W0013028	12-19-018-29W4	Lexin Resources Ltd.	100.00%
W0016355	11-06-021-28W4	Lexin Resources Ltd.	100.00%
W0017688	10-25-021-29W4	Lexin Resources Ltd.	100.00%
W0020028	10-21-020-27W4	Lexin Resources Ltd.	100.00%
W0021608	14-12-021-28W4	Lexin Resources Ltd.	100.00%
W0025463	11-07-021-28W4	Lexin Resources Ltd.	100.00%
W0026356	10-23-019-28W4	Lexin Resources Ltd.	97.69%
		Canadian Natural Resources Limited	2.31%
W0030770	10-01-020-01W5	Lexin Resources Ltd.	100.00%
W0031415	07-33-023-28W4	Lexin Resources Ltd.	100.00%
W0031683	06-21-019-28W4	Lexin Resources Ltd.	100.00%
W0034010	10-20-016-29W4	Lexin Resources Ltd.	100.00%
W0034652	06-29-022-28W4	Lexin Resources Ltd.	100.00%
W0035556	06-02-019-28W4	Lexin Resources Ltd.	100.00%
W0036157	07-35-021-29W4	Lexin Resources Ltd.	100.00%
W0036158	11-20-020-28W4	Lexin Resources Ltd.	100.00%
W0036284	10-13-022-29W4	Lexin Resources Ltd.	100.00%
W0037686	06-34-023-28W4	Lexin Resources Ltd.	100.00%
W0038033	11-24-022-29W4	Lexin Resources Ltd.	100.00%
W0048121	10-32-020-27W4	Lexin Resources Ltd.	100.00%
W0052408	06-33-009-02W5	Lexin Resources Ltd.	100.00%
W0054022	07-04-021-28W4	Lexin Resources Ltd.	100.00%
W0056188	07-11-020-27W4	Lexin Resources Ltd.	100.00%
W0058136	11-01-031-23W4	Lexin Resources Ltd.	100.00%
W0058591	06-14-018-26W4	Lexin Resources Ltd.	100.00%
W0059940	11-12-031-23W4	Pengrowth Energy Corporation	89.85%
		0989 Resource Partnership	6.36%
		Pine Cliff Energy Ltd.	0.01%
		Enerplus Corporation	1.89%

EXHIBIT B

THIS IS EXHIBIT B
referred to in the Affidavit of
Chris Ploss

Sworn before me this 30
day of May A.D. 2017

A Commissioner for Oaths
in and for the Province of Alberta

April 26, 2017

Carscallen LLP
1500, 407 – 2 Street S.W.
Calgary, AB T2P 2Y3

MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor

Attention: Michael Niven

**RE: Compton Okotoks 10-13-22-29 (W4M)
Compton Okotoks 11-24-22-29 (W4M)
Abandonment Justification**

Dear Michael:

Both the Compton Okotoks 10-13-22-29 W4M (10-13) well and the Compton Okotoks 11-24-22-29 W4M (11-24) well produce from the Wabamun formation, which is a very sour formation with hydrogen sulfide (H₂S) concentrations ranging from 35% to 40%. Because of the combination of the flow capability of these wells, the H₂S concentration they contain and the proximity to the City of Calgary, these wells are classified as Critical Sour Wells by the Alberta Energy Regulator (AER). The 10-13 and 11-24 wells are both within the city limits and the 10-13 and 11-24 wells are currently located about 2.7 km and 1.2 km, respectively, from high-density development and 4.4 km and 3.8 km, respectively, from the South Campus Hospital.

Any well that is inside or within 500 m of a city boundary with an H₂S release rate potentially greater than 0.01 m³/s is considered to be a Critical Sour Well. The 10-13 and 11-24 wells have H₂S release rates of 1.0305 m³/s and 0.1986 m³/s, respectively. Therefore, the 10-13 well exceeds the Critical Sour Well criteria over 100 times and the 11-24 well is almost 20 times the Critical Sour Well criteria.

Hydrogen sulfide is a highly toxic gas. The Canadian Centre for Occupational Health and Safety (CCOHS) defines the IDLH (Immediately Dangerous to Life or Health) concentration for H₂S at 100 ppm. The short-term exposure limit (STEL) to H₂S is 15 ppm. In Alberta, a worker cannot work in an environment with an 8-hour time-weighted average H₂S level greater than 10 ppm or within an environment of 15 ppm H₂S for any time period. Additionally, the AER recommends the public evacuate or shelter in place if H₂S levels exceed 10 ppm. By comparison, the H₂S concentration in these wells is 350,000 to 400,000 ppm.

The Emergency Planning Zone, defined by the AER's ERCBH2S Version 1.20 model, is 860 m for the 10-13 well and 350 m for the 11-24 well. However, it is important to understand that the AER model is not based on the worst-case atmospheric condition scenario and is based on exposure levels of 100 ppm for a 60-minute time period. If modeling for an unmitigated release of sour gas (with a failure of the subsurface safety valve and failure to ignite the well in a reasonable time frame) was based on the evacuation criterion described above (or 10 ppm) and the worst-case atmospheric scenario (an atmospheric stability Class F with a 2 m/s wind speed toward the city), the affected area could extend up to 10 km from the 10-13 well and 2.6 km from the 11-24 well and affect hundreds if not thousands of homes within the city. This worst-case event could result in serious harm and possible death to residents of Calgary.

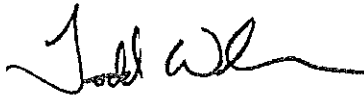
If an uncontrolled blowout were to occur at one of these wells and if the escaping gases were ignited, the H_2S would be converted to sulphur dioxide (SO_2). While ignition of the gas tends to mitigate the immediate hazard by dispersing the by-product high into the atmosphere, SO_2 is also a hazardous gas with a short-term exposure limit of 0.25 ppm. Regaining control of an ignited well generally requires an extended operation that could take weeks or months of work. During this time period, under certain atmospheric conditions, the plume of SO_2 could impinge at ground level with unpleasant, or even harmful, consequences. If the escaping gases were ignited, the affected area for the wells would be 4.6 km for 10-13 and 1.8 km for 11-24. This would still affect hundreds of homes in Calgary and, in the case of 10-13, the South Campus Hospital.

Finally, the environmental consequences of a blowout can be significant with the emitted volumes of sulphur. If, for example, an uncontrolled fully-open blowout at the 10-13 well occurred, the well would produce about 120 tonnes of sulphur per day. Similarly, the 11-24 well under fully-open blowout conditions would produce about 23 tonnes of sulphur per day.

Please contact me anytime if you would like additional information regarding this matter.

Yours truly,

Behr Integrated Solutions Inc.



W. Todd Wilson, P. Eng. MBA
President

EXHIBIT C

LEXIN RESOURCES LTD.

THIS IS EXHIBIT C
referred to in the Affidavit of
Chris Plosz

Sworn before me this 30
day of May, A.D. 2017

A Commissioner for Oaths
in and for the Province of Alberta

MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor

January 31, 2017

VIA EMAIL/FACSIMILE

ALBERTA ENERGY REGULATOR
Suite 1000, 250-5th Street SW
Calgary, Alberta T2P 0R4

Attention: Kirk Bailey, Executive Vice President

Dear Sirs / Madams:

Re: Lexin Resources Ltd. ("Lexin") - Proposal

Further to our letter (the "Letter") to you of December 2, 2016 (a copy of which is enclosed herewith), we confirm your advice that the Alberta Energy Regulator ("AER") did not receive the same until later as a result of your internal computer/email issues and disruptions.

Defined terms used herein and not otherwise defined will have the meanings set forth in the Letter.

We are writing to reiterate that the Dispute between us has materially adversely affected our operations, liquidity and access to capital, including from your garnishing orders to our commercial counterparties.

This situation has been further exacerbated and deteriorated since our Letter and, in particular, has caused **very serious ongoing health and safety concerns regarding the Sour Wells** and their need to be transferred to the Orphan Fund.

We also advise that because of the Dispute and your actions, **we are not sure that we will be able to continue to provide proper health and safety overview and measures for the Sour Wells, particularly beyond February 15, 2017. We believe the situation creates serious health and safety risks for all concerned.**

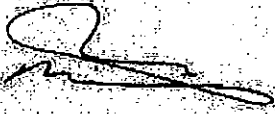
As a result, we hereby further reiterate our Proposal and request that we hear back from you by February 10, 2017, particularly in relation to the Sour Wells.

LEXIN RESOURCES LTD.

We are prepared to meet with you at the earliest opportunity to discuss the Proposal further and its implementation and, in particular, the need to address health and safety concerns around the Sour Wells.

Sincerely,

LEXIN RESOURCES LTD.



Michael J. Smith
Director

EXHIBIT D

THIS IS EXHIBIT "D"
referred to in the Affidavit of
Chris Flosz
Sworn before me this 30
day of May A.D. 2017

A Commissioner for Oaths
in and for the Province of Alberta
MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor



**Alberta
Energy
Regulator**

February 14, 2017

By Email, Courier, Registered Mail and Posted in AER Library

Calgary Head Office
Suite 1000, 250 - 5 Street SW
Calgary, Alberta T2P 0R4
Canada

To: Lexin Resources Ltd. and enclosed list of addresses

www.aer.ca

Legislative/Regulatory Enforcement
Closure Order No. C 2017-01

Dear Sir/Madam:

Enclosed for your immediate attention is Alberta Energy Regulator Closure Order No. C 2017-01 ordering the immediate suspension of all Lexin Resources Ltd.'s operational well, facility and pipeline licences, and cessation of operations at the associated wells, facilities and pipelines. This order has been issued as a result of the AER's concerns regarding Lexin's ability to carry out its obligations as a licensee responsibly given its limited number of employees and number of noncompliances, including the following:

- Lexin's failure to comply with AER issued orders including directions to address multiple substance releases;
- Lexin's failure to prove to the satisfaction of the AER that it has a valid entitlement to the right to produce or access select sites;
- Lexin's admission (in correspondence to the AER dated January 31, 2017) that it is unable to provide "proper health and safety overview and measures for [its] Sour Wells";
- Lexin's failure to pay its proportionate share of both of the 2016 orphan fund levies;
- Lexin's failure to pay its 2016 administration fee; and
- Lexin's failure to pay its licensee liability rating security deposit.

Operations may only resume if the AER provides written approval and will be subject to any terms and conditions the AER deems necessary.

Lexin remains under Global Refer for failure to meet AER requirements.

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

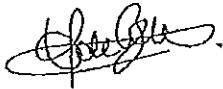
Please be advised:

- If the order is amended, only those parties affected by the amendment will be notified.
- Based on information available to the AER on the date of the closure order, Lexin and the parties listed in Schedule A, "Licenced Properties," of the order will be considered responsible and financially liable for the abandonment of the subject wells and facilities pursuant to sections 27 and 30 of the *Oil and Gas Conservation Act*, should an abandonment order be issued.

Please note, as licensee, Lexin remains legally responsible for its obligations as licensee, including emergency and incident response and obligations relating to the Alberta One-Call system for its licensed properties.

Questions regarding the enclosed closure order or the enforcement actions outlined in this letter may be directed to Laura Chant at laura.chant@aer.ca or 403-297-8592.

Regards,



Hélène de Beer
Director, Closure & Liability

cc: Midnapore, Red Deer, Drayton Valley, Medicine Hat, Grande Prairie, and Bonnyville Field Centres,
Associated Managers and Regional Coordinators, Environment & Operational Performance, AER,
Enforcement@aer.ca, Enforcement.Dashboard@aer.ca

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Delivered by courier:

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E-mail: tmccrary@lexin.ca

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c/o Paramount Resources Ltd. (0AW4)
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President
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E-mail: waldyk@paddonhughes.com

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

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gschermers@bears pawpet.com

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President
264646 Alberta Ltd.
4th Floor, 4943 50 St
Red Deer, AB T4N 1Y1

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Posted in AER Library:

Compass Petroleum Inc.

Drake Energy Ltd.

Esprit Exploration Ltd.

Everest Oil & Gas Ltd.

Hornet Energy Ltd.

Ogc Pooling #249

Petrostar Holdings

RMX Exploration Ltd.

Western Canada Energy Ltd.

Verity Energy Ltd.

PROVINCE OF ALBERTA
ALBERTA ENERGY REGULATOR
OIL AND GAS CONSERVATION ACT

ORDER NO. C 2017-01

AN ORDER RESPECTING THE CLOSURE OF WELLS, FACILITIES AND PIPELINES
LICENSED TO
LEXIN RESOURCES LTD.

WHEREAS Lexin Resources Ltd. (Licensee) is the licensee of 1380 wells, 81 facilities and 201 pipeline licences as listed in Clauses 1, 2, 3, 4 and 5 (Licences);

WHEREAS the directors of the Licensee, Michael J. Smith, Jasmina Cezek, and Rob Jennings (Directors) are subject to decision 20170124A, wherein the Directors have been named in a declaration under section 106 of the *Oil and Gas Conservation Act (OGCA)* due to contraventions or failures to comply with orders of the AER and having a debt to the AER;

WHEREAS Lexin has advised the Alberta Energy Regulator (AER) that it is unable to provide care & custody over its sour well licences;

WHEREAS the Licensee has not fully complied with Order 201606-02 issued under section 22 of the OGCA on June 15, 2016. Specifically, it has not cleaned up bags of spent catalyst;

WHEREAS the licensee has not fully complied with Order 201608-01 issued under section 113 of the *Environmental Protection and Enhancement Act (EPEA)*, section 27 of the *OGCA*, and section 23 of the *Pipeline Act* on August 9, 2016. Specifically, it has not developed and submitted plans for monitoring and responding to incidents and emergencies at its Mazeppa Facility, licence no. 2588;

WHEREAS the Licensee has not complied with Order 201610-03 issued under section 104 of the OGCA, section 113 and 241 of (EPEA), and section 8.050 of the *Oil and Gas Conservation Rules (OCGR)* on October 25, 2016. Specifically, it has not cleaned up a hydrocarbon spill at its Mazeppa facility;

WHEREAS the Licensee remains in non-compliance with Closure/Abandonment Orders AD 2016-21 issued under the *OGCA* for failure to prove to the satisfaction of the AER that it has a valid entitlement to the right of access pursuant to section 3.012(a) of the *Oil and Gas Conservation Rules (OCGR)*;

WHEREAS the Licensee remains in non-compliance with Closure/Abandonment Order AD 2016-22 issued under the *OGCA* for failure to prove to the satisfaction of the AER that it has a valid entitlement to the right to produce the subject wells pursuant to section 16 of the *OGCA*;

WHEREAS the Licensee failed to submit its security deposit as required by section 1.100(2) of the *OGCR, Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*, and a Notice of Noncompliance dated September 8, 2016;

WHEREAS the Licensee has failed to pay its proportionate share of both 2016 Orphan Fund Levies plus the 20 percent penalties as required by section 74 of the *OGCA* and section 16.530 of the *OGCR*, and Notices of Noncompliance dated May 3, 2016 and September 21, 2016,

WHEREAS the Licensee has failed to provide the 2016 Administration Fee plus the 20 percent penalty as required by section 29 of the *Responsible Energy Development Act (REDA)* and section 7(2) of the *Alberta Energy Regulator Administration Fees Rules*;

WHEREAS the Alberta Energy Regulator (AER) has concerns about the ability of the Licensee to provide care and custody of the wells, facilities and pipelines outlined in Clauses 1, 2, 3, 4 and 5;

WHEREAS the parties identified in Schedule A: Licensed Properties, attached to this Order, are working interest participants (the Working Interest Participants) in various wells and facilities listed in Clauses 1, 2 and 3 as identified in Schedule A: Licensed Properties, attached to this Order;

WHEREAS the AER ordered select well and pipeline licences to be suspended and abandoned under Abandonment Order No. AD 2016-21 as outlined in Clauses 2 and 5 and the requirements of that order remain in effect;

WHEREAS the AER ordered select well licences to be suspended and abandoned under Abandonment Order No. AD 2016-22 as outlined in Clause 3 and the requirements of that order remain in effect;

THEREFORE, pursuant to s. 27 and s. 106(3) of the *OGCA*, RSA 2000, c. O-6; s. 12 of the *Pipeline Act*, RSA 2000, c. P-15; and *REDA*, SA 2012, c. R-17.3, the AER hereby orders as follows:

1. The subject well and facility licences are suspended and operations of the associated sites are suspended and shall not be resumed unless this Order is rescinded:

Wells

Licence No.	Surface Location
W0003288	12-19-021-28W4
W0009159	10-36-020-29W4
W0009613	10-31-020-28W4
W0010331	06-04-016-27W4
W0013028	12-19-018-29W4
W0016355	11-06-021-28W4

Inquiries 1-855-297-8311
 24-hour
 emergency 1-800-222-6514

W0017688	10-25-021-29W4
W0020028	10-21-020-27W4
W0021608	14-12-021-28W4
W0025463	11-07-021-28W4
W0026356	10-23-019-28W4
W0030770	10-01-020-01W5
W0031415	07-33-023-28W4
W0031683	06-21-019-28W4
W0034010	10-20-016-29W4
W0034652	06-29-022-28W4
W0035556	06-02-019-28W4
W0036157	07-35-021-29W4
W0036158	11-20-020-28W4
W0036284	10-13-022-29W4
W0037686	06-34-023-28W4
W0038033	11-24-022-29W4
W0048121	10-32-020-27W4
W0052408	06-33-009-02W5
W0054022	07-04-021-28W4
W0056188	07-11-020-27W4
W0058136	11-01-031-23W4
W0058591	06-14-018-26W4
W0059940	11-12-031-23W4
W0060346	06-08-016-21W4
W0062021	10-10-019-28W4
W0064585	10-16-020-27W4
W0065530	06-15-020-27W4
W0068660	11-10-020-27W4
W0068930	14-15-020-27W4
W0069808	06-22-020-27W4
W0070039	06-11-017-28W4
W0070389	08-15-020-27W4
W0071978	14-15-020-27W4
W0072655	10-01-016-21W4
W0074629	06-14-020-27W4
W0074644	10-13-021-28W4
W0075064	16-15-020-27W4
W0075389	16-09-020-27W4

	2	09-20-007-01W5	10-20-007-01W5
	3	06-33-009-02W5	13-34-008-02W5
	4	13-34-008-02W5	15-32-008-02W5
	5	09-31-008-01W5	07-03-009-02W5
	6	10-05-007-01W5	10-17-007-01W5
	7	03-03-010-03W5	16-16-009-02W5
	8	07-09-007-01W5	04-16-007-01W5
	9	04-16-007-01W5	16-08-007-01W5
	10	09-27-009-03W5	15-26-009-03W5
P47628	1	14-22-016-28W4	10-23-016-28W4
	2	12-24-016-28W4	10-23-016-28W4
	3	10-23-016-28W4	13-13-016-28W4
	4	13-13-016-28W4	06-18-016-27W4
	5	06-18-016-27W4	04-20-016-27W4
	6	04-20-016-27W4	06-18-016-27W4
	7	10-22-016-28W4	14-22-016-28W4
P47899	2	15-33-017-29W4	10-04-018-29W4
	3	07-18-018-29W4	15-18-018-29W4
	4	10-32-017-29W4	14-33-017-29W4
	5	09-05-018-29W4	10-04-018-29W4
	6	01-17-018-29W4	10-18-018-29W4
	7	01-20-018-29W4	15-18-018-29W4
	8	16-08-018-29W4	01-17-018-29W4
	9	14-33-017-29W4	15-33-017-29W4
	10	15-20-018-29W4	01-20-018-29W4
P48107	1	10-10-021-27W4	14-03-021-27W4
P48931	1	11-20-007-01W5	11-20-007-01W5
P49764	1	11-24-019-01W5	07-14-019-01W5
	2	11-24-019-01W5	07-14-019-01W5
	5	12-11-019-01W5	07-14-019-01W5
P51885	1	09-04-016-27W4	06-04-016-27W4
P51933	2	12-15-081-14W4	09-16-081-14W4
P52993	1	08-19-041-04W5	06-20-041-04W5
P53397	1	04-28-015-25W4	16-20-015-25W4
P53524	1	04-08-020-19W4	14-32-019-19W4

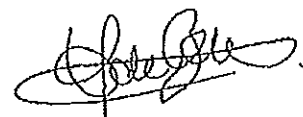
5. The following pipeline licences ordered suspended under AER Abandonment Order AD 2016-21 remain ordered suspended under this Order:

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

License Number	From Location	To Location	Line Number
P34551	14-25-019-27W4	04-36-019-27W4	77
P33623	03-16-019-27W4	05-16-019-27W4	244

6. The Licences outlined in Clause 1, 2, 3, 4, and 5 shall remain suspended until the AER rescinds this Order in writing subject to any terms or conditions its deems necessary.
7. Under section 101 of the *OGCA*, for the purposes of carrying out the activities contemplated in Clauses 1, 2, 3, 4 and 5, the Licensee and the Working Interest Participants, and their agents, are entitled to have access to and may enter on the land and any structures on the land concerned.
8. No equipment may be removed from any sites licensed to the Licensees without the AER's written consent.
9. No records of Lexin may be destroyed, altered or removed without the AER's written consent.
10. The AER may amend this Order on any term or condition it may specify.

MADE at the City of Calgary, in the Province of Alberta, this 14th day of February, 2017.



ALBERTA ENERGY REGULATOR

Inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Under the *Responsible Energy Development Act*, an eligible person may file a request for a regulatory appeal on an appealable decision. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request in the form and manner and within the timeframe required by the AER. You can find filing requirements and forms on the AER website, www.aer.ca, under Applications & Notices: Appeals.

Schedule A: Licensed Properties

Wells

Licence No.	Surface Location	WIP Current Company	Percent Interest
W0003288	12-19-021-28W4	Lexin Resources Ltd.	100.00%
W0009159	10-36-020-29W4	Lexin Resources Ltd.	100.00%
W0009613	10-31-020-28W4	Lexin Resources Ltd.	100.00%
W0010331	06-04-016-27W4	Lexin Resources Ltd.	100.00%
W0013028	12-19-018-29W4	Lexin Resources Ltd.	100.00%
W0016355	11-06-021-28W4	Lexin Resources Ltd.	100.00%
W0017688	10-25-021-29W4	Lexin Resources Ltd.	100.00%
W0020028	10-21-020-27W4	Lexin Resources Ltd.	100.00%
W0021608	14-12-021-28W4	Lexin Resources Ltd.	100.00%
W0025463	11-07-021-28W4	Lexin Resources Ltd.	100.00%
W0026356	10-23-019-28W4	Lexin Resources Ltd.	97.69%
		Canadian Natural Resources Limited	2.31%
W0030770	10-01-020-01W5	Lexin Resources Ltd.	100.00%
W0031415	07-33-023-28W4	Lexin Resources Ltd.	100.00%
W0031683	06-21-019-28W4	Lexin Resources Ltd.	100.00%
W0034010	10-20-016-29W4	Lexin Resources Ltd.	100.00%
W0034652	06-29-022-28W4	Lexin Resources Ltd.	100.00%
W0035556	06-02-019-28W4	Lexin Resources Ltd.	100.00%
W0036157	07-35-021-29W4	Lexin Resources Ltd.	100.00%
W0036158	11-20-020-28W4	Lexin Resources Ltd.	100.00%
W0036284	10-13-022-29W4	Lexin Resources Ltd.	100.00%
W0037686	06-34-023-28W4	Lexin Resources Ltd.	100.00%
W0038033	11-24-022-29W4	Lexin Resources Ltd.	100.00%
W0048121	10-32-020-27W4	Lexin Resources Ltd.	100.00%
W0052408	06-33-009-02W5	Lexin Resources Ltd.	100.00%
W0054022	07-04-021-28W4	Lexin Resources Ltd.	100.00%
W0056188	07-11-020-27W4	Lexin Resources Ltd.	100.00%
W0058136	11-01-031-23W4	Lexin Resources Ltd.	100.00%
W0058591	06-14-018-26W4	Lexin Resources Ltd.	100.00%
W0059940	11-12-031-23W4	Pengrowth Energy Corporation	89.85%
		0989 Resource Partnership	6.36%
		Pine Cliff Energy Ltd.	0.01%
		Enerplus Corporation	1.89%

EXHIBIT E



Order

Made at Calgary, in the
Province of Alberta, on

August 9, 2016

ALBERTA ENERGY REGULATOR

THIS IS EXHIBIT E
referred to in the Affidavit of
Chris Plossz
Sworn before me this 30
day of May A.D. 2017
[Signature]
A Commissioner for Oaths
in and for the Province of Alberta

Under section 113 of the *Environmental Protection and Enhancement Act* (EPEA)
Under section 27 of the *Oil and Gas Conservation Act* (OGCA)
Under section 23 of the *Pipeline Act*

MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor

Lexin Resources Ltd.
Suite 300, 1207 – 11 Avenue SW
Calgary, Alberta T3C 0M5

LR Processing Ltd. (LR Processing)
Suite 300, 1207 – 11 Avenue SW
Calgary, Alberta T3C 0M5

WHEREAS Lexin Resources Ltd. (Lexin) is the holder of Facility License No. 2588 issued by the Alberta Energy Regulator (AER) for a sour gas facility located at SE ¼ 35-19-28 W4M (Mazeppa Facility);

WHEREAS Lexin and LR Processing are also the holders of AER well, pipeline, facility and/or other licences associated with and/or connected to the Mazeppa Facility (Mazeppa Infrastructure);

WHEREAS on June 30, 2016, Lexin informed the AER that it has terminated most of its staff, leaving only 6 people to operate and manage the Mazeppa Facility and Mazeppa Infrastructure;

WHEREAS on July 29, 2016, Lexin informed the AER that it cannot respond to an incident or emergency should one occur at or relating to the Mazeppa Facility and Mazeppa Infrastructure, and Lexin will defer to the AER to manage the situation;

WHEREAS on July 29, 2016, Lexin informed the AER that the supervisory control and data acquisition system used to monitor for sour gas releases for the Mazeppa Facility and Mazeppa Infrastructure, is no longer operational;

WHEREAS as the licensee of the Mazeppa Facility and Mazeppa Infrastructure, Lexin and LR Processing have many statutory responsibilities in connection with operation of the Mazeppa Facility and Mazeppa Infrastructure. This includes ensuring safe operation, emergency and incident response, and responding to public and landowner complaints;

WHEREAS sour gas is a substance known to have an adverse effect on the environment (substance);

WHEREAS Lexin and LR Processing are both a "person responsible" for the substance, as defined in section 1(tt) of EPEA;

WHEREAS, under section 113 of EPEA, the Director is of the opinion that, if Lexin and LR Processing do not provide sufficient and adequate oversight of the Mazeppa Facility and Mazeppa Infrastructure, a release of the substance into the environment may occur and such release may cause an adverse effect;

WHEREAS the AER issued an order dated June 15, 2016 against Lexin under section 22 of the OGCA (June 15 2016 Order);

WHEREAS as of the date of this order Lexin has not complied with the terms of the June 15, 2016 Order in that it has not complied with section 2 of the June 15, 2016 Order;

WHEREAS Suzanne Belliveau, Acting Director, has been appointed a Director for the purposes of issuing environmental protection orders under EPEA and orders under OGCA and the *Pipeline Act*;

THEREFORE, I, Suzanne Belliveau, Acting Director, under section 113 and 241 of the EPEA, section 27(3) of the OGCA, and section 23(2) of the Pipeline Act, DO HEREBY ORDER, the following:

Immediate Actions

1. Lexin and LR Processing shall immediately suspend and discontinue the Mazeppa Facility and Mazeppa Infrastructure in compliance with applicable AER requirements.

Incident Response Plan

2. Lexin and LR Processing shall develop and submit to the AER a comprehensive plan, to the satisfaction of the Director, describing how Lexin and LR Processing will fulfill their statutory responsibility to respond to incidents and emergencies at or relating to the Mazeppa Facility and Mazeppa Infrastructure (Incident Response Plan).
3. The Incident Response Plan shall include detailed information outlining how Lexin and LR Processing will ensure they can respond to complaints, releases, and any other emergencies or incidents at, or related to, the Mazeppa Facility and Mazeppa Infrastructure.
4. Lexin and LR Processing shall submit the Incident Response Plan to the Director by 5:00 pm on August 15, 2016, or otherwise agreed to, in writing, by the Director.

5. Lexin and LR Processing shall implement the Incident Response Plan as approved by the Director.

Ongoing Monitoring Plan

6. Lexin and LR Processing shall develop and submit to the AER a comprehensive plan, to the satisfaction of the Director, describing how Lexin and LR Processing will provide ongoing monitoring of the Mazeppa Facility and Mazeppa Infrastructure (Ongoing Monitoring Plan).

7. Lexin and LR Processing shall submit the Ongoing Monitoring Plan to the Director by 5:00 pm on August 15, 2016, or otherwise agreed to, in writing, by the Director.
8. Lexin and LR Processing shall implement the Ongoing Monitoring Plan as approved by the Director.

Reporting to the Director and the Public

9. Lexin and LR Processing shall provide to the Director, by 12:00 noon on each Thursday following the date of issuance of this order, a weekly written report (Director's Report), until otherwise directed in writing by the Director.
10. The Director's Report shall include:
 - a) Any actions undertaken pursuant to the Incident Response Plan;
 - b) the monitoring activities conducted by Lexin and LR Processing under the Ongoing Monitoring Plan for the week; and
 - c) the results of any incident response activities and monitoring activities undertaken by Lexin and LR Processing.
11. Lexin and LR Processing shall provide to the public, by 2:00 p.m. on each Friday following the date of issuance of this order, a weekly written report (Public Report) to be posted on Lexin's website and, in the case of LR Processing, disseminated broadly to the public by some other means, until otherwise directed in writing by the Director.
12. The Public Report shall include:
 - a) Detailed information outlining the activities undertaken by Lexin and LR Processing under the Incident Response Plan and the Ongoing Monitoring Plan for the week; and
 - b) the results of any incident response activities and monitoring activities undertaken by Lexin and LR Processing.

Dated at the City of Calgary in the Province of Alberta, the 9 day of August, 2016.

<original signed by>

Suzanne Belliveau, Acting Director, Enforcement and Surveillance West
Alberta Energy Regulator

In complying with this order, the party or parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken under the *Environmental Protection and Enhancement Act*, *Oil and Gas Conservation Act*, *Pipeline Act* or any other provincial or federal legislation or by any other regulator with jurisdiction for the matter.

Under the *Responsible Energy Development Act*, an eligible person may appeal decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Applications & Notices: Appeals.

EXHIBIT F

Clerk's stamp:

FIAT: Let the within Order be filed notwithstanding that the counsel approvals are by electronic signature and in counterpart, this 21st day of March, 2017.
not necessary:
2012 RSCA 150 § 7 J.C.Q.B.A. [Signature]

COURT FILE NO. 1701-03460
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT ALBERTA ENERGY REGULATOR
RESPONDENT LEXIN RESOURCES LTD.
DOCUMENT RECEIVERSHIP ORDER

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF PARTY
FILING THIS DOCUMENT

JENSEN SHAWA SOLOMON DUGUID HAWKES LLP

Barristers
800, 304 - 8 Avenue SW
Calgary, Alberta T2P 1C2

Christa Nicholson
Phone: 403 571 1053
Fax: 403 571 1528
Email: nicholsonc@jssbarristers.ca
File: 13817.001

THIS IS EXHIBIT
referred to in the Affidavit of
Chris Flosz
Sworn before me this 30
day of May A.D. 2017
A Commissioner for Oaths
in and for the Province of Alberta

MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor

DATE ON WHICH ORDER WAS PRONOUNCED: March 20, 2017
LOCATION WHERE ORDER WAS PRONOUNCED: Calgary Courts Centre
NAME OF THE JUDGE WHO MADE THIS ORDER: The Honourable Justice P.R. Jeffrey

UPON the application of Alberta Energy Regulator ("AER") in respect of Lexin Resources Ltd. ("Lexin" or the "Debtor"); AND UPON having read the Application of the AER; the Affidavit of Laura Chant, sworn on March 11, 2017 including the reference therein to the "Equipment Order" granted March 3, 2017 in Court of Queen's Bench Action No. 1701 02272; the Affidavit of Service of Helen Bowker, sworn and filed March 14, 2017; and the Affidavit of Charles Selby, sworn and filed March 17, 2017; AND UPON reading the consent of Grant Thornton Limited to act as receiver ("Receiver") of the Debtor; AND UPON hearing counsel for AER and other interested parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the notice of this Application is hereby abridged and service thereof is deemed good and sufficient.

APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("BIA") and/or section 13(2) of the *Judicature Act*, R.S.A. 2000, Grant Thornton Limited is hereby appointed Receiver, without security, of all of Lexin's current and future assets, undertakings and properties of every nature and kind whatsoever, including all proceeds thereof, provided that the appointment of the Receiver shall not include any oil or gas wells, pipelines or facilities located outside the Province of Alberta or regulated by an entity other than the AER (the "Property").

RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized (but not obligated) to do any of the following where the Receiver considers it necessary or desirable:
 - (a) to take possession of and exercise control over the Property, with the exception of taking possession of or exercising physical control over any Lexin oil or gas wells, pipelines, facilities or sites regulated by the AER (the "Sites and Abandoned Sites"), and any and all proceeds, receipts and disbursements arising out of or from the Property, and for greater clarity, while the Receiver shall have limited powers with respect to the Property as it relates to the Sites and Abandoned Sites as more particularly set out herein, the Receiver shall not have the power to take possession of and exercise physical control over the Sites and the Abandoned Sites;

- (b) to exercise any powers it has under section 14.06 of the BIA;
- (c) to receive, preserve and protect the books and records of the Debtor or any part or parts thereof, including, but not limited to, relocating of the books and records to safeguard them as may be necessary or desirable;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (f) to settle, extend or compromise any indebtedness owing to or by the Debtor;
- (g) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (h) to initiate, prosecute and continue the prosecution of any and all proceedings (with the exception of the hearing scheduled for March 22 and 23, 2017 of Lexin's application filed in Court of Queen's Bench Action Number 1701-02272 and in its Originating Application filed in Court of Queen's Bench Action Number 1701-03310 (the "Applications"), on the issue before the Court to be argued at that time, namely, the Court's jurisdiction to hear the foregoing Applications (the "Jurisdiction Question"), which Jurisdiction Question may continue to be advanced by Lexin as opposed to the Receiver), and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceedings, and

provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court;

- (i) to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
- (j) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$150,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 60(8) of the *Personal Property Security Act*, R.S.A. 2000, c. P-7 shall not be required.

- (k) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (l) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (m) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

- (n) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (o) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (p) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;
- (q) to, with leave of the Court, assign the Debtor into bankruptcy, to become the trustee in bankruptcy of the Debtor and to take all steps reasonably required to carry out its role as trustee in bankruptcy of the Debtor should the Receiver deem it appropriate in the circumstances to do so; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

4. Notwithstanding any other provision of this Order, nothing herein shall empower, authorize or require the Receiver: (i) to take possession of or exercise physical control over the Sites and the Abandoned Sites; or (ii) to manage, operate or carry on the business of the Debtor; and the Receiver shall not be deemed to have taken any of the actions or steps referred to in this paragraph 4 solely as a consequence of having taken some of the steps authorized pursuant to paragraph 3.
5. Upon the AER receiving from any person a request for approval to remove equipment from any of the Sites pursuant to the Equipment Order (the "Request"), the AER shall forthwith bring that communication to the attention of the Receiver, and the Receiver

shall cooperate with the AER with respect to any proposed removal of equipment from any Sites and Abandoned Sites, and will thereafter either:

- (a) approve the removal of the equipment on such terms as are appropriate, having regard to the entitlements of all persons; or
- (b) advise the person who made the Request that the equipment may not be removed without Court Order, made on application brought in these proceedings (Action No. 1701-03460) with 7 days' prior notice to the Receiver and AER.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

- 6. (i) The Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependant on maintaining possession) to the Receiver upon the Receiver's request.
- 7. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 7 or in

paragraph 8 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.

8. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

9. No proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

10. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court,

provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph 10; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. "Regulatory Body" means a person or body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province.

NO EXERCISE OF RIGHTS OF REMEDIES

11. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

12. No Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

13. All Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking

services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and this Court directs that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further order of this Court.

EMPLOYEES

15. Subject to employees' rights to terminate their employment, all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations

under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*, SC 2005, c 47 ("WEPPA").

16. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, SC 2000, c 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
 - (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring

the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,

- (i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:
 - A. complies with the order, or
 - B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
 - A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE RECEIVER'S LIABILITY

18. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.

RECEIVER'S ACCOUNTS

19. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, incurred both before and after the making of this Order in respect of these proceedings, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to section 14.06(7), 81.4(4) and 81.6(2) of the BIA.
20. The Receiver and its legal counsel shall pass their accounts from time to time.
21. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including the legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. The Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$200,000 (or such greater amount as this Court may by further Order authorize) at any time, at such

rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges set out in sections 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA.

23. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
24. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.
25. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

ALLOCATION

26. Any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge amongst the various assets comprising the Property.

GENERAL

27. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence.
29. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.
30. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
31. The Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
32. The Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.
33. Any interested party may apply to this Court to vary or amend this Order on not less than 7 days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

34. The Receiver shall establish and maintain a website in respect of these proceedings at www.grantthornton.ca/creditorupdates and shall post there as soon as practicable:

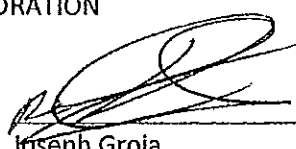
- (a) all materials prescribed by statute or regulation to be made publically available; and
- (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.

J.C.Q.B.A.

APPROVED as the Order granted:

GROIA AND COMPANY PROFESSIONAL
CORPORATION

Per: _____


Joseph Groia
Counsel for Lexin Resources Ltd.

BORDEN LADNER GERVAIS LLP

Per: _____

Robyn Gurofsky
Counsel for Grant Thornton Limited

JENSEN SHAWA SOLOMON DUGUID
HAWKES LLP

Per: _____

Christa Nicholson
Counsel for the Alberta Energy
Regulator

FILING

34. The Receiver shall establish and maintain a website in respect of these proceedings at www.grantthornton.ca/creditorupdates and shall post there as soon as practicable:

- (a) all materials prescribed by statute or regulation to be made publically available; and
- (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.


J.C.Q.B.A.

APPROVED as the Order granted:

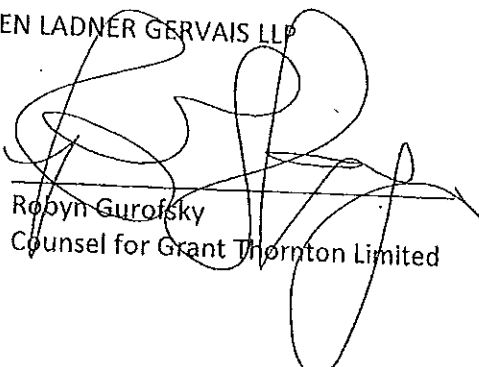
GROIA AND COMPANY PROFESSIONAL
CORPORATION

Per: _____

Joseph Groia
Counsel for Lexin Resources Ltd.

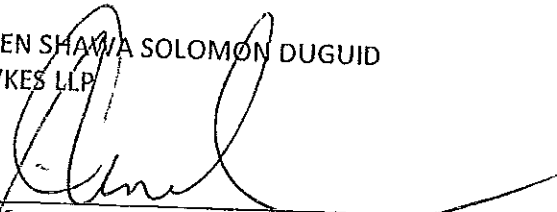
BORDEN LADNER GERVAIS LLP

Per: _____


Robyn Gurofsky
Counsel for Grant Thornton Limited

JENSEN SHAWA SOLOMON DUGUID
HAWKES LLP

Per: _____


Christa Nicholson
Counsel for the Alberta Energy
Regulator

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT

\$ _____

1. THIS IS TO CERTIFY that GRANT THORNTON LIMITED, the receiver (the "Receiver") of all of the assets, undertakings and properties of LEXIN RESOURCES LTD. appointed by Order of the Court of Queen's Bench of Alberta in Bankruptcy and Insolvency (the "Court") dated the ____ day of _____, ____ (the "Order") made in action number _____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily] [monthly not in advance on the ____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Alberta Treasury Branches from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at _____.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

GRANT THORNTON LIMITED, solely in its capacity as Receiver of the Property (as defined in the Order), and not in its personal capacity

Per: _____
Name:
Title:

EXHIBIT G



Via Email

April 25, 2017

Carscallen LLP
1500, 407 – 2nd Street SW
Calgary AB T2P 2Y3

Attention: Michael B. Niven, Q.C.

THIS IS EXHIBIT - 6
referred to in the Affidavit of
Chris Plosz
Sworn before me this 30
day of May, A.D. 2017
A Commissioner for Oaths
in and for the Province of Alberta
Calgary Head Office
Suite 1000, 250 – 5 Street SW
Calgary, Alberta T2P 0R4
Canada
www.aer.ca

Dear Sir:

MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor

RE: Reconsideration of the 2013 ABAER 020
Lexin Resources Ltd. (Lexin)
Section 23 Developments Ltd. and A. Soutzo (Landowners)
Reconsideration No. 1882067 (Reconsideration)

The Alberta Energy Regulator acknowledges receipt of correspondence from the Receiver dated April 6, 2017, in which it submits that the Receivership Order effects a stay on the Reconsideration proceeding. The AER has also received correspondence from Groia & Company on April 7, 2017, submitting that the Receivership Order stays the Reconsideration proceeding, and advised that the Groia is seeking leave to appeal the Receivership Order, currently scheduled to be heard on May 16, 2017. Groia further advised that it had sought a *mandamus* order directing the AER issue abandonment orders for the sites, however, those applications were adjourned *sine die*. Finally, the Landowners provided comments on April 13, 2017, submitting that the Reconsideration proceeding falls within the exception in the Receivership Order and that the Landowners' understanding that the Receivership Order would not stay the AER's proceeding was put on the record before the Court on March 15, 2017; however, the AER does not have evidence on its record to establish this point. Further, the Receivership Order provides for a mechanism to seek Court consent or direction with respect to regulatory proceedings that may be stayed by the Receivership Order. It appears that such questions were intended to be addressed by the Court. Further, there still remains uncertainty regarding the Receivership Order arising from the currently scheduled leave to appeal and this would impact who the parties would be, if the reconsideration hearing would be held. The Landowners may decide to wait until that matter is resolved before a reconsideration hearing is held.

The Landowners' concerns regarding health, safety, and environmental concerns related to the sour pipeline and sour wells are dealt with by the AER's Environment and Operational Performance Branch (EOP). The Reconsideration proceeding is in regards to the impact of the sour sites on urban development, as set out in Decision 2013 ABAER 020, and is not necessarily the appropriate regulatory process in which to address public safety and environmental concerns. The AER Midnapore Field centre is the better AER contact for these public safety and environmental concerns with respect to the sour wells and sour pipeline.

Given the foregoing, in order for the AER to move forward with the Reconsideration proceeding, it requests that the Landowners provide further evidence that the Court was aware of or agreed that the Reconsideration proceeding would not be stayed by the Receivership Order. The AER suggests that this be done by seeking consent from the Court as contemplated in the Receivership Order.

Sincerely,

Helen Bowker
Regulatory Appeals Coordinator

cc: David Mercer, City of Calgary
Robyn Gurofsky, Borden Ladner Gervais
Tatsiana Okun, Groia & Company

EXHIBIT H

THIS IS EXHIBIT H
referred to in the Affidavit of
Chns. Plosz
Sworn before me this 30
day of May, A.D. 2017
Inquiries 1-855-297-8311
24 Commissionaires for Oaths
emergency 1-800-222-6514
and for the Province of Alberta

Schedule A: Licensed Properties

MICHAEL B. NIVEN, Q.C.
Barrister and Solicitor

Wells

Licence No.	Surface Location	WIP Current Company	Percent Interest
W0003288	12-19-021-28W4	Lexin Resources Ltd.	100.00%
W0009159	10-36-020-29W4	Lexin Resources Ltd.	100.00%
W0009613	10-31-020-28W4	Lexin Resources Ltd.	100.00%
W0010331	06-04-016-27W4	Lexin Resources Ltd.	100.00%
W0013028	12-19-018-29W4	Lexin Resources Ltd.	100.00%
W0016355	11-06-021-28W4	Lexin Resources Ltd.	100.00%
W0017688	10-25-021-29W4	Lexin Resources Ltd.	100.00%
W0020028	10-21-020-27W4	Lexin Resources Ltd.	100.00%
W0021608	14-12-021-28W4	Lexin Resources Ltd.	100.00%
W0025463	11-07-021-28W4	Lexin Resources Ltd.	100.00%
W0026356	10-23-019-28W4	Lexin Resources Ltd.	97.69%
		Canadian Natural Resources Limited	2.31%
W0030770	10-01-020-01W5	Lexin Resources Ltd.	100.00%
W0031415	07-33-023-28W4	Lexin Resources Ltd.	100.00%
W0031683	06-21-019-28W4	Lexin Resources Ltd.	100.00%
W0034010	10-20-016-29W4	Lexin Resources Ltd.	100.00%
W0034652	06-29-022-28W4	Lexin Resources Ltd.	100.00%
W0035556	06-02-019-28W4	Lexin Resources Ltd.	100.00%
W0036157	07-35-021-29W4	Lexin Resources Ltd.	100.00%
W0036158	11-20-020-28W4	Lexin Resources Ltd.	100.00%
W0036284	10-13-022-29W4	Lexin Resources Ltd.	100.00%
W0037686	06-34-023-28W4	Lexin Resources Ltd.	100.00%
W0038033	11-24-022-29W4	Lexin Resources Ltd.	100.00%
W0048121	10-32-020-27W4	Lexin Resources Ltd.	100.00%
W0052408	06-33-009-02W5	Lexin Resources Ltd.	100.00%
W0054022	07-04-021-28W4	Lexin Resources Ltd.	100.00%
W0056188	07-11-020-27W4	Lexin Resources Ltd.	100.00%
W0058136	11-01-031-23W4	Lexin Resources Ltd.	100.00%
W0058591	06-14-018-26W4	Lexin Resources Ltd.	100.00%
W0059940	11-12-031-23W4	Pengrowth Energy Corporation	89.85%
		0989 Resource Partnership	6.36%
		Pine Cliff Energy Ltd.	0.01%
		Enerplus Corporation	1.89%