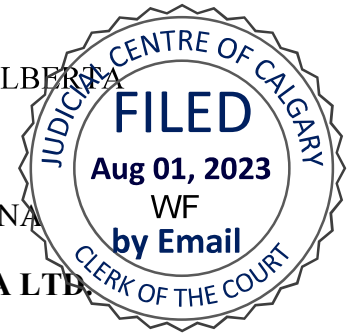


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COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
APPLICANT EXPORT-IMPORT BANK OF CHINA  
RESPONDENT **CHANGHUA ENERGY CANADA LTD.**  
DOCUMENT



**FIRST REPORT OF FTI CONSULTING  
CANADA INC., IN ITS CAPACITY AS  
RECEIVER OF CHANGHUA ENERGY  
CANADA LTD.**

COM  
August 08, 2023  
Justice Campbell

**July 31, 2023**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**RECEIVER**

FTI Consulting Canada Inc.  
Suite 1610, 520 Fifth Avenue S.W.  
Calgary, AB T2P 3R7  
Dustin Olver / Brett Wilson  
Telephone: (403) 454-6032 / (403) 454-6033  
Fax: (403) 232-6116  
E-mail: [dustin.olver@fticonsulting.com](mailto:dustin.olver@fticonsulting.com)  
[brett.wilson@fticonsulting.com](mailto:brett.wilson@fticonsulting.com)



**COUNSEL**

Norton Rose Fulbright Canada LLP  
Suite 3700, 400 – 3rd Avenue S.W.  
Calgary, AB T2P 4H2  
Howard A. Gorman, K.C. / Gunnar Benediktsson  
Telephone: (403) 267-8144 / (403) 267-8256  
Fax: (403) 264-5973  
E-mail: [howard.gorman@nortonrosefulbright.com](mailto:howard.gorman@nortonrosefulbright.com)  
[gunnar.benediktsson@nortonrosefulbright.com](mailto:gunnar.benediktsson@nortonrosefulbright.com)

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APPENDIX “A” Bitstone APA

## INTRODUCTION

1. On November 23, 2022, FTI Consulting Canada Inc. was appointed interim receiver (the “**Interim Receiver**”), without security, of all the assets, undertakings and properties (the “**Property**”) of Changhua Energy Canada Ltd. (“**Changhua**”) pursuant to an Order of the Honourable Justice G.S. Dunlop (the “**Interim Order**”) of the Alberta Court of King’s Bench (the “**Court**”).
2. The Interim Receivership Order authorized the Interim Receiver to, among other things:
  - (a) report to, meet with and discuss with such affected Persons as the Interim Receiver deemed appropriate all matters relating to the Interim Receiver’s powers and duties under the Interim Receivership Order, and to share information, subject to such terms as to confidentiality as the Interim Receiver deemed advisable; and
  - (b) take any steps reasonably incidental to exercise of the powers and duties set out in the Interim Receivership Order.
3. On December 7, 2022 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed receiver and manager (the “**Receiver**”) of all of the Property of Changhua pursuant to an Order of the Honourable Justice G.S. Dunlop (the “**Receivership Order**”).
4. The Receivership Order authorized the Receiver, among other things, to manage, operate and carry on the business of the Company, to market any or all of the Property including advertising and soliciting offers to purchase the Property, and to make such arrangements or agreements as deemed necessary by the Receiver.

5. Electronic copies of all materials filed in respect of these proceedings (the “**Receivership Proceedings**”) and other statutory materials are available on the Receiver’s website at: <http://cfcanada.fticonsulting.com/changhua> (the “**Receiver’s Website**”).
  
6. The purpose of this report (the “**First Report**”) is to inform the Court of the following:
  - (a) the activities of the Receiver since the Date of Appointment;
  - (b) the Receiver’s statement of receipts and disbursements from the Date of Appointment to July 31, 2023;
  - (c) the results of the marketing processes (the “**Marketing Process**”) to solicit offers to purchase the Company’s petroleum and natural gas assets (the “**PNG Assets**”); and
  - (d) the Receiver’s analysis and recommendations with respect to the proposed Transaction (as defined below).
  
7. The Receiver is requesting the following relief from this Honourable Court:
  - (a) approval of the Receiver’s activities since the Date of Appointment including its statement of receipts and disbursements;
  - (b) an order (the “**Approval and Vesting Order**”) authorizing and approving the sale transaction (the “**Transaction**”) between the Receiver and Bitstone Resources Inc. (“**Bitstone**” or the “**Purchaser**”); and

- (c) an order directing that the Receiver’s Confidential Supplement to this First Report (the “**Confidential Supplemental Report**”) be temporarily sealed on the Court file unless and until the Transaction has closed or this Court further directs.

## **TERMS OF REFERENCE**

- 8. In preparing this First Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company’s books and records, and discussions with various parties (collectively, the “**Information**”).
- 9. Except as described in this First Report:
  - (a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Canadian Institute of Chartered Accountants Handbook*; and
  - (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this First Report in a manner that would comply with the procedures described in the *Canadian Institute of Chartered Accountants Handbook*.
- 10. Future-oriented financial information reported or relied on in preparing this First Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
- 11. Information and advice described in this First Report that has been provided to the Receiver by its legal counsel, Norton Rose Fulbright Canada LLP (the “**Receiver’s Counsel**”) and was provided to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.

12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## **BACKGROUND**

13. Changhua is a private entity incorporated pursuant to the laws of the Province of Alberta. Its principal place of business is Calgary, Alberta.
14. Changhua's principal line of business is the acquisition, exploration, development and production of oil and natural gas reserves within the Province of Alberta.
15. The PNG Assets include oil and gas reserves located in Central Alberta. They consist of eight wells, two of which are currently producing, with an approximate output of 35 barrels of oil equivalent per day. The remaining six wells are currently shut in.
16. As more fully described in the Affidavit of Chen Lei sworn October 31, 2022 in these proceedings (the "**Lei Affidavit**"), Changhua entered into: (i) a loan agreement, dated November 28, 2011, between Shandong Changhua Industrial Development Co., Ltd. ("**Changhua China**"), as borrower, and Export-Import Bank of China (the "**Lender**"), as lender, and (ii) a loan agreement, dated February 26, 2013 (collectively, the "**Loan Agreements**"), between Changhua China, as borrower, and the Lender, as lender. As at September 26, 2022, each of Changhua China (as borrower) and Changhua Canada (as guarantor) were indebted to the Lender in the amount of USD \$71,149,445.95 and RMB ¥164,446.00, plus all accruing interest, fees and costs.
17. On October 25, 2022, the Lender delivered a demand letter and enclosed demands for payment and a notice of intention to enforce security in accordance with section 244(2) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("**BIA**") as described in the Lei Affidavit.

## RECEIVER'S ACTIVITIES

### Custody and Control

18. On the Date of Appointment, the Receiver met (virtually) with the Company's employees and consultants to advise them that the Receivership Order had been granted and to take possession of the Company's Property in accordance with the terms of the Receivership Order. The Receiver indicated its intent to continue the Company's operations to facilitate an orderly sale of the PNG Assets to maximize the return for the Company's stakeholders.
  
19. On or around the Date of Appointment, the Receiver also completed the following administrative tasks:
  - (c) froze the Company's bank accounts and transferred all account balances to the Receiver's estate trust account;
  
  - (d) prepared the notice and statement of the receiver as required under section 245 and 246 of the *BIA*, mailed the notice to all known creditors, and posted all relevant documents to the Receiver's Website;
  
  - (e) investigated the status of the Company's insurance coverage and ensured it was active and in good standing;
  
  - (f) contacted the Company's landlord to facilitate discussions surrounding the Company's occupied leased office premises; and
  
  - (g) communicated with numerous creditors and stakeholders regarding the Receivership Proceedings.

## **Statutory Compliance**

20. On December 7, 2022, the Receiver established the Receiver's Website, where it will post periodic updates on the progress of the Receivership Proceedings, materials filed in connection with the Receivership Proceedings and other relevant information for the Company's stakeholders.
21. The Receiver notified Canada Revenue Agency (the "CRA") of the Receiver's appointment and to establish new remittance accounts for the goods and sales services tax and employee-related obligations arising after the Date of Appointment.
22. On December 16, 2022, the Receiver mailed the notice and statement of receiver in accordance with subsection 245(1) and 246(1) of the BIA to the Superintendent of Bankruptcy and to all known creditors of the Company.

## **Insurance**

23. The Receiver contacted the Company's insurance broker, Brokerlink Inc. ("Brokerlink"), and was advised that all premiums had been paid and the policy set to expire on January 12, 2023. The Receiver liaised with Brokerlink and extended the term of the policy to January 12, 2024.

## **Employees**

24. On the Date of Appointment, the Company had 2 employees and 2 consultants. The Receiver retained the services of the employees and consultants whose services were deemed necessary to assist the Receiver through the Receivership Proceedings. Each of the retained employees were retained on terms and conditions the same as prior to the Date of Appointment.



## Consultation with the Alberta Energy Regulator

25. The Receiver met with Alberta Energy Regulator (the “AER”) on multiple occasions to discuss the status of the Receivership Proceedings and the results of the Marketing Process.
26. On May 31, 2023, at the request of the AER and after signing a confidentiality agreement, the Receiver met with the AER to disclose the results of the Marketing Process and the Receiver’s proposed course of action with respect to the Transaction.
27. The AER is aware of the Transaction and has been served with this application.

## **STATEMENT OF RECEIPTS AND DISBURSEMENTS**

28. The figure below presents the Receiver’s Statement of Receipts and Disbursements from the Date of Appointment to July 31, 2023 (USD amounts converted to CAD):

<b>Interim Statement of Receipts and Disbursements for the period of December 7, 2022 to July 31, 2023</b>	
<b>CAD \$</b>	<b>Cumulative</b>
<b>Receipts</b>	
Transfer from pre-receivership account	758,393
Accounts receivable collections	359,894
GST collected	17,995
<b>Total - Receipts</b>	<b>1,136,282</b>
<b>Disbursements</b>	
Receiver's Fees and disbursements	256,911
Operating expense	164,380
Consultants	84,601
Payroll and benefits	52,426
Insurance	27,581
GST/HST paid	24,755
Legal fees and disbursements	38,542
Rent and utilities	7,516
Bank fees and other	403
<b>Total - Disbursements</b>	<b>657,115</b>
<b>Net Cash on Hand</b>	<b>\$ 479,167</b>

- (a) Transfer from pre-receivership accounts includes amounts transferred from the Company's existing bank accounts to the Receiver's trust accounts;
- (b) Accounts receivable collections relates to petroleum revenue received in connection with the operation of the Assets;
- (c) Receiver's fees and costs paid to date in connection with the administration of the Receivership Proceedings;
- (d) Operating Expenses includes amounts disbursed in connection with the operation of the PNG Assets;
- (e) Consultants including engineering and accounting services provided to assist the Receiver with the administration of the Receivership Proceedings and work fee paid to Sayer in connection with the Marketing Process;
- (f) Payroll and benefits disbursed by the Receiver relating to payroll and remittances and employee benefits;
- (g) Insurance costs including operator's insurance and general liability; and
- (a) Legal fees and disbursements paid to the Receiver's Counsel.

29. As at July 31, 2023, the Receiver held approximately \$479,167 in cash.

## **MARKETING PROCESS**

30. The Receivership Order authorized the Receiver to market any or all of the Property including advertising and soliciting offers to purchase same. The Receiver, in consultation with the Lender, determined that a selling agent should be retained to market the Property to maximize the return for all stakeholders.

31. The Receiver contacted three sales agents for requests for proposals in connection with the Marketing Process. Each of the three parties submitted a proposal, and on February 7, 2023, the Receiver engaged Sayer Energy Advisors (“**Sayer**”) based on the following:
  - (a) general industry knowledge and experience;
  - (a) familiarity with marketing assets similar in nature;
  - (b) proposed timeline and fee structure.
  
32. Sayer commenced the Marketing Process on March 6, 2023, which included:
  - (a) outreach through distribution of an information brochure to approximately 2,300 industry contacts, targeted phone calls to industry contacts and virtual meetings with prospective counterparties;
  - (b) a copy of the information brochure along with corresponding summary information was posted on Sayer’s website;
  - (c) on March 7, 2023, a public advertisement of the Marketing Process in the BOE Report and Daily Oil and a virtual data room along with physical well files was set up at Sayer’s office;
  - (d) an advertisement was also placed in A&D Watch and Energy Advisors Group, to reach new parties not currently on Sayer’s mail or email distribution lists;
  - (e) a bid deadline of April 13, 2023, was established for offers to be submitted to Sayer in the form of non-binding letters of intent; and
  
33. The Marketing Process resulted in 1,398 views of the public advertisements and 47 non-disclosures agreements (“**NDAs**”) were signed.

34. A total 18 offers were received for all or individual properties, including 13 ‘en bloc’ offers for all of the PNG Assets. A summary of the offers received is provided in the Receiver’s Confidential Supplemental Report.
35. In consultation with the Lender and Sayer, the Receiver determined that the offer to purchase the Assets submitted by Bitstone was the best offer in the current circumstances based on the following:
- (a) purchase price;
  - (b) level of due diligence completed;
  - (c) the offer contemplated purchasing all the PNG Assets including shut-in wells;
  - (d) Bitstone’s status with the Alberta Energy Regulator (the “AER”); and
  - (e) the ability of the parties to close in a timely manner.

### **Bitstone Offer to Purchase**

36. The Receiver entered into an asset purchase agreement with Bitstone (the “**Bitstone APA**”) made effective July 10, 2023. A redacted copy of the Bitstone APA is attached hereto as **Appendix “A”**. An unredacted copy of the Bitstone APA is attached as **Appendix “A”** to the Confidential Supplemental Report. A summary of the key non-commercial terms of the Bitstone APA are as follows:
- (a) purchase price is all cash in the amount disclosed in the Confidential Supplemental Report.

- (b) closing has been completed in escrow subject to the approval of, and the granting of a vesting Order by this Honourable Court and approval of the license transfer application by the AER. The Bitstone APA has no other closing conditions that have not been satisfied or that will not be satisfied at closing;
- (c) effective date of April 1, 2023;
- (d) the purchase price is currently held in escrow and a termination amount equal to 10% of the purchase price is payable to the Receiver if the Transaction is not completed for any reason other than Court or AER approval; and
- (f) a closing date following satisfaction of the escrow release conditions with include obtaining Court approval and AER approval of the license transfer application.

#### **RECEIVER'S ANALYSIS OF THE TRANSACTION**

37. The Receiver concluded that the Transaction represented the best value that can be reasonably obtained for the PNG Assets in the current circumstances based on the following:
- (a) the PNG Assets were adequately exposed to the market through the Marketing Process;
  - (b) the Marketing Process was open and transparent and generated significant interest as supported by the number of NDAs signed and proposals received;
  - (c) the Transaction represents the highest and best overall recovery in the circumstances in terms of purchase price, certainty of the Purchaser's ability to close and other material terms;

- (d) the results of the Marketing Process reflect the market value and best available option to the stakeholders in the circumstances; and
  - (e) the Lender, which has been demonstrated to be the fulcrum creditor in these Receivership Proceedings, is supportive of the Receiver completing the Transaction.
38. On April 27, 2023, the AER released Bulletin 2023-22 which, among other things, requires evidence that licensees have resolved unpaid property taxes exceeding a threshold amount (the “**Threshold Amount**”) before a new well or well license transfer application will be approved.
39. We understand that Changhua currently has unpaid property taxes owing to Yellowhead County that exceed the Threshold Amount, including arrears for prior years and property taxes owing for 2023.
40. The Receiver intends to pay the outstanding amounts, upon receiving Court approval for the Transaction. The AER and Yellowhead County have been served with this application.

#### **RECEIVER’S RECOMMENDATIONS**

41. The Receiver respectfully requests that this Honourable Court grant the following relief:
- (a) an order approving the Receiver's actions, conduct and activities, including its statement of receipts and disbursements since the Date of Appointment;
  - (b) an Approval and Vesting Order authorizing and approving the Transaction;
- and

- (c) an order directing that the Receiver's Confidential Supplemental Report be temporarily sealed on the Court file unless and until the Transaction has closed or upon further order of the Court.

All of which is respectfully submitted this 31st day of July 2023.

FTI Consulting Canada Inc. in its capacity as Receiver of the assets, property and undertaking of Changhua Energy Canada Ltd., and not in its personal or corporate capacity,



Name: Dustin Olver, CPA, CA, CIRP, LIT  
Title: Senior Managing Director,  
FTI Consulting Canada Inc.



Name: Brett Wilson, CFA  
Title: Managing Director,  
FTI Consulting Canada Inc.

First Report  
FTI Consulting Canada Inc., in its capacity as Receiver of Changhua Energy Canada Ltd.  
July 31, 2023

## **Appendix “A” – Bitstone APA**



**PURCHASE AND SALE AGREEMENT**

**THIS AGREEMENT** made as of the 10th day of July, 2023.

**BETWEEN:**

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity. Both corporations having an office and carrying on business in the City of Calgary, in the Province of Alberta (hereinafter referred to as "**Vendor**")

- and -

**BITSTONE RESOURCES INC.**, a corporation having an office and carrying on business in the town of Sylvan Lake, in the Province of Alberta (hereinafter referred to as "**Purchaser**")

**WHEREAS** pursuant to an order of the Honourable Justice G.S. Dunlop of the Alberta Court of King's Bench (the "**Court**") dated December 7, 2022 (the "**Appointment Order**"), FTI Consulting Canada Inc. ("**Receiver**") was appointed receiver of Changhua Energy Canada Ltd. ("**Changhua**");

**AND WHEREAS** Vendor wishes to sell, and Purchaser wishes to purchase, all of the interest of Vendor in and to the Assets, subject to and in accordance with the terms and conditions hereof;

**NOW THEREFORE, THIS AGREEMENT WITNESSETH** that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

In this Agreement, unless the context otherwise requires:

- (a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations to:
- (i) properly plug, as applicable, abandon, shut-down, close, decommission, dismantle or remove Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Petroleum and Natural Gas Rights; and
  - (ii) restore, remediate, rehabilitate and reclaim the surface and subsurface locations of the Wells and the Tangibles and any lands used to gain access thereto, including such obligations relating to wells, pipelines and facilities which were abandoned or decommissioned prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;

including those all in accordance with generally accepted oil and gas industry practices and in compliance with the Title Documents and all Applicable Laws;

- (b) **“Adjustment Date”** means the hour of 12:01 a.m. (Calgary time), on April 1, 2023;
- (c) **“AER”** means the Alberta Energy Regulator or any predecessor or successor thereto having jurisdiction over the Assets;
- (d) **“AER Deficiencies”** has the meaning as set forth and defined in Subsection 3.5(a);
- (e) **“Affiliate”** means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term **“control”** as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than fifty percent (50%) of the voting securities of such Person, by contract or otherwise. For certainty, a partnership which is comprised of corporations which are Affiliates, as described above, shall be deemed to be an Affiliate of each such corporation and its other Affiliates;
- (f) **“Applicable Law”** means, in relation to any person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of any Governmental Authority (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, license or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (g) **“Assets”** means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests;
- (h) **“Base Price”** has the meaning as set forth and defined in Subsection 2.3(a);
- (i) **“Business Day”** means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (j) **“Casualty Loss”** has the meaning as set forth and defined in Section 4.5;
- (k) **“Court Order”** means an order to be granted by the Court, based on the Alberta form of Approval and Vesting Order as attached in Schedule “F”, which authorizes, approves and confirms this Agreement and the sale of the Assets by Vendor to Purchaser in accordance with the terms and conditions contained herein, and vests beneficial title to the Assets in Purchaser free and clear of all encumbrances, liens, security interests or claims, other than Permitted Encumbrances;
- (l) **“Closing”** means:
  - (i) the release by the Escrow Agent of:
    - (A) the Closing Documents to each of the Parties; and
    - (B) the Escrow Closing Payment to Vendor,all as more particularly provided for in the Closing Escrow Agreement; and
  - (ii) payment of the Closing Payment by the applicable Party in accordance with Subsection 2.3(c);

- (m) **“Closing Documents”** means, collectively, the documents to be delivered by Vendor pursuant to Section 5.1 and the documents to be delivered by Purchaser pursuant to Section 5.2;
- (n) **“Closing Escrow Agreement”** means the Closing Escrow Agreement attached hereto as Schedule “G”;
- (o) **“Closing Payment”** has the meaning as set forth and defined in Subsection 2.3(c);
- (p) **“Closing Place”** means the office of Bennett Jones LLP located at 4500 Bankers Hall East, 855 2<sup>nd</sup> Street S.W., Calgary, Alberta, or such other place as may be agreed upon in writing by the Parties;
- (q) **“Closing Time”** means 10:00 a.m. (Calgary time) on the day that is five (5) Business Days after the Escrow Release Conditions have been satisfied (but, in any event, prior to the Escrow Deadline), or such other time and date as may be agreed upon in writing by Vendor and Purchaser;
- (r) **“Confidentiality Agreement”** has the meaning as set forth and defined in Section 13.4;
- (s) **“Crown”** means the Government of the Province of Alberta;
- (t) **“Data Room Information”** means all information provided or made available to the Purchaser by Sayer Energy Advisors in hard copy or electronic form in relation to Changhua and/or the Assets;
- (u) **“Date of Appointment”** means December 8, 2022;
- (v) **“Directive 067”** means Directive 067 titled “Eligibility Requirements for Acquiring and Holding Energy Licences and Approval” released by the AER on December 6, 2017, as may be amended from time to time;
- (w) **“Directive 088”** means Directive 088 titled “Licensee Life-Cycle Management” released by the AER on December 1, 2021, as may be amended from time to time;
- (x) **“Discontinuation and Suspension Obligations”** means the costs associated with the discontinuation of the pipelines and suspension of the wells as outlined in the AER deficiency reports, as set out in Schedule “H”;
- (y) **“Dollar”** or **“\$”** means, unless otherwise provided herein, a dollar in the lawful money of Canada;
- (z) **“Environmental Liabilities”** means all past, present and future liabilities and obligations, whether under Applicable Law, in equity or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent and whether based on fault, strict liability, or otherwise, which arise in connection with or result from any damage, contamination or other environmental issues related to the Assets, whether such liabilities and obligations arose or arise in connection with the prior, current or future ownership thereof or operations or activities conducted previously, on or after the date hereof in connection therewith, thereon or thereunder, including such liabilities and obligations related to or arising from:
  - (i) the manufacture, construction, processing, distribution, use, holding, collection, accumulation, generation, treatment, stabilization, handling, transportation, storage, or disposal of toxic or hazardous substances, Petroleum Substances, oilfield wastes or produced water;
  - (ii) the release, spill, escape or emission of toxic or hazardous substances, Petroleum Substances, oilfield wastes or produced water to, from, on, under or within the Lands;

- (iii) removal, assessment, monitoring, sampling, response, abatement, clean-up, investigation and reporting of pollution or contamination of or other adverse effects or problems on the environment;
- (iv) Abandonment and Reclamation Obligations;
- (v) Discontinuation and Suspension Obligations;
- (vi) obligations to take action to prevent or rectify damage to or otherwise protect, conserve, reclaim, remediate, rectify or restore the environment;
- (vii) any other pollution or contamination of the surface, substrata, soil, air, ground water, surface water or marine environments; and
- (viii) claims, demands, damages or losses arising or suffered by Third Parties as a result of the occurrences in Clauses 1.1(z)(i) to 1.1(z)(vii),

regardless of when or where such liabilities and obligations arose or arise and, for purposes of this Agreement, the “environment” includes indoor and outdoor air, the surface and subsurface of the earth, bodies of water (including rivers, streams, lakes, aquifers and groundwater) and plant and animal life (including humans);

- (aa) **“Escrow Agent”** means Bennett Jones LLP;
- (bb) **“Escrow Closing”** means:
  - (i) the execution and delivery of the Closing Escrow Agreement by the Parties and the Escrow Agent; and,
  - (ii) the delivery to the Escrow Agent of the:
    - (A) Closing Documents by the Parties; and
    - (B) Escrow Closing Payment by Purchaser,
 all as more particularly provided for in Section 3.2;
- (cc) **“Escrow Closing Time”** means 10:00 a.m. (Calgary time) on the day of the execution and delivery of this Agreement, or such other date and time as may be agreed in writing by the Parties;
- (dd) **“Escrow Closing Payment”** has the meaning as set forth and defined in Subsection 2.3(b);
- (ee) **“Escrow Deadline”** means noon (Calgary time) on the date which is one hundred twenty (120) days from the date that Escrow Closing occurs, or such other date and time as may be agreed in writing by the Parties;
- (ff) **“Escrow Release Conditions”** means that:
  - (i) Vendor has obtained the Court Order;
  - (ii) Vendor has received evidence satisfactory to it, acting reasonably, that all of the Licenses have been transferred;
  - (iii) all of the Specific Conveyances have been provided to Purchaser on terms and conditions acceptable to Vendor;



- (tt) **“Leased Substances”** means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (uu) **“Leases”** means the leases, licenses, grants, permits and similar documents of title by virtue of which the holder thereof is entitled to drill for, win, take, own or remove Petroleum Substances within, upon or under the Lands and includes, all leases, licences, grants, permits and similar documents of title set forth on Schedule “A” and all renewals, replacements and extensions thereof;
- (vv) **“Licenses”** means those Permits held by Vendor respecting the Wells and the facilities comprising the Tangibles (including the Facilities), including those over which the AER or any other Governmental Authority has jurisdiction;
- (ww) **“Losses”** means all losses, costs, claims, damages, expenses and liabilities which a Person suffers, sustains, pays or incurs, including reasonable legal fees on a solicitor and his own client basis but notwithstanding the foregoing shall not include any liability for indirect or consequential damages including business loss, loss of profit, economic loss, punitive damages or income tax liabilities, but shall include any liability for indirect or consequential damages including business loss, loss of profit, economic loss, punitive damages or income tax liabilities suffered, sustained, paid or incurred by a Third Party entitled to recovery or indemnification from a Person;
- (xx) **“LTA Error”** has the meaning as set for and defined in Subsection 3.4(c);
- (yy) **“Miscellaneous Interests”** means, subject to any and all limitations and exclusions provided for in this definition and Section 13.4, Vendor’s entire interest in and to any and all of the following:
- (i) all contracts and agreements relating to the Lands, the Petroleum and Natural Gas Rights, the Tangibles, the Wells, or any of them (including the Title Documents);
  - (ii) the Wells, including the wellbores and any and all casing;
  - (iii) the Surface Rights;
  - (iv) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them; and
  - (v) all files and records, including digital land, digital joint venture (including accounting records), digital well data, digital surface land, books, documents, licences, reports and data which relate directly and exclusively to the Lands, the Petroleum and Natural Gas Rights and the Tangibles, or any of them including any of the foregoing that pertain to proprietary seismic, geological or geophysical matters.
- Notwithstanding the foregoing, unless otherwise agreed in writing by the Parties, the Miscellaneous Interests shall not include agreements, documents or data to the extent that: (i) they pertain to Changhua’s proprietary technology; (ii) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure by Changhua to an assignee, (iii) they comprise the Vendor’s and Changhua’s tax and financial records, and economic evaluations, or (iv) any documents or data that are subject to legal privilege, legal opinions or are documents prepared in contemplation of or in connection with litigation;
- (zz) **“Overhead”** means those general and administrative fees, expenses and costs of Vendor relating directly to the management and operation of the Assets;

- (aaa) **"Party"** means a party to this Agreement, and **"Parties"** means both of them;
- (bbb) **"Permits"** means, all licenses (including well and facility licenses), permits, approvals and authorizations granted or issued by the AER or any other Governmental Authority and relating to the construction, installation, ownership, use or operation of the Assets, including all applications and pending applications;
- (ccc) **"Permitted Encumbrances"** means:
- (i) all encumbrances, overriding royalties, net profits interests and other burdens identified in Schedule "A";
  - (ii) any Right of First Refusal or any similar restriction applicable to any of the Assets;
  - (iii) the requirement to receive any consent applicable to the Transaction;
  - (iv) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents;
  - (v) defects or irregularities of title as to which the relevant statute(s) of limitations or prescription would bar any attack or claim against Vendor's title;
  - (vi) the right reserved to or vested in any grantor, Governmental Authority or other public authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
  - (vii) liens for taxes assessments and governmental charges which are not due or the validity of which is being diligently contested in good faith by or on behalf of Changhua;
  - (viii) easements, right of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;
  - (ix) taxes on Petroleum Substances or the income or revenue therefrom, unless specifically excluded and governmental restrictions on production rates from the Wells or on operations being conducted on the Lands or otherwise affecting the value of any of the Assets;
  - (x) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than ninety (90) days' notice (without an early termination penalty or other cost);
  - (xi) the right reserved to or vested in any municipality, Governmental Authority or other public authority to control or regulate any of the Assets in any manner, including any directives or notices received from any municipality, Governmental Authority or other public authority pertaining to the Assets;
  - (xii) liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Vendor's or Changhua's share of the costs and expenses thereof which are not due or delinquent as of the

- date hereof or, if then due or delinquent are being contested in good faith by Vendor;
- (xiii) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
  - (xiv) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
  - (xv) agreements respecting the operation of Facilities or Wells by contract field operators;
  - (xvi) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations;
  - (xvii) liens granted in the ordinary course of business to a public utility, municipality or Governmental Authority with respect to operations pertaining to any of the Assets; and
  - (xviii) any other circumstance, matter or thing disclosed in the Data Room Information or in any Schedule hereto;
- (ddd) **“Person”** is to be interpreted broadly and includes any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
- (eee) **“Petroleum and Natural Gas Rights”** means Vendor’s entire right, title, estate and interest (whether absolute or contingent, legal or beneficial, vested or not and whether or not an “interest in land”): (i) in and to the Leases, (ii) in and to Lands, (iii) in and to the Title Documents (to the extent pertaining to the Leases or the Lands), and (iv) to drill for, explore for, extract, win, take, produce, save and market Petroleum Substances within, upon or under the Lands;
- (fff) **“Petroleum Substances”** means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur and coal bed methane;
- (ggg) **“Pipeline Records”** has the meaning as set forth and defined in Subsection 3.5(a);
- (hhh) **“Pipeline Rules”** means collectively AER Bulletin 2015-34 (Confirmation of Transfer of Pipelines to be Added to the Licence Transfer Application), Pipeline Rules under the *Pipeline Act* RSA 2000 c. P-15 (Alberta), and CSA Z662 (Oil and Gas Pipeline Systems), all as may be amended, supplemented, revised or replaced from time to time;
- (iii) **“Prime Rate”** means the rate of interest, expressed as a rate per annum, designated by the main branch in Calgary of the National Bank of Canada as the reference rate used by it to determine rates of interest charged by it on Canadian dollar commercial loans made in Canada and which is announced by such bank, from time to time, as its prime rate, provided that whenever such bank announces a change in such reference rate the “Prime Rate” shall correspondingly change effective on the date the change in such reference rate is effective;
- (jjj) **“Proposal”** has the meaning as set forth and defined in Section 10.3;
- (kkk) **“Purchaser Escrow Closing Documents”** has the meaning as set forth and defined in Section 5.2;



- (lll) **“Purchase Price”** has the meaning as set forth and defined in Subsection 2.3(a);
- (mmm) **“Purchaser Default”** means a material breach by Purchaser of a representation and warranty given by Purchaser in Section 6.2 or a material breach by Purchaser of a material covenant contained in this Agreement, including a failure by Purchaser to post or deliver any required security deposit in amount up to and including the Security Deposit Threshold, pursuant to Section 3.4(e);
- (nnn) **“Representative”** means, with respect to any Party, its Affiliates, and the directors, officers, servants, agents, advisors, employees and consultants of that Party and its Affiliates;
- (ooo) **“ROFR”** or **“Right of First Refusal”** means a right of first refusal, pre-emptive or first purchase right or similar right whereby any Third Party has the right to acquire or purchase any of the Assets as a consequence of Vendor having agreed to sell such Assets to Purchaser pursuant to this Agreement;
- (ppp) **“ROFR Allocation”** has the meaning set forth and defined in Subsection 11.1(c);
- (qqq) **“ROFR Assets”** has the meaning set forth and defined in Subsection 11.1(a);
- (rrr) **“ROFR Counterparty”** has the meaning as set forth and defined in Subsection 11.1(a);
- (sss) **“Sales Taxes”** means all transfer, sales, excise, stamp, license, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind, and includes additions by way of penalties, interest and other amounts with respect thereto, including GST;
- (ttt) **“Security Deposit Threshold”** means [REDACTED];
- (uuu) **“Specific Conveyances”** means all conveyances, assignments, transfers, novations and other documents or instruments that are reasonably required or desirable to convey, assign and transfer the interest of Vendor in and to the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (vvv) **“Surface Rights”** means all rights of Vendor to use the surface of land in connection with the Lands or the Assets, including rights to enter upon and occupy the surface of land on which the Tangibles and the Wells are located and rights to cross or otherwise use the surface of land for access to the Assets, excluding any such rights that pertain only to a well or wells other than the Wells;
- (www) **“Tangibles”** means Vendor’s entire right, title, estate and interest in and to: (i) those tangibles listed in Schedule B, including the Facilities; and (ii) to all other tangible depreciable property, if any, which are used or are intended to be used for, or otherwise useful in exploiting any Petroleum and Natural Gas Rights, and located within, upon or in the vicinity of the Lands, including, without limitation, all oil batteries, buildings, production equipment, pipelines, pipeline connections, meters, generators, motors, compressors, treaters, dehydrators, scrubbers, separators, pumps, tanks, boilers, and communication equipment (including any SCADA monitors), down-hole and other tangible equipment;
- (xxx) **“Termination Amount”** has the meaning set forth and defined in Section 3.3(e)(ii)(A);
- (yyy) **“Third Party”** means any individual or entity other than Receiver, Changhua, Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (zzz) **“Third Party Claim”** has the meaning set forth and defined in Section 8.3;

- (aaaa) **“Thirteenth Month Adjustment”** means the accounting procedure performed annually by an operator of particular Tangibles for the purpose of redistributing certain revenues and expenses, including operating expenses, processing fee revenues, excess capacity utilization fees and recoveries, royalties and gas cost allowances (or similar cost allowances);
- (bbbb) **“this Agreement”, “herein”, “hereto”, “hereof”** and similar expressions mean and refer to this Agreement;
- (cccc) **“Title Documents”** means, to the extent directly related to the Lands, the Petroleum and Natural Gas Rights or the Tangibles or the Miscellaneous Interests (other than the Title Documents themselves): (i) the Leases; (ii) assignments, trust declarations, trust agreements, operating agreements, royalty agreements, overriding royalty agreements, participation agreements, farm-in and farmout agreements, sale and purchase agreements, pooling agreements, common stream agreements, easements, surface leases, pipeline crossing agreements, and road use agreements; (iii) agreements for construction, ownership and operation of the gas plants, gas gathering systems, pipelines and other facilities; (iv) Permits, Licenses and other authorizations and approvals; (v) other documents and agreements which relate to the Lands, the Petroleum and Natural Gas Rights, the Tangibles or the Miscellaneous Interests (other than the Title Documents themselves) or the ownership, operation or exploitation thereof, including those, if any, set forth in either Schedule “A” or Schedule “B”; (vi) agreements that create or relate to Surface Rights; and (vii) trust declarations pursuant to which Vendor holds interests in the Lands or lands pooled or unitized therewith in trust for other Persons;
- (dddd) **“Transaction”** means the transaction for the purchase and sale of the Assets as contemplated by this Agreement; and
- (eeee) **“Vendor Escrow Closing Documents”** has the meaning as set forth and defined in Section 5.1;
- (ffff) **“Vendor LTA”** means the license transfer application to be submitted to the AER in respect of the Licenses; and
- (gggg) **“Wells”** means Vendor’s entire interest in and to all producing, shut-in, suspended, abandoned, capped, injection and disposal wells on the Lands, including the wells listed in Schedule “B”.

## 1.2 Headings

The expressions “Article”, “section”, “subsection”, “clause”, “subclause”, “paragraph” and “Schedule” followed by a number or letter or combination thereof mean and refer to the specified article, section, subsection, clause, subclause, paragraph and schedule of or to this Agreement.

## 1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, subsections, clauses, subclauses and paragraphs and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

## 1.4 Included Words

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders. The word “including” or any variation thereof means “including, without limitation,” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

## 1.5 Schedules

There are appended to this Agreement the following schedules pertaining to the following matters:

Schedule "A"	-	Lands and Petroleum and Natural Gas Rights
Schedule "B"	-	Wells and Facilities
Schedule "C"	-	Rights of First Refusal
Schedule "D"	-	General Conveyance
Schedule "E"	-	Form of Officer's Certificate
Schedule "F"	-	Form of Court Order
Schedule "G"	-	Closing Escrow Agreement
Schedule "H"	-	Disclosure Schedule

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Such schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

## 1.6 Construction

This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not apply to the construction or interpretation of this Agreement.

## 1.7 Damages

All losses, costs, claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement include reasonable legal fees and disbursements on a solicitor and client basis.

## 1.8 Derivatives

Where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.

## 1.9 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

## 1.10 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

## 1.11 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

## ARTICLE 2 PURCHASE AND SALE

### 2.1 Purchase and Sale

Vendor, exercising the powers of sale granted pursuant to the Appointment Order, hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, all of the right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial) in and to the Assets, subject to and in accordance with the terms of this Agreement.

### 2.2 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made hereunder shall be made by wire transfer in immediately available funds to an account designated by the recipient thereof in writing prior to the date by which such payment is required.

### 2.3 Purchase Price

- (a) The aggregate consideration to be paid by Purchaser to Vendor for Vendor's interest in and to the Assets shall be [REDACTED] (the "**Base Price**") (i) plus or minus the adjustments resulting from the operation of Article 9 and (ii) minus the adjustments, if any, resulting from the operation of Subsections 11.1(c) and 11.1(d), in each case exclusive of GST and any other taxes payable pursuant to Section 2.4 (together, the "**Purchase Price**").
- (b) At the Escrow Closing Time, the Base Price shall be paid by Purchaser to the Escrow Agent (the "**Escrow Closing Payment**").
- (c) At the Closing Time the: (i) net amount calculated pursuant to Section 9.1(a), and (ii) minus the adjustments, if any, resulting from the operation of Article 11, exclusive of GST and any applicable taxes payable by Purchaser to Vendor pursuant to Section 2.4, shall be paid by Purchaser to Vendor (or paid by Vendor to Purchaser, as the case may be) (the "**Closing Payment**").

### 2.4 Payment of Taxes

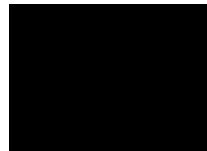
- (a) The Purchase Price is exclusive of, and Purchaser shall be solely liable for and shall pay, all applicable Sales Tax which may be imposed by any Governmental Authority pertaining to the conveyance and transfer of the Assets to Purchaser or the circulation or registration of the Specific Conveyances, excluding any corporate income taxes which are required to be paid by Vendor pursuant to Applicable Law. If Vendor, as agent for the Crown, is required to collect such Sales Tax, Purchaser shall pay the aggregate amount of such Sales Tax to Vendor at Closing. Vendor shall remit such amount to the appropriate Governmental Authority in accordance with Applicable Law.
- (b) Without limiting the generality of Subsection 2.4(a), Purchaser shall pay directly to Canada Revenue Agency an amount equal to the statutory rate of GST on the portion of the Base Price allocated to the Tangibles, and the Miscellaneous Interests pursuant to Section 2.5. Vendor shall remit such amount to the appropriate taxation authorities in accordance with the Excise Tax Act (Canada). The GST registration number of Vendor is [REDACTED] and the GST registration number of Purchaser is [REDACTED].

- (c) Purchaser shall be responsible for, and shall indemnify and save Vendor harmless in respect of the payment of the taxes as set out in Section 2.4(b) and after Closing, any additional amounts of Sales Tax imposed by Applicable Laws or by any Governmental Authority in respect of the purchase and sale of the Assets pursuant hereto which are in excess of the amounts collected by Vendor from Purchaser at Closing, provided that this indemnity shall not apply to any interest or penalties payable by Vendor as a result of the failure of Vendor to remit any amounts of Sales Tax collected from or paid by Purchaser to Vendor at Closing.
- (d) If any payment made under this Agreement is deemed by section 182 (or any other provision) of Part IX of the *Excise Tax Act* (Canada) or any provision of any corresponding provincial legislation to be inclusive of GST or similar taxes, the paying Party agrees to increase the payment amount by an amount equal to the product of the aggregate of the GST percentage rate multiplied by the amount otherwise payable so that the payment received net of GST is the same as if the payment was not deemed to be inclusive of GST or similar taxes.

**2.5 Allocation of Purchase Price**

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights  
Tangibles  
Miscellaneous Interests  
Total



with adjustments to the Purchase Price as provided for in Section Article 9 to be allocated as provided for therein. The Parties shall report the sale and purchase of the applicable Assets for all federal, provincial and local tax purposes in a manner consistent with the allocation referred to above which the Parties hereby determine to be a fair and reasonable allocation having regard to the Assets.

**2.6 Abandonment and Reclamation Obligations**

In the determination of the Purchase Price payable for the Assets, Vendor and Purchaser confirm and agree that past, present and future Environmental Liabilities, including Abandonment and Reclamation Obligations and the Discontinuation and Suspension Obligations, are a future cost embedded in the Assets that is so associated or physically connected with the Assets that, while having been taken into account in establishing the value of the Assets, cannot be separated from the ownership rights in the Assets, and moreover, that such obligations are not capable of quantification as of the Closing Time. Vendor and Purchaser have not attributed a specific or agreed to value with regard to either: (a) such Environmental Liabilities, Abandonment and Reclamation Obligations or Discontinuation and Suspension Obligations; or (b) the indemnities provided for in Sections 7.1 and 7.2 nor shall there be any adjustments made to the Purchase Price in relation thereto. For greater certainty, neither the existence nor amount of any accounting reserve for asset reclamation obligations or similar matters in the financial statements or accounting records of Vendor or Purchaser has been of any relevance to either Vendor or Purchaser in determining the value of the Assets.

**ARTICLE 3**  
**ESCROW CLOSING, CLOSING AND LICENSE TRANSFERS**

**3.1 Place of Escrow Closing**

Escrow Closing shall take place at the Closing Place at the Escrow Closing Time.

**3.2 Escrow Closing**

- (a) At the Escrow Closing Time, but subject to Sections 4.1 and 4.2, the Parties shall close the Transaction in escrow, whereby both Parties shall fully execute and deliver copies of the Closing Documents, and Purchaser shall deliver the Escrow Closing Payment amount to the Escrow Agent, to be held in trust in accordance with the Closing Escrow Agreement.

**3.3 Closing**

- (a) Provided the Escrow Release Conditions are satisfied on or before the Escrow Deadline, no later than two (2) Business Days after the Escrow Release Conditions have been satisfied, each Party shall sign and deliver a Closing Joint Instruction (as defined in the Closing Escrow Agreement) to the Escrow Agent and Closing shall take place at the Closing Time.

- (b) At Closing:

- (i) Purchaser shall forthwith pay to Vendor, or Vendor shall forthwith pay to Purchaser (as applicable), by wire transfer, the Closing Payment pursuant to Subsection 2.3(c); and
- (ii) the Escrow Agent shall release the Closing Documents and the Escrow Closing Payment in accordance with the Closing Joint Instruction,

and Closing shall be deemed for all purposes under this Agreement to have thereupon occurred as of the Closing Time.

- (c) If the Escrow Release Conditions are satisfied on or before the Escrow Deadline, for greater certainty, Closing shall proceed notwithstanding any event or circumstance arising or occurring between the Escrow Closing Time and either the date the Escrow Release Conditions are satisfied or the Closing Time that would render a representation or warranty made by a Party in Sections 6.1 and 6.2, as applicable, incorrect or untrue.

- (d) If the Escrow Release Conditions are not satisfied on or before the Escrow Deadline and if the Parties have not agreed to extend the Escrow Deadline, or a Party has elected to terminate this Agreement in accordance with Clause 3.4(e)(ii) or 3.4(h), as applicable:

- (i) Closing shall be deemed not to have occurred;
- (ii) each Party shall immediately thereafter sign and deliver a Termination Joint Instruction (as defined in the Closing Escrow Agreement) to the Escrow Agent, which shall instruct the Escrow Agent to destroy the Closing Documents and return the Escrow Closing Payment amount, or portion thereof, as applicable, and any interest earned thereon in accordance with Section 3.3(e) ;
- (iii) this Agreement shall thereupon terminate and the Parties shall be released from all obligations and liabilities hereunder other than pursuant to Clause 3.3(d)(ii), 3.3(e) and Section 13.13.

- (e) If Closing does not occur on or before the Escrow Deadline and if the Parties have not agreed to extend the Escrow Deadline, or a Party has elected to terminate this Agreement in accordance with, as applicable, Section 3.4(e)(ii) or 3.4(h), then the following provisions shall apply in respect of the Escrow Closing Payment:
- (i) if Closing does not occur for any reason other than solely due to a Purchaser Default, the Escrow Closing Payment and any interest thereon shall be returned to the Purchaser; or
  - (ii) if Closing does not occur solely as a result of a Purchaser Default:
    - (A) an amount equal to [REDACTED] of the Base Price shall be forfeited to and released to Vendor (the "**Termination Amount**") by Escrow Agent from the Escrow Closing Payment; and
    - (B) the Escrow Closing Payment and any interest earned thereon, less the Termination Amount, shall be returned to Purchaser.
- (f) If the AER has transferred any Licenses from Vendor to Purchaser, but Closing does not occur, Purchaser shall, within two (2) Business Days, submit to the AER a Vendor LTA to effect a transfer of all such Licenses (along with any other applicable Permits) back to Vendor, at Purchaser's sole cost and expense, and otherwise promptly do all things necessary to effect the foregoing.
- (g) Subject to all other provisions of this Agreement and provided Closing occurs, possession, risk and beneficial ownership of Vendor's interest in and to the Assets shall pass from Vendor to Purchaser at the Closing Time.

### **3.4 License Transfers**

- (a) Purchaser confirms that it has "General Eligibility" status pursuant to Directive 067 with the AER.
- (b) The Parties acknowledge that, prior to the execution and delivery of this Agreement, Vendor has prepared drafts of the Vendor LTA (saved, but not submitted) which have been reviewed and approved by Purchaser. Vendor shall electronically submit the Vendor LTA to the AER for approval of the transfer of the applicable Licenses not later than five (5) Business Days following the execution of this Agreement and Purchaser shall forthwith electronically ratify and accept such submission.
- (c) The Parties acknowledge that as a condition of transferring the Licenses, the AER is entitled to require transferors and transferees to demonstrate that they meet the requirements under Directive 067, Directive 088, and/or any other requirements imposed by the AER or other Governmental Authority respecting completion and approval of the Vendor LTA. The Parties shall submit to the AER such information as may be required in connection with the approval of the Vendor LTA (with specific reference to the requirements of Directive 088, as applicable) including, to the extent required, asset management and closure plans, corporate and compliance history with the AER, status and progress of remediation of existing contaminated sites, financial statements and projections, reserves and net present value analysis and additional financial information. The Parties shall promptly provide such information, documentation and materials as may be required by the AER in connection with the Vendor LTA and shall concurrently provide a copy of all such documentation and materials to the other Party. Notwithstanding the foregoing, Purchaser may seek to remedy any rejection by the AER of the Vendor LTA, which rejection is solely due to a misdescription, clerical error or mistake made by Vendor in the preparation of the Vendor LTA (a "**LTA Error**"). Purchaser's request to remedy an LTA Error shall be submitted within two (2) Business Days after receipt by a Party of a notice that some or all of a Vendor LTA has

been rejected due to an LTA Error. Vendor shall cooperate, acting reasonably, with Purchaser in connection with an attempt by Purchaser to correct an LTA Error.

- (d) The Parties acknowledge that the AER may require that Purchaser post a security deposit with the AER as a condition of its approval of the Vendor LTA.
- (e) If any Governmental Authority (including the AER) notifies Purchaser that a security deposit (whether by way of cash, letter of credit or other financial assurance) is required to be posted by Purchaser to that Governmental Authority to effect the transfer of any Permit or other authorization relating to any of the Lands, Wells or Tangibles (including any of the Licenses), provided that such security deposit does not exceed the Security Deposit Threshold, Purchaser shall be required to post or deliver (as the context requires) such security deposit, by no later than five Business Day following such notice, to the applicable Governmental Authority in the prescribed form, amount and manner. If Purchaser fails to deliver such security deposit to the relevant Governmental Authority within such time frame, at Vendor's option in its sole discretion:
  - (i) Vendor shall be entitled, but shall have no obligation, to provide same, in which event Vendor shall be entitled to repayment of all corresponding amounts together with interest thereon at the Prime Rate plus eight percent (8%) per annum, calculated daily and compounded monthly, until all such amounts have been paid in full; or
  - (ii) it shall be deemed a material default by Purchaser, and Vendor shall be entitled to immediately terminate this Agreement and the Parties shall comply with the provisions of Subsection 3.3(d).
- (f) In addition to satisfying any security deposit requirements that do not exceed the Security Deposit Threshold, Purchaser shall also satisfy any and all other conditions and requirements (including undertaking any corrective action or remedial work (including inspections, tests or engineering assessments)) imposed by the AER or any other Governmental Authority in connection with the transfer of the Licenses, at its sole cost and expense.
- (g) Purchaser shall be liable to Vendor for all fees, charges, interest, costs and expenses incurred by Vendor as a result of any failure by Purchaser to comply with Subsection 3.4(e) or to arrange for the return to Vendor of amounts or instruments previously posted by Vendor which are to be returned to Vendor by the applicable Governmental Authority, including all letter of credit fees and standby charges and any financing arranged by Vendor to replace or supplement the credit facility availability utilized as a result of the continuing existence of such deposits, letters of credit, security and financial assurances. In addition to the foregoing, Vendor shall have the right to set-off the costs of such deposits, letters of credit, security or other financial assurances delivered to the relevant Governmental Authority on Purchaser's behalf (including interest) against any other monies due to Purchaser pursuant to this Agreement.
- (h) Notwithstanding Subsection 3.4(e), if any Governmental Authority (including the AER) notifies Purchaser that a security deposit (whether by way of cash, letter of credit or other financial assurance) is required to be posted by Purchaser to that Governmental Authority to effect the transfer of any license, permit or other authorization relating to any of the Lands, Wells or Tangibles (including any of the Licenses), and if such required security deposit exceeds the Security Deposit Threshold, Purchaser may, but is not required to, post or deliver (as the context requires) such security deposit with such Governmental Authority and the following shall apply:
  - (i) if Purchaser elects to post or deliver such security deposit, it shall do so no later than three (3) Business Days following notice from such Governmental Authority, in the prescribed form, amount and matter. If such security deposit is not posted within such time period, this Agreement shall immediately terminate; and



- (ii) if Purchaser elects not to post or deliver such required security deposit, Purchaser shall forthwith notify Vendor of such election and its election to terminate this Agreement.

Upon termination of this Agreement pursuant to this Subsection 3.4(h), the provisions of Subsection 3.3(d) and 3.3(e)(i) of this Agreement shall apply. For the avoidance of doubt, an election by Purchaser not to post or deliver a security deposit to a Governmental Authority as a result of such required security deposit exceeding the Security Deposit Threshold shall not constitute a default by Purchaser hereunder.

- (i) Purchaser shall, on a timely and continuing basis, keep Vendor fully apprised and informed regarding all communications Purchaser may have with the AER in connection with the Transaction, including all communications respecting the Vendor LTA, and without limiting the generality of the foregoing, Purchaser shall:
  - (i) provide copies to Vendor of all related correspondence from Purchaser to the AER, and Purchaser shall instruct the AER to provide copies to Vendor of all related correspondence from the AER, to Purchaser;
  - (ii) permit Vendor to review in advance any proposed applications, notices, filings, submissions, correspondence and communications of any nature (including responses to requests for information and inquiries from the AER or any Governmental Authority) respecting the Vendor LTA, and will provide the Vendor a reasonable opportunity to comment thereon and will consider those comments in good faith; and
  - (iii) not participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with the AER in respect of the Vendor LTA unless it consults with Vendor in advance and gives the Vendor the opportunity to attend and participate thereat unless the AER requests otherwise.
- (j) If Closing does not occur for any reason, Vendor shall request that the AER cancel the Vendor LTA and, for the avoidance of doubt, the provisions of Subsection 3.3(e) shall apply. Furthermore, if the AER has transferred any Licenses to Purchaser, but Closing does not occur, Purchaser shall do all things necessary to forthwith effect a transfer of all such Licenses (along with any other applicable Permits) back to Vendor, at Purchaser's sole cost and expense.

### **3.5 Pipeline Records**

- (a) In connection with the transfer of those Licenses relating to the Tangibles (including any pipelines) pursuant to this Agreement and the Pipeline Rules, Vendor is required to transfer sufficient documentation to satisfy the transferor statement on the AER digital data submission system ("**Pipeline Records**"). The Parties agree that Vendor, to its knowledge, has provided Purchaser with access to all Pipeline Records in its possession, such that, provided Closing occurs, Purchaser shall accept the AER Digital Data Submission transfers of those Licenses relating to the Tangibles (including the Pipelines), and all associated approvals, authorizations, permits and Pipeline Records. If, following Closing, Purchaser or Vendor receives written notice from the AER that the AER has determined that the Pipeline Records, or any of them, transferred by Vendor to Purchaser under the Agreement do not satisfy or are found to be deficient under the Pipeline Rules in any respect, then Purchaser will be solely responsible for and shall conduct, in a timely manner, and at its sole cost, risk and expense, all operations and activities required to cure or remedy any and all deficiencies identified by the AER ("**Pipeline Deficiencies**"), in each case, in accordance in all material respects with the terms of the applicable Title Documents, Applicable Law, any requirements set forth in any correspondence with the AER, and with generally accepted industry practices in Alberta, and following in all material respects the standard of care which would be followed by a reasonably prudent operator in similar circumstances.

- (b) Notwithstanding any other item or provision in this Agreement, the existence of any deficient Pipeline Records, Pipeline Deficiencies and the remedial work required to be conducted in respect thereof, shall not constitute a breach of any of Vendor's representations, warranties or covenants in the Agreement and Vendor shall have no obligations or liability to Purchaser in relation thereto.
- (c) To the extent that, at any time after the date hereof, including following Closing, Vendor determines that it is in possession of any undisclosed Miscellaneous Interests in respect of any Pipelines, including any undisclosed Pipeline Records, Vendor shall forthwith advise Purchaser of same and shall, if prior to Closing, provide Purchaser reasonable access to review same or, if following Closing, shall deliver same to Purchaser as soon as is practicable.

## **ARTICLE 4 CONDITIONS OF ESCROW CLOSING AND CLOSING**

### **4.1 Purchaser's Escrow Closing Conditions**

The obligation of Purchaser to purchase Vendor's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser in whole or in part:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and as of the Escrow Closing Time;
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Escrow Closing Time shall have been timely performed in all material respects; and
- (c) Vendor shall have delivered the Vendor Escrow Closing Documents to the Escrow Agent in accordance with Section 5.1.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Escrow Closing Time, Purchaser may (prior to the Escrow Closing) terminate this Agreement by written notice to Vendor. If Purchaser terminates this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Section 13.13.

### **4.2 Vendor's Escrow Closing Conditions**

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor in whole or in part:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and as of the Escrow Closing Time;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Escrow Closing Time shall have been timely performed in all material respects;
- (c) Purchaser shall have delivered the Purchaser Escrow Closing Documents to the Escrow Agent in accordance with Section 5.2; and
- (d) Purchaser shall have delivered the Escrow Closing Payment to the Escrow Agent at Escrow Closing.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Escrow Closing Time, Vendor may (prior to the Escrow

Closing) terminate this Agreement by written notice to Purchaser. If Vendor terminates this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Section 13.13.

#### **4.3 Efforts to Fulfill Conditions Precedent**

Purchaser and Vendor shall proceed diligently and in good faith and use commercially reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the conditions precedents set forth in Sections 4.1 and 4.2. If there is a condition precedent that is to be satisfied or complied with prior to the Escrow Closing Time, and if, by the Escrow Closing Time, the Party for whose benefit the condition precedent exists fails to notify the other Party whether or not the condition precedent has been satisfied or complied with, the condition precedent shall be conclusively deemed to have been satisfied or complied with.

#### **4.4 Required Consents**

Both before and after Escrow Closing, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law, contract and any and all material consents of Third Parties required to permit the Transaction. The Parties acknowledge that the acquisition of such consents (other than with respect to any Licence Transfers and the Court Order) shall not be a condition precedent to Escrow Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including the Facilities and the Wells.

#### **4.5 Casualty Loss**

If, subsequent to the date of this Agreement and prior to the Closing, all or any portion of the Assets are destroyed by fire or other casualty (collectively, "**Casualty Loss**"), Purchaser shall purchase the Assets, including the portion of the Assets affected by the Casualty Loss, at Closing notwithstanding such Casualty Loss and the Purchase Price shall not be adjusted. If any of the Casualty Loss is covered by insurance policies of Vendor, Vendor shall promptly file a claim and use commercially reasonable efforts to pursue such claim with the applicable insurance providers. Vendor shall, at the Closing, pay to Purchaser all sums paid to Vendor by Third Parties (including insurance providers) by reason of the Casualty Loss, and shall assign, transfer and set over unto Purchaser all of the right, title and interest of Vendor in and to any unpaid awards or other payments from Third Parties (including insurance providers) arising out of the Casualty Loss.

### **ARTICLE 5 ESCROW CLOSING DELIVERIES, SPECIFIC CONVEYANCES AND DELIVERY OF TITLE DOCUMENTS**

#### **5.1 Deliveries by Vendor at Escrow Closing**

As at the Escrow Closing Time, Vendor has executed and delivered to Purchaser and the Escrow Agent the Closing Escrow Agreement and has delivered to the Escrow Agent:

- (a) the General Conveyance duly executed by Vendor;
- (b) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Vendor; and
- (c) any such other items as may be specifically required hereunder.

((a) – (c) above, the "**Vendor Escrow Closing Documents**").

## **5.2 Deliveries by Purchaser at Escrow Closing**

As at the Escrow Closing Time, Purchaser has executed and delivered to Vendor and the Escrow Agent the Closing Escrow Agreement and has delivered to the Escrow Agent:

- (a) the Escrow Closing Payment;
- (b) the General Conveyance duly executed by Purchaser;
- (c) the Officer's Certificate substantially in the form attached as Schedule "E", duly executed by Purchaser; and
- (d) any such other items as may be specifically required hereunder.

((b) – (d) above, the "**Purchaser Escrow Closing Documents**").

## **5.3 Specific Conveyances**

At a reasonable time prior to Closing, Purchaser shall use reasonable efforts to prepare and provide for Vendor's review all Specific Conveyances at Purchaser's own cost and expense. The Parties shall execute such Specific Conveyances at the Closing Time. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. For greater certainty, where a Title Document provides that Vendor shall obtain the written consent from a Third Party prior to the disposition of any rights subject to the Title Document to Purchaser, the failure to obtain such consent shall not constitute grounds for failing to close the Transaction and shall not be a breach of any of Vendor's representations and warranties. Promptly after Closing, Purchaser shall register and/or distribute (as applicable) all such Specific Conveyances and shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser. For greater certainty, none of the Specific Conveyances shall confer or impose upon a Party any greater right or obligation than contemplated in this Agreement.

## **5.4 Title Documents and Miscellaneous Interests**

As soon as practicable following Closing, Vendor shall, at Purchaser's cost, deliver to Purchaser such original copies of the Title Documents and any other agreements and documents to which the Assets are subject and such original copies of contracts, agreements, records, books, documents, licenses, reports and data comprising Miscellaneous Interests which are now in the possession of Vendor or of which Vendor gains possession of prior to Closing.

# **ARTICLE 6 REPRESENTATIONS AND WARRANTIES**

## **6.1 Representations and Warranties of Vendor and Receiver**

Vendor makes only the following representations to Purchaser, no claim in respect of which shall be made or be enforceable by Purchaser unless written notice of such claim, with reasonable particulars, is given by Purchaser to Vendor within a period of six (6) months following the Closing Date:

- (a) Receiver has been appointed by the Court as receiver of Changhua and such appointment is valid and subsisting; and
- (b) subject to obtaining and pursuant to the Court Order, Vendor has the right to enter into this Agreement and to complete the Transaction.

## 6.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor, no claim in respect of which shall be made or be enforceable by Vendor unless written notice of such claim, with reasonable particulars, is given by Vendor to Purchaser within a period of six (6) months following the Closing Date:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the province in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) except for obtaining the Court Order, the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;
- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or license applicable to Purchaser;
- (e) provided the Court Order is obtained, this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirement therefor previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay: (i) all amounts required to be paid by Purchaser under this Agreement; and (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (j) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act* (Canada).

## 6.3 Limitation of Representations by Vendor

- (a) Notwithstanding anything to the contrary in this Agreement, Vendor expressly negates any representations or warranties except as expressly set forth in Section 6.1, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Vendor's interest in and to the Assets shall be purchased on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the

foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:

- (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
  - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;
  - (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
  - (iv) the rates of production of Petroleum Substances from the Lands;
  - (v) the environmental state or condition of the Lands;
  - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
  - (vii) the quality, condition, fitness, suitability, serviceability or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles);
  - (viii) the accuracy or completeness of the Data Room Information or any other data or information supplied by the Vendor or any of its Representatives in connection with the Assets;
  - (ix) the suitability of the Assets for any purpose;
  - (x) compliance with Applicable Laws; or
  - (xi) the title and interest or ownership of Vendor in and to the Assets.
- (b) Except with respect to the representations and warranties in Section 6.1 or in the event of fraud, Purchaser forever releases and discharges Vendor and its Representatives from any claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

#### **6.4 Acknowledgements**

Without detracting from Purchaser's reliance on Vendor's representation and warranties in Section 6.1, Purchaser acknowledges that:

- (a) it has made its own independent investigation, analysis, evaluation and inspection of Vendor's interest in the Assets, including a review of Vendor's title thereto and the state and condition thereof and has relied and will continue to rely exclusively on its own investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets and Vendor's title thereto. Without limiting the foregoing, Purchaser acknowledges it has reviewed and has knowledge of the Data Room Materials;
- (b) it has been provided with the right and opportunity to conduct its own due diligence and site inspections of and in respect to Environmental Liabilities, including Abandonment and Reclamation

Obligations and Discontinuation and Suspension Obligations, and has relied and will continue to rely exclusively on its own investigation, analysis, evaluation and inspection as to its assessment of the Environmental condition of the Lands and Assets;

- (c) in determining the Purchase Price, Purchaser has taken into account Purchaser's assumption of the Abandonment and Reclamation Obligations, Discontinuation and Suspension Obligations, and Environmental Liabilities, as set forth in this Agreement, and Vendor's release of responsibility therefor;
- (d) it forever releases and discharges Vendor and its Representatives from any Claims and all Losses to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to the Closing Time or pursuant to this Agreement, including any of the Data Room Information, any evaluations, projections, reports and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession or control, and neither Vendor nor its Representatives shall have any liability or obligations as a result of any inaccuracy, error or omission therein;
- (e) it has not relied on or been induced to enter into this Agreement by any representation and warranty except as expressly set out in Section 6.1 of this Agreement; and
- (f) except for and to the extent of the representations and warranties in Section 6.1: (i) the Assets shall be conveyed to Purchaser "as is" and in their present condition and state of repair; and (ii) Purchaser will accept the Assets "as is, where is" in their present condition and state of repair and assume the liabilities and obligations as provided for herein.

#### **6.5 Purchaser's Knowledge**

Purchaser shall not be entitled to claim that any fact, circumstance or matter constitutes a breach of Vendor's representations or warranties contained herein to the extent that such fact, circumstance or matter is known by Purchaser or any of its Representatives prior to the Closing Time, whether such fact, circumstance or matter is known to Purchaser or its Representatives prior to the Closing Time through: (a) conducting due diligence and investigation of the Assets and the Transaction (including information disclosed or available in the Data Room Information), (b) information being available in the public domain, (c) information otherwise provided to Purchaser or any of its Representatives by Vendor or any of its Representatives, or (d) information which Purchaser is otherwise aware of on or prior to the date of this Agreement. Furthermore, Purchaser shall not be entitled to claim that any fact, circumstance or matter disclosed in the Data Room Information or on any Schedule to this Agreement constitutes a breach of any of Vendor's representations or warranties contained herein.

### **ARTICLE 7 INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES**

#### **7.1 Vendor's Indemnities for Representations and Warranties**

Vendor shall be liable to Purchaser for and shall, in addition, indemnify Purchaser from and against, all Losses suffered, sustained, paid or incurred by Purchaser which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 6.1 been accurate and truthful; provided, that nothing in this Section 7.1 shall be construed so as to cause Vendor to be liable to or indemnify Purchaser in connection with any representation or warranty contained in Section 6.1 if and to the extent that Purchaser did not rely upon such representation or warranty.

## **7.2 Purchaser's Indemnities for Representations and Warranties**

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all Losses suffered, sustained, paid or incurred by Vendor which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 6.2 been accurate and truthful; provided, that nothing in this Section 7.2 shall be construed so as to cause Purchaser to be liable to or indemnify Vendor in connection with any representation or warranty contained in Section 6.2 if and to the extent that Vendor did not rely upon such representation or warranty.

## **7.3 Survival of Representations and Warranties**

Each Party acknowledges that the other may rely on the representations and warranties made by such Party pursuant to Sections 6.1 or 6.2, as the case may be. The representations and warranties in Sections 6.1 and 6.2 shall be true as of the date hereof and on the Closing Date, and the representations and warranties in Section 6.2 shall continue in full force and effect and shall survive the Closing Date for a period of six (6) months; provided, the representations and warranties in Section 4.1 shall not survive the Closing Date. In the absence of fraud, however, no claim or action shall be commenced with respect to a breach of any such representation and warranty, unless, within such period, written notice specifying such breach in reasonable detail has been provided to the Party which made such representation or warranty.

# **ARTICLE 8 INDEMNITIES**

## **8.1 Post-Closing Date Indemnity**

Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,

as a result of any matter or thing resulting from, attributable to or connected with the Assets and arising or accruing after the Closing Date.

## **8.2 Environmental Matters and Abandonment and Reclamation Obligations**

Purchaser acknowledges that, insofar as the environmental condition of the Assets is concerned, it will acquire the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar with the condition of the Assets, including the past and present use of the Lands and the Tangibles, that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the environmental condition of the Assets, Environmental Liabilities, Discontinuation and Suspension Obligations, or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur,



as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations as between Vendor and Purchaser (including whether occurring or accruing prior to, on or after the Closing Date), and hereby releases Vendor from any claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities, Discontinuation and Suspension Obligations, and Abandonment and Reclamation Obligations (including whether occurring or accruing prior to, on or after the Closing Date) in respect of all Wells and Facilities.

### **8.3 Third Party Claims**

The following procedures shall be applicable to any claim by a Party (the "**Indemnitee**") for indemnification pursuant to this Agreement from the other Party (the "**Indemnitor**") in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within ten (10) Business Days of notice thereof provide written notice thereof to the Indemnitor. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Indemnitor within such ten (10) Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Indemnitor acknowledges to the Indemnitee in writing that the Indemnitor is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Indemnitor shall have the right to do either or both of the following:
  - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
  - (ii) settle the Third Party Claim, provided the Indemnitor pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee;
- (c) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (d) the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Indemnitor shall be subrogated to all claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and co-operate with the Indemnitor to permit the Indemnitor to pursue such subrogated claims as reasonably requested by it; and
- (f) if the Indemnitor has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party, the Indemnitee shall promptly pay the amount of the reimbursement (including

interest actually received) to the Indemnitor, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

## **ARTICLE 9 ADJUSTMENTS**

### **9.1 Benefits And Obligations to be Apportioned**

- (a) Except as otherwise provided in any other provision in this Agreement and without duplication, provided Closing occurs, the Parties will adjust and apportion costs, expenses, obligations, taxes, contract operating expenses and fees and revenues of every kind and nature accruing, payable or paid, receivable or received, in respect of the Assets including Overhead, operating, maintenance, development and capital costs and net proceeds from the sale of Petroleum Substances as at the Adjustment Date between Vendor and Purchaser on an accrual basis in accordance with Canadian generally accepted accounting principles, including, if applicable, IFRS Rules, consistently applied, provided that:
- (i) Vendor's share of all Petroleum Substances produced from the Assets and beyond the wellhead (excluding tank bottoms and line fill) at the Adjustment Date, including Petroleum Substances in storage, shall be for Vendor's account and those Petroleum Substances shall be deemed to be sold on a "first in, first out" basis following the Adjustment Date and Vendor shall be credited with the proceeds of such sale for such Petroleum Substances as determined in accordance with the applicable sales contract or consistent with past practice;
  - (ii) there will be no adjustments for any tax credits, drilling credits or other similar incentives that accrue to a Party because of financial or organizational attributes specific to it;
  - (iii) no adjustments shall be made in respect of Vendor's, Changhua's or Purchaser's income taxes payable, if any;
  - (iv) costs and expenses of work done, services provided and goods supplied shall be deemed to accrue for the purposes of this Section 9.1 when the work is done or the goods (other than inventory) or services are provided, regardless of when such costs and expenses become payable;
  - (v) all taxes other than income taxes including freehold mineral taxes, surface and mineral lease rentals, property taxes, Technology Innovation and Emissions Reduction (TIER) carbon taxes, equipment and other rentals and other periodic costs that relate to the Assets and are payable in respect of a period of time that straddles the Adjustment Date, and any pre-payments of those amounts, shall be apportioned between Vendor and Purchaser on a per diem basis as of the Adjustment Date, and the amount allocated to Purchaser shall be deemed to be a cost incurred after the Adjustment Date;
  - (vi) cash call advances, operating fund advances and similar cash advances made by Vendor in respect of the costs of operations relating to the Assets which are not applicable to costs incurred or accrued prior to the Adjustment Date will be transferred to Purchaser and an adjustment will be made in favour of Vendor equal to the amount of the advance transferred;
  - (vii) non-cash deposits made by Vendor relative to operations relating to the Assets shall, at the option of Vendor, either be returned to Vendor and replaced by

Purchaser, or be transferred to Purchaser and an adjustment will be made in favour of Vendor equal to the amount of the deposit transferred;

- (viii) from the Adjustment Date until the end of the calendar month in which Closing occurs Vendor, where it is the operator of any of the Assets, shall be entitled to retain all overhead recoveries and operator's fees payable pursuant to any Title Documents and such items shall be excluded for purposes of calculating any adjustments hereunder; and
  - (ix) fees or revenues from or relating to gathering, transmission or processing of Petroleum Substances for or on behalf of Persons other than Vendor shall be apportioned on the basis of the date of such gathering, transmission or processing; and
  - (x) there will be no interest payable on adjustments.
- (b) Notwithstanding Section (a) and for greater certainty, Purchaser shall bear all costs associated the Discontinuation and Suspension Obligations.
- (c) [REDACTED]
- (d) For greater certainty, there shall be no adjustments or apportionments as between Vendor and Purchaser in relation to any Thirteenth Month Adjustments.

## 9.2 Adjustments to Account

- (a) An interim accounting of the adjustments (the "**Interim Statement of Adjustments**") pursuant to Section 9.1 shall be made at Closing based on Vendor's and Purchaser's good faith estimate of the costs and expenses paid by Vendor prior to Closing and the revenues received by Vendor between the Adjustment Date and the Closing Time. Vendor and Purchaser shall cooperate in preparing such interim accounting and Vendor shall provide the Interim Statement of Adjustments not later than three (3) Business Days prior to Closing and shall assist Purchaser in verifying the amounts set forth in such statement. At the Closing Time, the Closing Payment shall be paid by Purchaser to Vendor (or Vendor to Purchaser, as the case may be). A final accounting of the adjustments pursuant to Section 9.1 shall be conducted within ninety (90) days following the Closing Date (the "**Final Statement of Adjustments**"), and no further or other adjustments whatsoever will be made thereafter. All adjustments after Closing pursuant to the Final Statement of Adjustments shall be settled by payment by the Party required to make payment to the other Party hereunder within fifteen (15) Business Days of being notified of the determination of the amount owing.
- (b) All adjustments provided for in this Article shall be adjustments to the Purchase Price and shall be allocated to the Petroleum and Natural Gas Rights.

## ARTICLE 10 MAINTENANCE OF ASSETS

### 10.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall, to the extent that the nature of its interest permits, taking into account Receiver's status as the receiver over Changhua and its assets pursuant to the Appointment Order, and subject to the Title Documents and any other agreements and documents to which the Assets are subject:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay all associated post-receivership operating costs incurred by the Receiver in a timely.

The Parties acknowledge and agree that the Interim Contract Operator shall continue to perform its contract operating services during the period from the date hereof until the Closing Date (or until such later date as decided by Purchaser post-Closing, provided Closing occurs).

## **10.2 Consent of Purchaser**

Notwithstanding Section 10.1 and subject to Applicable Laws and directions of Governmental Authorities (including in relation to the receivership proceedings of Changhua and such proceedings themselves), Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld by Purchaser and which, if provided, shall be provided in a timely manner:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of ██████████, except in case of an emergency; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) amend or terminate any Title Document or enter into any new agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting sales of the Leased Substances in the normal course of business.

## **10.3 Proposed Actions**

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 10.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than twenty four (24) hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election within such period shall be deemed to be Purchaser's election to participate in the Proposal;
- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election not to participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest

therein is terminated as a result of such election, and such termination shall not constitute a failure of Vendor's representations and warranties pertaining to such Assets, notwithstanding Section 7.3.

#### **10.4 Post-Closing Transition**

Following Closing and to the extent to which Purchaser must be novated into Title Documents and other agreements or documents to which the Assets are subject or otherwise recognized as the owner of the Assets, until that novation or recognition has been effected or for a period of ninety (90) days, whichever is sooner, Vendor shall:

- (a) in a timely manner, deliver to Purchaser all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting the Assets, and Purchaser shall prepare responses to such notices on Vendor's behalf and for Vendor's delivery to such Third Parties, provided that Vendor may refuse to deliver any such responses from Purchaser which it reasonably believes to be unlawful, unethical or in conflict with any applicable agreement or contract, and provided that nothing shall preclude Vendor from taking such actions as Vendor reasonably determines are necessary for the protection of life or property, or as are required by all Applicable Laws, rules, regulations, orders and directions of Governmental Authorities and other competent authorities; and
- (b) receive all revenues which are the property of Purchaser pursuant to this Agreement, as bare trustee and shall remit such revenues to Purchaser in a timely fashion.

#### **10.5 Purchaser's AER Covenant**

Purchaser shall not, until such time as all applicable Permits have been transferred to Purchaser by the applicable Governmental Authority, enter into any transaction or otherwise do or fail to do any act or thing which could result in Purchaser no longer being in material compliance with all AER requirements (including pursuant to Directive 067 and Directive 088) or that would otherwise be reasonably expected to negatively affect, or delay the granting or approval of, the Vendor LTA or the transfer of all Permits to Purchaser.

#### **10.6 Vendor Deemed Purchaser's Trustee and Agent**

- (a) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this Article 10, Vendor shall be deemed to have been the bare trustee and agent of Purchaser hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this Article 10 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (b) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this Article 10, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (c) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's bare trustee and agent pursuant to this Article 10, insofar as such Losses are not a direct result of the gross negligence or wilful misconduct of Vendor or its Representatives. An action or omission of Vendor or of its Representatives shall not be regarded as gross negligence or wilful misconduct to the extent to which it was done or omitted from being done in accordance with Purchaser's instructions (including any election deemed pursuant to Section 10.3(b) or concurrence.

## 10.7 Transfer of Operatorship

Purchaser acknowledges that Vendor is unable to assign to Purchaser operatorship of the Assets, if any, operated by Vendor and in respect of which Vendor does not have a 100% interest. Vendor shall, however, use reasonable commercial efforts to assist Purchaser in its attempts to obtain operatorship. Vendor shall have no liability to Purchaser for any Losses or Liabilities suffered or sustained by Purchaser as a result of not being designated as the operator of any of the Assets (including the Tangibles) whether or not operated by Vendor or its Affiliates prior to Closing.

## ARTICLE 11 RIGHTS OF FIRST REFUSAL

### 11.1 Rights of First Refusal

- (a) Vendor shall, by no later than three (3) Business Days after Escrow Closing, issue letters (the “**Exemption Letters**”) to all applicable Third Parties (each a “**ROFR Counterparty**”) describing the disposition contemplated in this Agreement and that such disposition is subject to sub-clause 2402 of 1990 CAPL Operating Procedure attached to and forming part of Pooling Agreement dated December 15, 2003 and Farmout Agreement dated March 30, 2006. Failure of Third Parties to contest or respond within thirty (30) days of issuance of the Exemption Letters shall negate any obligations in this Agreement respecting ROFR.
- (b) In the event that a ROFR Counterparty contests the applicable Exemption Letter, Vendor shall, if so directed by Purchaser, by no later than three (3) Business Days after such notice from the ROFR Counterparty, issue the applicable ROFR notices to all applicable ROFR Counterparties with respect to the portion of the Assets that are subject to a Right of First Refusal, as disclosed in Schedule “C” (the “**ROFR Assets**”).
- (c) In the event a ROFR notice is to be delivered pursuant to 11.1(b), Purchaser will provide Vendor with draft ROFR notices to be issued as provided for in Section 11.1(a), which shall include Purchaser’s bona fide allocations of the Base Price to the ROFR Assets (the “**ROFR Allocations**”). Purchaser shall be liable to Vendor and, as a separate covenant, indemnify and hold harmless Vendor and its Representatives from and against any and all Losses arising from Vendor’s: (i) issuance or non-issuance of the ROFR notices, as applicable, contemplated in 11.1(b), and (ii) utilization of the ROFR Allocations.
- (d) If a Right of First Refusal is exercised and Purchaser and Vendor agree that such exercise was valid, then Purchaser may elect to terminate this Agreement upon written notice to Vendor.
- (e) If: (i) a Right of First Refusal is exercised, (ii) Purchaser and Vendor agree that such exercise was valid, and (iii) this Agreement is not terminated by Purchaser pursuant to Section 11.1(d) the Assets which are subject thereto shall not be sold to Purchaser pursuant hereto but shall be deleted from and cease to be subject to this Agreement. If a portion of the Assets are so excluded from this Agreement:
  - (i) the terms “Assets”, “Leases”, “Miscellaneous Interests”, “Petroleum and Natural Gas Rights”, “Tangibles”, “Wells” and “White Map Areas” shall be construed as meaning only that portion of the subject matter of those terms with respect to which Closing occurs and the Schedules shall be deemed to be revised to reflect the deletion of such Assets; and
  - (ii) the Base Price for the Assets shall be reduced by the aggregate value allocated to such Assets pursuant to the ROFR Allocations shall be correspondingly reduced.

**ARTICLE 12**  
**PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS**

**12.1 Vendor to Provide Access**

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Sayer Energy Advisors during normal business hours, provide reasonable access for Purchaser and its Representatives to Vendor's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access) for the purpose of Purchaser's review of the Assets and title thereto.

**12.2 Access to Information**

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licenses, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

- (a) Changhua's or Vendor's ownership of the Assets (including taxation matters and liabilities and claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) preparation of the Final Statement of Adjustments;
- (c) enforcing its rights under this Agreement;
- (d) compliance with Applicable Law; or
- (e) any claim commenced or threatened by any Third Party against Changhua or Vendor.

**12.3 Maintenance of Information**

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two (2) years from the Closing Date.

**ARTICLE 13**  
**GENERAL**

**13.1 Further Assurances**

Each Party will, from time to time and at all times after Closing, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

**13.2 No Merger**

The covenants, representations, warranties and indemnities contained in this Agreement shall be deemed to be restated in any and all assignments, conveyances, transfers and other documents conveying the interests of Vendor in and to the Assets to Purchaser, subject to any and all time and other limitations contained in this Agreement. There shall not be any merger of any covenant, representation, warranty or

indemnity in such assignments, conveyances, transfers and other documents notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

### **13.3 Receiver**

Purchaser acknowledges that Receiver is acting solely in its capacity as the Court-appointed receiver of Changhua, and not in its personal or corporate capacity. Under no circumstances shall Receiver or any of its Representatives have any liability pursuant to this Agreement, or in relation to the Transaction, in its or their personal or corporate capacity, whether such liability be in contract, tort or otherwise.

### **13.4 Entire Agreement**

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. This Agreement supersedes all other agreements (other than the Confidentiality Agreement dated March 10, 2023 (the "**Confidentiality Agreement**") between Vendor and Purchaser), documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the subject matter hereof.

### **13.5 Governing Law**

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

### **13.6 Signs and Notifications**

Within sixty (60) days following Closing, Purchaser shall remove any signage which indicates Changhua's ownership or operation of the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

### **13.7 Assignment and Enurement**

This Agreement may not be assigned by a Party without the prior written consent of the other Party, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

### **13.8 Time of Essence**

Time shall be of the essence in this Agreement.

### **13.9 Notices**

The addresses for service and email addresses of the Parties shall be as follows:

Vendor - **FTI CONSULTING CANADA INC.**  
1620 540-5 Avenue SW  
Calgary, AB T2P 0M2

Attention: Brett Wilson  
Email: [Brett.Wilson@fticonsulting.com](mailto:Brett.Wilson@fticonsulting.com)



Purchaser - **BITSTONE RESOURCES INC.**  
8-30th Street  
Sylvan Lake, AB T4S 2P3

Attention: Garry Moyes  
Email: gmoyes@bitstoneresources.com

- (a) All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:
- (i) by personal service on a Party at the address of such Party set out above, in which case the item so served shall be deemed to have been received by that Party when personally served;
  - (ii) by email to a Party to the email address of such Party set out above, in which case the item so transmitted or sent shall be deemed to have been received by that Party when transmitted or sent; or
  - (iii) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a Party at the address of such Party set out above, in which case the item so mailed shall be deemed to have been received by that Party on the third (3<sup>rd</sup>) Business Day following the date of mailing (the date of mailing being the Business Day immediately prior to the postmarked date of the envelope containing the notice, communication or statement or if the subject envelope has been lost or destroyed, the date of such notice, communication or statement or if undated the date of the transmittal letter accompanying the same).

A Party may from time to time change its address for service or email address by giving written notice of such change to the other Party in accordance with the provisions hereof.

### **13.10 Invalidity of Provisions**

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

### **13.11 Waiver**

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

### **13.12 Amendment**

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

### **13.13 Confidentiality and Public Announcements**

Until Closing has occurred and subject to the Confidentiality Agreement, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information (i) to any Governmental Authority or regulatory authority or to the public or otherwise if required by Applicable Law or as directed by any Governmental Authority or regulatory authority (including in relation to the receivership proceedings of Changhua and such proceedings themselves); or (ii) in connection with obtaining the Court Order; or (iii) as required to Changhua's secured creditors.

### **13.14 Counterpart Execution**

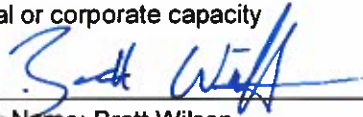
This Agreement may be executed in separate counterparts (including by electronic means including PDF and DocuSign) and delivered by email transmission and each counterpart when so executed and delivered shall be deemed to be an original and when taken together shall constitute one and the same instrument, and production of an originally executed or electronically executed copy of each counterpart execution page will be sufficient for purposes of proof of execution and delivery of this Agreement.

***[Remainder of page intentionally left blank. Signature page to follow.]***

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity

Per:



Name: Brett Wilson

Title: Managing Director

**BITSTONE RESOURCES INC.**

Per:

Name: Chris Wilson

Title: President

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the date first above written.

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity

Per: \_\_\_\_\_

Name: Brett Wilson  
Title: Managing Director

**BITSTONE RESOURCES INC.**

Per:  \_\_\_\_\_

Name: Chris Wilson  
Title: President

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.

LAND DESCRIPTION	WI%	MINERAL RIGHTS	BURDENS	P&NG AGREEMENTS
17-48-15W5	60	PNG Below base Bluesky to Base Rock Creek	Crown Royalty	0501100154
25-48-15W5	100	PNG Surface to Base Rock Creek	Crown Royalty	5403060633
9-48-15W5	60	PNG Below base Bluesky to Base Rock Creek	Crown Royalty	0501060189
9-48-15W5	60	PNG Surface to Base Bluesky (excluding CBM)	Crown Royalty	0501060188
16-48-15W5	100 BPO 80 APO	PNG Surface to Base Bluesky	Crown Royalty 5-15% GORR Convertible at PO 4-16 well	0502040333
E36-48-15W5	100	PNG below Cardium to Base Rock Creek	Crown Royalty	5403060634
E36-48-15W5	60  (Subject to penalty in 16-36-48-15W5 well 200% penalty, Cardium production)	Surface to Base Cardium	Crown Royalty	5403060634
21-48-15W5	80	PNG Surface to Base Rock Creek	Crown Royalty	0501100155
35-48-15W5	100	PNG Surface to Base Rock Creek	Crown Royalty	5403060703
22-48-15W5	100	PNG Surface to Base Cardium	Crown Royalty	0518080083
22-28-15W5	100	PNG Below base Cardium to Base Bluesky-Bullhead	Crown Royalty	0518080084

22-48-15W5	100	PNG below Base Bluesk-Bullhead to Base Rock Creek	Crown Royalty	0518080085
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**THE FOLLOWING COMPRISES SCHEDULE “B” ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.**

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**WELLS AND FACILITIES**

**Wells**

<b>WELL, UWI</b>	<b>LICENCE</b>
100/16-25-048-015W5	0442883
100/07-09-048-015W5	0364958
100/04-16-048-015W5	0357607
100/16-36-048-015W5	0357975
100/02-21-048-15W5	0363808
100/02-35-048-015W5	0452660
100/14-22-048-015W5	0442860
100/12-24-048-015W5	0393675

### Facilities

Well	ESD	Pumping unit size	manufacturer	Prime mover	separator skid - building	separator size	Safety devises	Catadyne heaters	MeOH pump	MeOH tank	gas meter	Pop tank	SCADA	FKO	Flare stack	Flare ignition system	Production tank	Compres sor skid - building	compressor
100/16-25-048-15W5	hydraulic	no			yes	24x12	PSH LSH	1-24x24	yes	1000L	flow transmitter	50 bbl	yes	yes	yes	yes	2 x 750 bbl		
100/07-09-048-15W5															gas tied into sales				
100/04-16-048-15W5	pneumatic	640-365-168	Weatherford	Arrow C-106	yes	18x12	PSH LSH	12x36	yes	1000L	flow transmitter	50bbl	yes	no	yes	yes	400 bl	yes	Gemini M302
100/16-36-048-15W5	pneumatic	456-305-144	Weatherford	Arrow C-96	yes	30x5	no	1 24x24	yes	1000L	dry flo	50 bbl	no	yes	yes	yes	400 bbl		
100/02-21-048-15W5	pneumatic	228-246-86	Lufkin	Arrow C-66	yes	16x8	PSH LSH	2 24x24	yes	1000L	dry flo	50bbl	no	yes	yes	no	2 x 400 bbl		
100/02-35-048-15W5	pneumatic	456-305-168	Daging	Arrow C-106	yes	16x10	PSH LSH	1-24x24	yes	1000L	dry flo	50 bbl	no	integral with flare stack	yes	no	2 x 400 bbl		
100/14-22-048-15W5	pneumatic	640-365-192	Weatherford	Arrow VRG-380 A62	yes	30x12	PSH LSH	24x24	yes	1000L	dry flo	50	no	yes	yes	yes	2 x 750 bbl		

### Facilities Pipelines

Pipeline license	Substance	Diameter	length
48396-1	Sour Natural Gas (sour zones NOT completed - sweet oil / gas only)	114.3 - steel	1630 m (4-16-48-15W5 to 13-9-48-15W5)
25048-1	sour nat gas	114 steel	8400m (06-36-047-15 to 15-09-047-14)
25044-1	fuel gas	60mm steel	8400m (06-36-047-15 to 15-09-047-14)



**THE FOLLOWING COMPRISES SCHEDULE “C” ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.**

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**RIGHTS OF FIRST REFUSAL**

Not applicable.

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.

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## FORM OF GENERAL CONVEYANCE

THIS GENERAL CONVEYANCE made as of this \_\_\_\_ day of \_\_\_\_\_, 2023.

BETWEEN:

**FTI CONSULTING CANADA INC.**, in its capacity as the receiver of CHANGHUA ENERGY CANADA LTD. and not in its personal or corporate capacity (hereinafter referred to as "Vendor")

- and -

**BITSTONE RESOURCES INC.**, a corporation incorporated under the laws of Alberta (hereinafter referred to as "**Purchaser**")

**WHEREAS** pursuant to an order of the Honourable Justice G.S. Dunlop Horner of the Alberta Court of King's Bench (the "**Court**") dated December 8, 2023 (the "**Appointment Order**"), FTI CONSULTING CANADA INC. ("**Receiver**") was appointed receiver of CHANGHUA ENERGY CANADA LTD. ("**Changhua**");

**AND WHEREAS** Vendor and Purchaser entered into a Purchase and Sale Agreement made as of [●], 2023 (the "**Purchase Agreement**") with respect to the Assets (which term when used in this Agreement, as the same meaning as in the Purchase Agreement);

**NOW THEREFORE** for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

### 1. **Conveyance**

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the entire right, title, estate and interest of Vendor in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

### 2. **Subordinate Document**

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

### 3. **No Merger**

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

**4. Governing Law**

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

**5. Enurement**

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

**6. Further Assurances**

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.

**7. Counterpart Execution**

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

**IN WITNESS WHEREOF**, the Parties have executed this General Conveyance on the date first above written.

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity

**BITSTONE RESOURCES INC.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name: Chris Wilson  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_

THE FOLLOWING COMPRISES SCHEDULE "E" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.

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**[VENDOR'S][PURCHASER'S] OFFICER'S CERTIFICATE**

**TO:** [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")]

**RE:** Purchase and Sale Agreement dated [●] between Vendor and Purchaser (the "Agreement")

Unless otherwise defined herein, the definitions provided for in the Agreement are adopted in this certificate (the "**Certificate**").

1. I, [Name], [Position] of [Name of Vendor/Purchaser] [(the "Vendor")] [(the "Purchaser")] hereby certify that as of the date of this Certificate:
2. The undersigned is personally familiar, in [his][her] capacity as an officer of [Vendor][Purchaser], with the matters hereinafter mentioned.
3. Each of the covenants, representations and warranties of the [Vendor][Purchaser] contained in Article 4 of the Agreement were true and correct in all material respects when made and are true and correct in all material respects as of the Escrow Closing Time.
4. All obligations of [Vendor][Purchaser] contained in the Agreement to be performed prior to or at Escrow Closing Time have been timely performed in all material respects.
5. This Certificate is made for and on behalf of the [Vendor][Purchaser] and is binding upon it, and I am not incurring, and will not incur, any personal liability whatsoever with respect to it.
6. This Certificate is made with full knowledge that the [Vendor][Purchaser] is relying on the same for the Closing of the transactions contemplated by the Agreement.

**IN WITNESS WHEREOF** I have executed this Certificate this \_\_\_ day of \_\_\_\_\_, 2023.

**NAME OF VENDOR/PURCHASER**

Per: \_\_\_\_\_

Name:

Title:

THE FOLLOWING COMPRISES SCHEDULE "F" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.

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**COURT ORDER**

COURT FILE NUMBER

COURT

JUDICIAL CENTRE

PLAINTIFF

DEFENDANT

DOCUMENT

COURT OF KING'S BENCH OF ALBERTA

**APPROVAL AND VESTING ORDER**

**(Sale by Receiver)**

Clerk's Stamp

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF PARTY  
FILING THIS DOCUMENT

**DATE ON WHICH ORDER WAS PRONOUNCED:** \_\_\_\_\_

**LOCATION WHERE ORDER WAS PRONOUNCED:** \_\_\_\_\_

**NAME OF JUSTICE WHO MADE THIS ORDER:** \_\_\_\_\_

**UPON THE APPLICATION** by FTI Consulting Canada Inc. in its capacity as the Court-appointed receiver (the "Receiver") of the undertaking, property and assets of Changhua Energy Canada Ltd. (the "Debtor") for an order approving the sale transaction (the "Transaction") contemplated by an agreement of purchase and sale (the "Sale Agreement") between the Receiver and Bitstone Resources Inc. (the "Purchaser") dated **[Date]** and appended to the \_\_\_\_ Report of the Receiver dated **[Date]** (the "Report"),

and vesting in the Purchaser (or its nominee)<sup>1</sup> the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "Purchased Assets");

**AND UPON HAVING READ** the Receivership Order dated December 7, 2022 (the "Receivership Order"), the Report and the Affidavit of Service; **AND UPON HEARING** the submissions of counsel for the Receiver, the Purchaser, the Export-Import Bank of China, and the Alberta Energy Regulator, no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service, filed;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

**SERVICE**

- [1] Service of notice of this application and supporting materials is hereby declared to be good and sufficient, and no other person is required to have been served with notice of this application, and time for service of this application is abridged to that actually given.

**APPROVAL OF TRANSACTIONS**

- [2] The Transaction is hereby approved,<sup>2</sup> and the execution of the Sale Agreement by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver may deem necessary. The Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction or for the conveyance of the Purchased Assets to the Purchaser (or its nominee).

**VESTING OF PROPERTY**

- [3] Upon the delivery of a Receiver's certificate to the Purchaser (or its nominee) substantially in the form set out in Schedule "A" hereto (the "Receiver's Certificate"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement and listed on Schedule "B" hereto shall vest absolutely in the name of the Purchaser (or its nominee), free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, caveats,<sup>1</sup> mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens,

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<sup>1</sup> Ensure that there are no legal obstacles to the vesting of assets in a nominee (for example competition and anti-trust law). Should land be transferred and vested in a nominee, the Registrar of Land Titles requires the Purchaser to complete a Certificate of Nomination (which needs to be signed under seal if the Purchaser is a corporation. If the Purchaser is an individual, the signature needs to be witnessed with an affidavit of execution completed.)

<sup>2</sup> In some cases, notably where this Order may be relied upon for proceedings in the United States, a finding that the Transaction is commercially reasonable and in the best interests of the Debtor and its stakeholders may be necessary. Evidence should be filed to support such a finding.

executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims")<sup>3</sup> including, without limiting the generality of the foregoing:

- a) any encumbrances or charges created by the Receivership Order;
- b) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system; and
- c) those Claims listed on **Schedule "C"** hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, caveats,<sup>2</sup> easements and restrictive covenants listed on **Schedule "D"**);

and for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.<sup>4</sup>

- [4] For the purposes of determining the nature and priority of Claims, the net proceeds<sup>6</sup> from the sale of the Purchased Assets (to be held in an interest bearing trust account by the Receiver) shall stand in the place and stead of the Purchased Assets, and from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale<sup>7</sup>, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.
- [5] The Purchaser (and its nominee, if any) shall, by virtue of the completion of the Transaction, have no liability of any kind whatsoever in respect of any Claims against the Debtor.
- [6] The Debtor and all persons who claim by, through or under the Debtor in respect of the Purchased Assets, save and except for the persons entitled to the benefit of the Permitted Encumbrances, shall stand absolutely barred and foreclosed from all estate, right, title, interest, royalty, rental and equity

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<sup>3</sup> The "Claims" being vested out may, in some cases, include ownership claims, where ownership is disputed and the dispute is brought to the attention of the Court. Such ownership claims would, in that case, still continue as against the net proceeds from the sale of the claimed asset. Similarly, other rights, titles or interests could also be vested out, if the Court is advised what rights are being affected, and the appropriate persons are served. The Committee agrees with the view of the Ontario Committee that a non-specific vesting out of "rights, titles and interests" is vague and therefore undesirable.

<sup>4</sup> Should the removal of Encumbrances include removal of registrations at the Personal Property Registry involving serial numbered personal property, include this paragraph:

**"[From and after the closing of the Transaction (including the payment of the purchase price by the Purchaser to the Receiver), the Receiver is authorized to discharge from the Personal Property Registry any claim registered against any of the Personal Property being purchased by the Purchaser, to the extent the security interest is registered against the interest of the Debtor.]"**

<sup>6</sup> The Report should identify the disposition costs and any other costs which should be paid from the gross sale proceeds, to arrive at "net proceeds".

<sup>7</sup> This provision crystallizes the date as of which the Claims will be determined. If a sale occurs early in the insolvency process, or potentially secured claimants may not have had the time or the ability to register or perfect proper claims prior to the sale, this provision may not be appropriate, and should be amended to remove this crystallization concept.

of redemption of the Purchased Assets and, to the extent that any such persons remains in possession or control of any of the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser (or its nominee).

[7] The Purchaser (or its nominee) shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for its own use and benefit without any interference of or by the Debtor, or any person claiming by or through or against the Debtor.

[8] Immediately after the closing of the Transaction, the holders of the Permitted Encumbrances shall have no claim whatsoever against the Receiver or the Debtor.

[9] The Receiver is to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof to the Purchaser (or its nominee).

[10][Pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* and section 20(e) of the Alberta *Personal Information Protection Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Debtor's records pertaining to the Debtor's past and current employees, including personal information of those employees listed in the Sale Agreement. The Purchaser (or its nominee) shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.] **[NTD: To be confirmed when Order is finalized.]**

[11] Notwithstanding:

- a) The pendency of these proceedings;
- b) Any applications for a bankruptcy order now or hereafter issued pursuant to the Bankruptcy and Insolvency Act (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- c) Any assignment in bankruptcy made in respect of the Debtor,

the vesting of the Purchased Assets in the Purchaser (or its nominee) pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.



[12] The Receiver, the Purchaser (or its nominee) and any other interested party, shall be at liberty to apply for further advice, assistance and directions as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.

#### MISCELLANEOUS MATTERS

[13] 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 as 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.

[14] This Order must be served only upon those interested parties attending or represented at the within application and service may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following the transmission or delivery of such documents.

[15] Service of this Order on any party not attending this application is hereby dispensed with.

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J.C. C.K.B.A.

**Schedule "A"**

**Form of Receiver's Certificate**

COURT FILE NUMBER

COURT

JUDICIAL CENTRE

PLAINTIFF

DEFENDANT

DOCUMENT

COURT OF KING'S BENCH OF ALBERTA

**RECEIVER'S CERTIFICATE**

Clerk's Stamp

ADDRESS FOR SERVICE AND

CONTACT INFORMATION OF

PARTY FILING THIS  
DOCUMENT

**RECITALS**

- A. Pursuant to an Order of the Honourable Justice G.S. Dunlop of the Court of King's Bench of Alberta, Judicial District of Calgary (the "Court") dated December 7, 2022, FTI Consulting Canada Inc. was appointed as the receiver (the "Receiver") of the undertaking, property and assets of Changhua Energy Canada Ltd. (the "Debtor").
  
- B. Pursuant to an Order of the Court dated **[Date]**, the Court approved the agreement of purchase and sale made as of **[Date of Agreement]** (the "Sale Agreement") between the Receiver and Bitstone Resources Inc. (the "Purchaser") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate

confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section [●] of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

**THE RECEIVER CERTIFIES** the following:

1. The Purchaser (or its nominee) has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in section [●] of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser (or its nominee); and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at **[Time]** on **[Date]**.

**FTI Consulting Canada Inc., in its capacity as Receiver of the undertaking, property and assets of Changhua Energy Canada Ltd., and not in its personal capacity.**

**Per:** \_\_\_\_\_

**Name:**

**Title:**

**THE FOLLOWING COMPRISES SCHEDULE "G" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.**

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**CLOSING ESCROW AGREEMENT**

See attached.

## ESCROW AGREEMENT

THIS AGREEMENT dated the \_\_ day of \_\_\_\_\_, 2023 (the "**Escrow Deposit Date**").

### AMONG:

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity. Both corporations having an office and carrying on business in the City of Calgary, in the Province of Alberta ("**Vendor**")

-and-

**BITSTONE RESOURCES INC.**, a corporation having an office and carrying on business in the town of Sylvan Lake, in the Province of Alberta ("**Purchaser**");

-and-

**BENNETT JONES LLP**, a limited liability partnership registered under the laws of the Province of Alberta (the "**Escrow Agent**")

### WHEREAS:

- A. Vendor and Purchaser have entered into the Purchase Agreement, pursuant to which Vendor has agreed to sell to Purchaser, and Purchaser has agreed to purchase from Vendor, all of Vendor's right, title and interest in and to the Assets in consideration for the Purchase Price, on and subject to the terms set forth in the Purchase Agreement;
- B. The Escrow Parties wish to deposit with the Escrow Agent, subject to the terms hereof: (i) the Base Price; and (ii) the Closing Documents including any documents contemplated by the Purchase Agreement or agreements, conveyances, certificates or other written instruments which are necessarily incidental to the completion of the transactions contemplated by the Purchase Agreement which may be deposited into escrow by any Escrow Party between the Escrow Deposit Date and the date that such documents are released in accordance with this Agreement, being herein referred to collectively as the "**Escrowed Documents**";
- C. The Escrowed Documents and the Escrowed Funds are to be held in escrow by the Escrow Agent pending satisfaction of the conditions precedent set forth in Article 3 of the Purchase Agreement (the "**Escrow Release Condition**");
- D. The Escrow Agent is willing to act as escrow agent for the sole purposes of dealing with the Escrowed Documents and the Escrowed Funds in accordance with the terms and conditions of this Escrow Agreement.

**NOW THEREFORE** in consideration of the premises hereto and the covenants and agreements contained herein and in the Purchase Agreement, the parties hereto covenant and agree as follows:

**1. Definitions**

Whenever used in this Agreement, including in the recitals hereto, unless there is something in the subject matter or content inconsistent therewith, the terms set out below shall have the following meanings:

"**Agreement**" means this escrow agreement, as may be amended from time to time;

"**Assets**" has the meaning set-out in the Purchase Agreement;

"**Base Price**" has the meaning set-out in the Purchase Agreement;

"**Business Day**" has the meaning set-out in the Purchase Agreement;

"**Closing Date**" means, if the Escrow Release Condition is satisfied, the date that the Escrowed Documents and the Escrowed Funds are released pursuant to this Agreement, being the date that the purchase and sale of the Assets is given effect to under the Purchase Agreement and the Escrowed Documents become effective and binding on the parties thereto;

"**Closing Documents**" has the meaning set-out in the Purchase Agreement;

"**Court**" means the Court of King's Bench of Alberta;

"**Default Escrow Termination Condition**" has the meaning given to such term in Section 4(c);

"**Default Escrow Termination Direction**" has the meaning given to such term in Section 4(c);

"**Escrow Deadline**" has the meaning set-out in the Purchase Agreement;

"**Escrow Deposit Date**" has the meaning given to such term on the face page to this Agreement;

"**Escrow Parties**" means, collectively, Vendor and Purchaser, and "**Escrow Party**" means any one of them;

"**Escrow Release Condition**" has the meaning given to such term in the recitals to this Agreement;

"**Escrow Release Direction**" has the meaning given to such term in Section 4(a);

"**Escrow Termination Condition**" has the meaning given to such term in Section 4(b);

"**Escrow Termination Direction**" has the meaning given to such term in Section 4(b);

"**Escrowed Documents**" has the meaning given to such term in the recitals to this Agreement;

"**Escrowed Funds**" has the meaning given to such term in Section 3;

"**Joint Direction**" means any of the Escrow Release Direction, Escrow Termination Direction, Default Escrow Termination Direction or any other joint written restrictions or directions delivered

to the Escrow Agent by all of the Escrow Parties, collectively, pursuant to the terms of this Agreement;

"**notice**" has the meaning given to such term in Section 9;

"**Person**" has the meaning set-out in the Purchase Agreement;

"**Purchase Agreement**" means the purchase agreement made in respect of the Assets to be made effective as of the Closing Date between Vendor and Purchaser, as may be amended from time to time;

"**Purchase Price**" means the amount payable by Purchaser to Vendor in consideration for the purchase of the Assets pursuant to the Purchase Agreement;

"**Purchaser Default**" has the meaning set-out in the Purchase Agreement; and

"**Termination Amount**" has the meaning set-out in the Purchase Agreement.

All amounts in this Agreement are expressed in Canadian dollars unless otherwise indicated.

## 2. **Appointment of Escrow Agent**

The Escrow Parties hereby appoint Bennett Jones LLP to act as Escrow Agent to receive, hold and release the Escrowed Documents and Escrowed Funds on the terms and conditions set forth in this Agreement and Bennett Jones LLP accepts such appointment on such terms and conditions.

## 3. **Receipt of Escrowed Funds and Escrowed Documents**

The Escrow Agent acknowledges receipt of:

- a) the Escrowed Documents; and
- b) the sum of [REDACTED], being the Base Price to be paid by Purchaser to Vendor for the purchase of the Assets pursuant to the Purchase Agreement,

which are hereby deposited with the Escrow Agent on the Escrow Deposit Date, each to be held in escrow on behalf of the Escrow Parties in accordance with the terms hereof and the Purchase Agreement. The Escrow Agent shall cause the Base Price to be deposited in an interest bearing trust account with a Canadian chartered bank. Any interest actually earned from such account shall follow the principal amount applicable thereto (collectively, the Base Price and any interest actually earned thereon are referred to herein as the "**Escrowed Funds**").

## 4. **Release of Escrowed Funds and Escrowed Documents**

- (a) Forthwith upon the receipt of a joint direction of Vendor and Purchaser in the form attached as Schedule "A" (the "**Escrow Release Direction**") hereto confirming the satisfaction of the Escrow Release Condition, the Escrow Agent shall:
  - (i) release the Escrowed Funds to Vendor in accordance with the Purchase Agreement; and

- (ii) date the Escrowed Documents as of the date of receipt of the Escrow Release Direction to give effect to the transactions contemplated by the Purchase Agreement as of the date of the Escrow Release Direction.
- (b) If the Escrow Release Condition has not been satisfied by the Escrow Deadline (as may be amended by agreement of the Escrow Parties pursuant to Section 4(d) below), or if the Escrow Parties advise the Escrow Agent that the Purchase Agreement has been terminated in accordance with section 3.3(d) of the Purchase Agreement (the "**Escrow Termination Condition**"), promptly thereafter the Escrow Parties shall execute and deliver a joint direction in the form attached as Schedule "B" hereto (the "**Escrow Termination Direction**") to the Escrow Agent instructing the Escrow Agent to:
  - (i) release the Escrowed Funds to Purchaser in accordance with the Purchase Agreement; and
  - (ii) destroy all the Escrowed Documents.
- (c) if the Escrow Parties advise the Escrow Agent that the Purchase Agreement has been terminated as a result of Purchaser Default in accordance with section 3.3(e) of the Purchase Agreement (the "**Default Escrow Termination Condition**"), promptly thereafter the Escrow Parties shall execute and deliver a joint direction in the form attached as Schedule "C" hereto (the "**Default Escrow Termination Direction**") to the Escrow Agent instructing the Escrow Agent to:
  - (i) release ██████████ of the Escrowed Funds to Vendor as satisfaction of the Termination Amount payable pursuant to section 3.3(e)(ii)(A) of the Purchase Agreement;
  - (ii) release the remainder of the Escrowed Funds to Purchaser; and
  - (iii) destroy all the Escrowed Documents.
- (d) The Escrow Parties may vary the timing of the distribution of the Escrowed Funds or distribution/destruction of the Escrowed Documents pursuant to the foregoing provisions by a joint written direction to the Escrow Agent, in which event, the Escrow Agent shall comply with such instructions relating to the Escrowed Funds and the Escrowed Documents at the time or times specified in such joint written direction; provided, however, that any such variation shall not extend the date of distribution or destruction beyond six (6) months from the original date provided for hereunder without the written consent of the Escrow Agent.

## **5. Conflict with Purchase Agreement**

This Agreement has been entered into in furtherance of the Purchase Agreement. However, in the event of a conflict between this Agreement and the Purchase Agreement, this Agreement shall govern.

## **6. Further Documents**

To the extent that the instructions of the Escrow Parties to the Escrow Agent differ from the Escrow Release Direction, the Escrow Termination Direction or the Default Escrow Termination Direction



in the forms attached to this Agreement, the Escrow Agent may (but is not obligated to) request of the Escrow Parties or any Escrow Party such Joint Direction, certificates and other documents as may be required to give effect to the release of the Escrowed Funds and the Escrowed Documents or to otherwise give effect to the terms of this Agreement.

## 7. **Rights and Duties of Escrow Agent**

The acceptance by the Escrow Agent of its duties under this Escrow Agreement is subject to the following terms and conditions which shall govern and control the rights, duties, liabilities and immunities of the Escrow Agent.

- (a) Reliance Upon Instructions: The Escrow Parties agree that the Escrow Agent shall not be required to make any determination or decision with respect to the validity of any claim made by any Escrow Party, or of any denial thereof, but shall be entitled to act and rely conclusively on the terms hereof and on any Joint Direction of the Escrow Parties tendered to the Escrow Agent in accordance with the terms hereof.
- (b) Dispute: Notwithstanding anything herein or in any other agreement or instrument expressed or implied to the contrary, if at any time the Escrow Agent in its sole discretion believes that there is a bona fide question, confusion or dispute in respect of or as to any of the following:
  - (i) the holding or disbursement of the Escrowed Funds and the Escrowed Documents;
  - (ii) the duties of the Escrow Agent under this Agreement; or
  - (iii) the validity, enforceability, extent of enforceability or meaning of any provision of this Agreement touching upon or pertaining to the function or duties of the Escrow Agent,

the Escrow Agent may, in its sole discretion, and, notwithstanding any notices or demands received by the Escrow Agent from any of the Escrow Parties or any other Person, deposit the Escrowed Funds and Escrowed Documents earned thereon with the Accountant section of the Court in accordance with the Alberta Rules of Civil Procedure regarding interpleader or in such other manner or on such other grounds as the Court may direct. Upon making such deposit, and following the filing of its pleadings relative to its complaint in interpleader, the Escrow Agent shall be released from all liability under the terms of this Agreement and shall be entitled to recover from such parties, in such manner as may be determined by the Court, the Escrow Agent's reasonable fees and related costs and expenses incurred in connection with such action.

- (c) Exoneration of Liability:
  - (i) The Escrow Agent shall not be liable for any action taken or omitted to be taken by it in good faith and in the exercise of its reasonable judgment and any act done or omitted by it pursuant to the advice of any legal counsel it may employ shall be conclusive evidence of such good faith. The Escrow Agent may at any time consult with independent legal counsel of its own choice in any such matters, shall have full and complete authorization and protection from any action taken or omitted by it hereunder in accordance with the advice of such legal counsel, and shall incur no liability for any delay reasonably required to obtain the advice of any such legal counsel. The Escrow Parties shall jointly and severally indemnify the Escrow

Agent for, and hold it harmless against, any loss, liability, cost or expense (including reasonable fees and disbursements of legal counsel), reasonably incurred by it without gross negligence or bad faith on its part, arising out of or in connection with this Agreement, including the costs and expenses of defending itself against any claim or liability in connection with any such matter. The Escrow Agent shall not be liable for any loss of the Escrowed Funds or Escrowed Documents unless resulting from the Escrow Agent's gross negligence or bad faith.

- (ii) The Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Escrow Agent (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, or the unavailability of any wire or communication facility).
  - (iii) Any measures taken by any court or authority having jurisdiction over the Escrow Agent which might prevent the Escrow Agent from executing its obligations under this Agreement shall exempt the Escrow Agent from performing its obligations hereunder in due time or at all so long as such measures are in effect.
  - (iv) The Escrow Agent shall be under no obligation to institute, appear in or defend any action, suit or legal or arbitration proceeding in connection with this Agreement or to take any other action likely to involve it in liability, cost or expense, unless first indemnified to its satisfaction.
  - (v) The Escrow Agent shall not be liable for or by reason of any statements of fact or recitals in this Agreement and all such statements and recitals are and shall be deemed to be made by the other parties to this Agreement.
- (d) Limitation of Responsibility: The Escrow Agent shall have no duty to know or determine the performance or non-performance of any provision of this Agreement or any other agreement except as expressly required or contemplated in the performance of the Escrow Agent of its duties and responsibilities under this Agreement. The duties and responsibilities of the Escrow Agent are limited to those expressly stated herein. The provisions of this clause are not intended to and shall not restrict or remove any other rights which the Escrow Agent may have at law or in equity to seek relief or direction from the Court in addition to those expressly set forth herein. Except as otherwise expressly provided herein, the Escrow Agent is hereby authorized to disregard any and all notices or warning, other than written notices given by any of the Escrow Parties, and is hereby expressly authorized to comply with and obey any and all final non-appealable processes, orders, judgments or decrees of any Court and shall not be liable to any of the other parties for such compliance. The Escrow Agent shall be under no duty or obligation to ascertain the identity, authority, or rights of the Escrow Parties (or their agents) executing or delivering or purporting to execute or deliver this Agreement, or any directions, instruments, documents, or papers related hereto.
- (e) Payment of Fees and Disbursements of Escrow Agent: The Escrow Agent shall be entitled to be paid its usual fees for the performance of its duties hereunder, and to be reimbursed for any disbursements incurred in connection with the performance of its duties hereunder.

Such fees and disbursements shall be borne and paid and shared equally by Vendor and Purchaser.

- (f) Purchase Agreement: The Escrow Agent acknowledges receipt of a copy of each of the Escrowed Documents. The Escrow Agent will not be responsible for any disbursement of the Escrowed Funds and Escrowed Documents which is contrary to the provisions of the Escrowed Documents to the extent that the same results from an amendment or variation of the Escrowed Documents unless the amendment or variation is in writing and the Escrow Agent has been provided with a copy of the amendment or variation prior to the disbursement.
- (g) Counsel to the Purchaser: Vendor acknowledges that, notwithstanding its appointment as Escrow Agent pursuant to this Agreement, Bennett Jones LLP acts as legal counsel to Purchaser in connection with the Purchase Agreement and this Agreement. Vendor agrees that notwithstanding that Bennett Jones LLP is the Escrow Agent, Bennett Jones LLP shall be entitled to continue to act on behalf of Purchaser in respect of any matter arising in relation to this Agreement, the Purchase Agreement, and all other subject matter contemplated thereunder, including any dispute arising hereunder.

## **8. Termination of Agreement**

This Agreement shall terminate and cease to be of any further force and effect (except for the provisions of this Agreement relating to protection of the Escrow Agent which shall survive any termination of this Agreement or the resignation or removal of the Escrow Agent) on the date on which the Escrow Agent shall have delivered all of the Escrowed Funds and the Escrowed Documents in accordance with the provisions of this Agreement.

## **9. Notices**

- (a) Whether or not so stipulated herein, each notice, direction, communication or statement (herein called a "**notice**") required or permitted hereunder shall be in writing. A notice may be served:
  - (i) by delivering it to the Party to whom it is being given at that Party's address for notices hereunder, provided such delivery shall be during normal business hours of the addressee on a Business Day. Such notice shall be deemed to be received by the addressee when actually delivered as aforesaid; or
  - (ii) by email (or by any other like method by which a written and recorded message may be sent) directed to the Party to whom it is being given at that party's email address for notices hereunder. Such notices shall be deemed received by the addressee thereof (i) when actually received by it if sent within the normal working hours of a Business Day, or (ii) otherwise at the commencement of the next ensuing Business Day following transmission thereof.

(b) The addresses and email addresses of the parties for notices hereunder shall be as follows:

(i) if to Purchaser then:

Bitstone Resources Inc.  
8-30<sup>th</sup> Street  
Sylvan Lake, AB T4S 2P3

Attention: Garry Moyes  
Email: [gmoyes@bitstoneresources.com](mailto:gmoyes@bitstoneresources.com)

(ii) if to Vendor then:

FTI Consulting Canada Inc.  
1620 540-5 Avenue SW  
Calgary, AB T2P 0M2

Attention: Brett Wilson  
Email: [Brett.Wilson@fticonsulting.com](mailto:Brett.Wilson@fticonsulting.com)

(iii) if to the Escrow Agent then:

Bennett Jones LLP  
4500 Bankers Hall East  
855 – 2<sup>nd</sup> Street SW  
Calgary, AB T2P 4K7

Attention: John Lawless  
Email: [Lawlessj@bennettjones.com](mailto:Lawlessj@bennettjones.com)

in any case, with a copy to:

Bennett Jones LLP  
4500 Bankers Hall East  
855 – 2<sup>nd</sup> Street SW  
Calgary, AB T2P 4K7

Attention: General Counsel  
Email: [Fadern@bennettjones.com](mailto:Fadern@bennettjones.com)

A Party may change its address or email address for notices hereunder by notice to the other Party.

## 10. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta except any conflict of laws or rules that would otherwise require the application of the laws of another jurisdiction.

**11. Further Assurances**

Each of the parties hereto shall make, do and execute or cause to be made, done and executed all such further and other things, acts, deeds, documents and assurances necessary to carry out the intent and purposes of this Agreement fully and effectually.

**12. No Waiver**

No failure or delay of any party in exercising any right, power or remedy provided herein shall be, or be deemed to be, a waiver thereof; nor shall any single or partial exercise of any right, power or remedy preclude any other or further exercise of such rights, power or remedy or any other right, power or remedy.

**13. Successors**

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto, their heirs, legal representatives, successors and permitted assigns.

**14. Assignment**

No party to this Agreement may assign their rights or obligations hereunder without the prior written consent of the other parties hereto.

**15. Counterparts**

This Agreement and any Joint Direction may be executed in any number of counterparts, each of which when so executed shall be an original and all of them when taken together shall constitute one and the same instrument. A telecopy of the execution page of a counterpart shall be sufficient evidence of execution for the purposes of this section and shall be equivalent to an originally executed page of such counterpart.

**16. Amendment**

No amendment or variation of the provisions of this Agreement shall be made except by a written instrument duly executed by the authorized officers or representatives of each of the parties.

*[Signature page follows]*

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the Escrow Deposit Date.

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity

**BITSTONE RESOURCES INC.**

By: \_\_\_\_\_  
Name: Brett Wilson  
Title: Managing Director

By: \_\_\_\_\_  
Name: Chris Wilson  
Title: President

**BENNETT JONES LLP**

By: \_\_\_\_\_  
Bennett Jones LLP

**SCHEDULE "A"**  
**ESCROW RELEASE DIRECTION**

**TO:** Bennett Jones LLP  
4500 Bankers Hall East  
855 – 2nd Street SW  
Calgary, AB T2P 4K7  
Attention: John Lawless

**RE: Escrow Agreement dated [●], 2023 (the "Escrow Agreement") among FTI Consulting Canada Inc., Bitstone Resources Inc. and Bennett Jones LLP (the "Escrow Agent")**

---

This Escrow Release Direction is being provided pursuant to Section 4(a) of the Escrow Agreement. All capitalized terms used herein have the meanings ascribed to them in the Escrow Agreement.

In accordance with Section 4(a) of the Escrow Agreement, the undersigned Escrow Parties hereby confirm that the Escrow Release Condition has been satisfied and jointly, unconditionally and irrevocably authorize and direct the Escrow Agent to release the Escrowed Funds to Vendor and the Escrowed Documents to Vendor and Purchaser, as applicable, each in accordance with Section 4(a) of the Escrow Agreement.

This Escrow Release Direction may be executed in any number of counterparts, each of which when so executed shall be an original and all of them when taken together shall constitute one and the same instrument.

The undersigned certifies that this Escrow Release Direction is being made and provided to the Escrow Agent in compliance with the Escrow Agreement.

*[Signature page follows]*

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity

**BITSTONE RESOURCES INC.**

By: \_\_\_\_\_  
Name: Brett Wilson  
Title: Managing Director

By: \_\_\_\_\_  
Name: Chris Wilson  
Title: President



**SCHEDULE "B"**  
**ESCROW TERMINATION DIRECTION**

**TO:** Bennett Jones LLP  
4500 Bankers Hall East  
855 – 2nd Street SW  
Calgary, AB T2P 4K7  
Attention: John Lawless

**RE: Escrow Agreement dated [●], 2023 (the "Escrow Agreement") among FTI Consulting Canada Inc., Bitstone Resources Inc. and Bennett Jones LLP (the "Escrow Agent")**

---

This Escrow Termination Direction is being provided pursuant to Section 4(b) of the Escrow Agreement. All capitalized terms used herein have the meanings ascribed to them in the Escrow Agreement.

In accordance with Section 4(b) of the Escrow Agreement, the undersigned Escrow Parties hereby confirm that the Escrow Release Condition has not been satisfied and that the Purchase Agreement has been terminated and hereby jointly, unconditionally and irrevocably authorize and direct the Escrow Agent to release the Escrowed Funds to Purchaser and destroy the Escrowed Documents, as applicable, in accordance with Section 4(b) of the Escrow Agreement.

This Escrow Termination Direction may be executed in any number of counterparts, each of which when so executed shall be an original and all of them when taken together shall constitute one and the same instrument.

The undersigned certifies that this Escrow Termination Direction is being made and provided to the Escrow Agent in compliance with the Escrow Agreement.

*[Signature page follows]*

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity

**BITSTONE RESOURCES INC.**

By: \_\_\_\_\_  
Name: Brett Wilson  
Title: Managing Director

By: \_\_\_\_\_  
Name: Chris Wilson  
Title: President

**SCHEDULE "C"**  
**DEFAULT ESCROW TERMINATION DIRECTION**

**TO:** Bennett Jones LLP  
4500 Bankers Hall East  
855 – 2nd Street SW  
Calgary, AB T2P 4K7  
Attention: John Lawless

**RE: Escrow Agreement dated [●], 2023 (the "Escrow Agreement") among FTI Consulting Canada Inc., Bitstone Resources Inc. and Bennett Jones LLP (the "Escrow Agent")**

---

This Default Escrow Termination Direction is being provided pursuant to Section 4(c) of the Escrow Agreement. All capitalized terms used herein have the meanings ascribed to them in the Escrow Agreement.

In accordance with Section 4(c) of the Escrow Agreement, the undersigned Escrow Parties hereby confirm that the Escrow Release Condition has not been satisfied and that the Purchase Agreement has been terminated and hereby jointly, unconditionally and irrevocably authorize and direct the Escrow Agent to release the Termination Amount to the Vendor, release the remainder of Escrowed Funds to Purchaser and destroy the Escrowed Documents, as applicable, in accordance with Section 4(c) of the Escrow Agreement.

This Default Escrow Termination Direction may be executed in any number of counterparts, each of which when so executed shall be an original and all of them when taken together shall constitute one and the same instrument.

The undersigned certifies that this Default Escrow Termination Direction is being made and provided to the Escrow Agent in compliance with the Escrow Agreement.

*[Signature page follows]*

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**FTI CONSULTING CANADA INC.**, solely in its capacity as the receiver of **CHANGHUA ENERGY CANADA LTD.**, and not in its personal or corporate capacity

**BITSTONE RESOURCES INC.**

By: \_\_\_\_\_  
Name: Brett Wilson  
Title: Managing Director

By: \_\_\_\_\_  
Name: Chris Wilson  
Title: President

**THE FOLLOWING COMPRISES SCHEDULE “H” ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.**

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**DISCLOSURE SCHEDULE**

See attached.

Date Printed: 14 Mar 2023

Licence: W 0442883 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Drilling Operations

**General** **Inspection ID: 396734**

Surveillance Type: Inspection	Inspector: Cindy Stewart	Inspection Date/Time: 08 Feb 2012 03:03 PM
Inspection Type: Partial	Inspection Field Centre: Drayton Valley	Complete Date: 12 Mar 2012
Inspection Reason: OSI	Operation During Drilling	Created Date/Time: 09 Feb 2012 09:36 AM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 12 Mar 2012 02:10 PM
Insp. Location: 16-25-048-15W5	EDGE Reference No: -	
Surveillance EDCT: Sour Drilling Well		

Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Non-Compliance Level: Low Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp	Notification Date/Time: 30 Jan 2012 01:52 PM
Well	-	Y	Notification Type: Drilling Activity

**Inspection Results**

Result	Manual #	Description
Satisfactory	1.1.2	Blowout Prevention System - BOP Preventer (BOP) Equipment - Pipe Rams
Satisfactory	1.1.4	Blowout Prevention System - BOP Preventer (BOP) Equipment - Ram Locking Devices (Hand Wheels)
Satisfactory	1.1.6	Blowout Prevention System - BOP Preventer (BOP) Equipment - Flange- and Clamp- Type Connections
Satisfactory	1.2.3	Blowout Prevention System - Casing Bowls - Welded
Satisfactory	1.2.4	Blowout Prevention System - Casing Bowls - Casing Bowl Flange, Outlet(s), and Valve(s)
Satisfactory	1.2.5	Blowout Prevention System - Casing Bowls - Pressure Rating
Satisfactory	1.3	Blowout Prevention System - Drill - Through Components
Satisfactory	1.4	Blowout Prevention System - Stabbing Valve and Inside BOP
Satisfactory	1.7	Blowout Prevention System - Shop Servicing and Testing of BOPs, Drill-Through Spools, Drill-Through Adapter Flanges and Flexible Bleed-off and Kill-line Hoses
Satisfactory	2.2.1	Bleed-off System - Well Classes II to VI and Critical Sour Wells - Bleed-off Line(s)
Satisfactory	2.2.2	Bleed-off System - Well Classes II to VI and Critical Sour Wells - Choke Manifold
Satisfactory	2.2.5	Bleed-off System - Well Classes II to VI and Critical Sour Wells - Primary Degasser
Satisfactory	2.2.7	Bleed-off System - Well Classes II to VI and Critical Sour Wells - Degasser Inlet
Satisfactory	2.2.8	Bleed-off System - Well Classes II to VI and Critical Sour Wells - Degasser Vent Line
Satisfactory	2.2.9	Bleed-off System - Well Classes II to VI and Critical Sour Wells - Flare Line(s)
Satisfactory	2.4	Bleed-off System - Flare Tanks
Satisfactory	3.2	Kill System - Well Classes II - IV and Critical Sour Wells
Satisfactory	4.1	Flexible Hoses - Bleed-off, Kill or Diverter Line(s)
Satisfactory	4.3	Flexible Hoses - Degasser Inlet Line(s)
Satisfactory	5.1	Winterizing - Winterizing BOP, Accumulator, Bleed-off and Kill Systems
Satisfactory	6.1	BOP Control Systems - Accumulator System
Satisfactory	6.2	BOP Control Systems - Back-up Nitrogen (N2) System
Satisfactory	6.3.1	BOP Control Systems - BOP Controls - Floor Controls
Satisfactory	6.3.2	BOP Control Systems - BOP Controls - Remote Controls
Satisfactory	6.3.3	BOP Control Systems - BOP Controls - Master Hydraulic Control Manifold Location
Satisfactory	6.4.2	BOP Control Systems - BOP Function Test - Daily and Weekly
Low Risk	6.4.3.1	BOP Control Systems - BOP Function Test - Recording - Required BOP/HCR function test not recorded in the drilling logbook.
Satisfactory	6.5	BOP Control Systems - Accumulator Sizing Calculations
Satisfactory	6.6	BOP Control Systems - Backup Nitrogen Sizing Calculations
Satisfactory	7.2	Pressure Testing - Class II to VI and Critical Sour Wells

Date Printed: 14 Mar 2023

<b>Licence:</b>	<b>W 0442883</b>	<b>Resp. Licensee:</b>	<b>A63L Changhua Energy Canada Ltd.</b>	<b>Insp. Category:</b>	<b>Drilling Operations</b>
Satisfactory	8.1.1	Engines - Shutoff Devices - Diesel Engine(s)			
Satisfactory	8.1.4	Engines - Shutoff Devices - Testing and Recording			
Satisfactory	8.1.5	Engines - Shutoff Devices - Conducting Engine Shutoff Test(s)			
Satisfactory	8.2	Engines - Engine Exhaust			
Satisfactory	9.1	Mud Tanks and Fluid Volume Monitoring Systems - Mud Tanks			
Satisfactory	9.2.2	Mud Tanks and Fluid Volume Monitoring Systems - Mud Tank Fluid Volume Monitoring System - Automated (Electronic) Mud Tank Fluid Volume Monitoring Systems			
Satisfactory	9.2.3	Mud Tanks and Fluid Volume Monitoring Systems - Mud Tank Fluid Volume Monitoring System - Automated (Electronic) Mud Tank Fluid Volume Monitoring Systems--Surface Casing Reductions			
Satisfactory	9.3.2	Mud Tanks and Fluid Volume Monitoring Systems - Trip Tank - Design and Fluid Level Monitoring - Well Classes IV, V, and VI			
Satisfactory	10.1	Wellsite Supervision and Certification - Well Site Supervision			
Satisfactory	10.2.1	Wellsite Supervision and Certification - Blowout Prevention Certificates - Enform (formerly the Petroleum Industry Training Service (PITS)) - First-Line Supervisor's Certificate			
Satisfactory	10.2.2	Wellsite Supervision and Certification - Blowout Prevention Certificates - Enform (formerly the Petroleum Industry Training Service (PITS)) - Second-Line Supervisor's Well Control Certificate			
Satisfactory	11.1.1	Well Control, Crew Training and Tripping - Well Control - Maximum Allowable Casing Pressure (MACP)			
Satisfactory	11.1.2	Well Control, Crew Training and Tripping - Well Control - Reduced Speed Pump Pressure (RSPP)			
Satisfactory	11.1.3	Well Control, Crew Training and Tripping - Well Control - Blowout Prevention and Well Control Procedures			
Satisfactory	11.1.4	Well Control, Crew Training and Tripping - Well Control - STICK Diagram			
Satisfactory	11.2.1	Well Control, Crew Training and Tripping - Crew Training - BOP Drills			
Satisfactory	11.2.2	Well Control, Crew Training and Tripping - Crew Training - Crew Alert Method			
Satisfactory	11.2.4	Well Control, Crew Training and Tripping - Crew Training - Crew Assessment and Procedures			
Satisfactory	11.2.5	Well Control, Crew Training and Tripping - Crew Training - Recording BOP Drills			
Low Risk	11.3.1.2	Well Control, Crew Training and Tripping - Tripping - Flow Checks - Flow checks not recorded in the drilling logbook.			
Satisfactory	12.1	Electrical and Flame- Type Equipment - Electrical Appliances and Electrical Devices			
Satisfactory	12.3	Electrical and Flame- Type Equipment - Flame-Type Equipment			
Satisfactory	12.5	Electrical and Flame- Type Equipment - Smoking			
Satisfactory	16.3	Sour and Critical Sour Wells - Warning Sign in H2S Area			
Satisfactory	17.1	Wellsite Records and Reporting - Notification of Commencement of Drilling (Spud)			
Satisfactory	17.2	Wellsite Records and Reporting - Drilling and Completion Data Reporting			
Satisfactory	17.4	Wellsite Records and Reporting - Deviation Surveys			
Satisfactory	17.6	Wellsite Records and Reporting - Well License Posting			
Satisfactory	18.1.1	Licensee and Contractor Inspections - Daily Inspections - Recording Inspections			
Satisfactory	18.2.30	Licensee and Contractor Inspections - Detailed Inspections - Recording Inspections			
Satisfactory	19.5	Well-Site Fluids and Environment - Sump Construction and Operation			
Satisfactory	19.7	Well-Site Fluids and Environment - Containment of Fluids and Spills			
Satisfactory	19.10	Well-Site Fluids and Environment - Waste Management			

**Compliance Action**

Risk Type:	Low	Follow-Up Deadline Date:	09 Mar 2012
Prior Action:	-	Follow-Up Complete Date:	09 Mar 2012
Compliance Action:	Low Risk Notice	Deficiency Letter Required:	No
Compliance Action Confirmed:	Yes	Deficiency Letter Sent Date:	-
Licensee Notified Date:	09 Feb 2012	Deficiency Letter Deadline Date:	-
Suspended Date/Time:	-	Response Received Date:	-
Startup Date/Time:	-	Action Plan Required:	No
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	09 Mar 2012

**Contacts**

**IR1000**

**ALBERTA ENERGY REGULATOR  
INSPECTION DETAIL REPORT**

**Page 3 of 5**

**Date Printed: 14 Mar 2023**

**Licence: W 0442883 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Drilling Operations**

Resp. Licensee Rep: Dave Campbell

Operator: -

Contractor: -

Rep Phone: (780) 842-8172

Contractor Rep: Dale Fink

Rep Phone: -



Date Printed: 14 Mar 2023

Licence: W 0442883 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Drilling Operations

<b>Inspection Category Details</b>
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Equipment Type:	Drilling Rig	<u>Casing Setting Depth</u>		
Equipment No:	3	Surface:	429. m	Rig Down Time:
Well BOP Class:	Class IV System	Intermediate:	00 m	Current Depth:
		Production:	m	Projected Depth:
				2014. m
				2930. m
				00

Accumulator

Make:	Wagner	Precharge Pressure:	6500 kPa	No of Bottles:	8
Design Pressure:	21000 kPa	Pressure Before Test:	19200 kPa	Capacity:	302 L
		Pressure After Test:	10700 kPa		

Recharge Pump

Recharge Time: 2.00

N2 Bottles

No of Bottles:	3	Combined Capacity:	150 L
		Combined Average Pressure:	14000 kPa

BOP Controls

No of Floor:	4	No of Remote:	4
Floor Type:	Electric/Hydraulic	Remote Type:	Hydraulic
Distance from Well:	20	Handwheel:	Yes

BOP Function Test

Type:	Manufacturer:	Model:	Size:	Pressure Rate:
Annular Preventer	Generic	A	1	1
<b>Type:</b>	<b>Manufacturer:</b>	<b>Model:</b>	<b>Size:</b>	<b>Pressure Rate:</b>
Blind Ram	Generic	A	1	1
<b>Type:</b>	<b>Manufacturer:</b>	<b>Model:</b>	<b>Size:</b>	<b>Pressure Rate:</b>
HCR Valve	Generic	A	1	1
<b>Type:</b>	<b>Manufacturer:</b>	<b>Model:</b>	<b>Size:</b>	<b>Pressure Rate:</b>
Pipe Ram Lower	Generic	A	1	1

Date Printed: 14 Mar 2023

Licence: W 0442883 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Drilling Operations

**Associated licences**

\*\*\* No Associated Licences \*\*\*

**Bioremediation**

\*\*\* No Bioremediation \*\*\*

**Appeals**

\*\*\* No Appeals \*\*\*

**Comments**

\*\*\* No Comments \*\*\*

**Attachments**

\*\*\* No Attachments \*\*\*

Date Printed: 14 Mar 2023

Licence: P48396 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

General Inspection ID: 461419

Surveillance Type: Investigation	Inspector: Keri Rose	Inspection Date/Time: 07 Apr 2017 10:48 AM
Inspection Type: ERP Audit	Inspection Field Centre: Drayton Valley	Complete Date: 13 Jun 2017
Inspection Reason: Baseline	Operation During: Normal	Created Date/Time: 18 Apr 2017 11:23 AM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 13 Jun 2017 03:17 PM
Insp. Location: 04-16-048-15W5	EDGE Reference No: -	

Surveillance EDCT: Sour Gas Pipeline

Overall Inspection Result: Satisfactory	Re-Inspection Required: No
Non-Compliance Level: Satisfactory	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Pipeline	-	Y

## Activity Type

Activity	Insp	Description
Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

## Inspection Results

Result	Manual #	Description
Satisfactory	10.1.1	Emergency Planning and Assessment - Information - Information request
Satisfactory	10.2.1	Emergency Planning and Assessment - Corporate-level ERPs - Corporate level ERP
Satisfactory	10.2.2	Emergency Planning and Assessment - Corporate-level ERPs - Corporate level ERP requirements
Satisfactory	10.2.3	Emergency Planning and Assessment - Corporate-level ERPs - 24-hour emergency number
Satisfactory	10.2.5	Emergency Planning and Assessment - Corporate-level ERPs - Incident classifications
Satisfactory	10.2.6	Emergency Planning and Assessment - Corporate-level ERPs - Actions for each level of emergency
Satisfactory	10.2.7	Emergency Planning and Assessment - Corporate-level ERPs - Communications Plan
Satisfactory	10.2.8	Emergency Planning and Assessment - Corporate-level ERPs - Personnel roles and responsibilities
Satisfactory	10.2.9	Emergency Planning and Assessment - Corporate-level ERPs - Emergency management and coordination
Satisfactory	10.2.10	Emergency Planning and Assessment - Corporate-level ERPs - Reception Centre procedures
Satisfactory	10.10.1	Emergency Planning and Assessment - Implementation of Corporate ERPs - Up to date copy of ERP
Satisfactory	10.10.2	Emergency Planning and Assessment - Implementation of Corporate ERPs - Personnel roles and responsibilities
Satisfactory	10.13.17	Emergency Planning and Assessment - Implementation for common requirements of ERPs - Personnel training sessions
Satisfactory	10.13.20	Emergency Planning and Assessment - Implementation for common requirements of ERPs - Information recording process
Satisfactory	10.15.4	Emergency Planning and Assessment - Implementation of Spill Response Plans - Member of spill coop

## Compliance Action

\*\*\* No Compliance Action \*\*\*

## Contacts

Resp. Licensee Rep: Erica Wu	Operator: -	Contractor: -
Rep Phone: (587) 352-8088	Rig Contractor: -	Contractor Rep: -
		Rep Phone: -

Date Printed: 14 Mar 2023

Licence: P48396 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

Inspection Category Details

Segment Line Number	From Location	To Location	From Facility	To Facility
1	04-16-048-15W5	03-09-048-15W5	Well	Pipeline

Date Printed: 14 Mar 2023

Licence: P48396

Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category:

Pipeline

## Associated licences

\*\*\* No Associated Licences \*\*\*

## Bioremediation

\*\*\* No Bioremediation \*\*\*

## Appeals

\*\*\* No Appeals \*\*\*

## Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Follow-up		- Changhua has indicated that it plans to create a field plan for contract operators and provide orientation training for the contract operators to ensure comprehension of the plan. Changhua is also planning training in 2017 to emphasize and exercise the mutual support between the Calgary office and the field. Once complete, provide follow up confirmation to the AER.	Keri Rose	18 Apr 2017 11:02 AM
Site		When updating the ERP ensure to include coordination of media releases with the AER prior to release as per section 14.5 in Directive 71.	Keri Rose	18 Apr 2017 11:10 AM
Site		Documentation and email correspondence has been saved at: S:\FAC\Public Safety\EPA\4018 Audits Operational\ER	Rae-Lynne Coupland	18 Apr 2017 03:54 PM
Site		Audits\2016-2017\Changhua Energy. Inspection complete. File can be closed.	Rae-Lynne Coupland	18 Apr 2017 04:18 PM

## Attachments

\*\*\* No Attachments \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0442883 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Service Operations

<b>General</b>	<b>Inspection ID: 409683</b>
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Surveillance Type: Inspection	Inspector: Cindy Stewart	Inspection Date/Time: 12 Feb 2013 02:51 PM
Inspection Type: Partial	Inspection Field Centre: Drayton Valley	Complete Date: 09 Sep 2013
Inspection Reason: Baseline	Operation During: Tripping	Created Date/Time: 14 Feb 2013 11:28 AM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 09 Sep 2013 09:43 AM
Insp. Location: 16-25-048-15W5	EDGE Reference No: -	

Surveillance EDCT: Oil Well

Overall Inspection Result: Satisfactory	Re-Inspection Required: No
Non-Compliance Level: Satisfactory	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Well	-	Y

<b>Inspection Results</b>
---------------------------

Result	Manual #	Description
Satisfactory	1.52	BOP System - BOP type, RAM size & Pressure Rating
Satisfactory	1.53	BOP System - Bleed-off & Kill Lines
Satisfactory	1.55	BOP System - Drill-string valves readily accessible
Satisfactory	1.57	BOP System - BOP equipment & controls workable & properly connected
Satisfactory	2.71	Training & Procedures - Crew BOP training
Satisfactory	2.72	Training & Procedures - Fluid measurements & hole filling procedures
Satisfactory	2.74	Training & Procedures - Driller has P.I.T.S. well servicing certificate
Satisfactory	3.80	Rig Other - Well to flame-type equipment
Satisfactory	3.84	Rig Other - BOP pressure tests recorded & test procedures satisfactory
Satisfactory	3.85	Rig Other - Daily mechanical tests recorded
Satisfactory	3.86	Rig Other - Weekly diesel engine tests recorded
Satisfactory	4.90	Engines - Diesel engine shut-offs
Satisfactory	4.91	Engines - Engine exhausts
Satisfactory	5.105	Miscellaneous - Fluids properly contained
Satisfactory	5.108	Miscellaneous - Contractor & operator inspections recorded
Satisfactory	99.1	Other deficiencies not specifically identified in the servicing inspection manual. - Compliance with other AER requirements.

<b>Compliance Action</b>
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\*\*\* No Compliance Action \*\*\*

<b>Contacts</b>
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Resp. Licensee Rep: -	Operator: -	Contractor: -
Rep Phone: -		Contractor Rep: -
		Rep Phone: -

Date Printed: 14 Mar 2023

Licence: W 0442883 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Service Operations

<b>Inspection Category Details</b>
------------------------------------

Equipment Type:	Service Rig	<u>Casing Setting Depth</u>	
Equipment No:	6	Surface:	m
Well BOP Class:	Class II and IIA	Intermediate:	m
		Production:	m
		Rig Down Time:	hr
		Current Depth:	m
		Projected Depth:	2930. m 00

Accumulator

Make:	Shop Built	Precharge Pressure:	7000 kPa	No of Bottles:	3
Design Pressure:	14000 kPa	Pressure Before Test:	kPa	Capacity:	L
		Pressure After Test:	kPa		

Recharge Pump

Recharge Time:

N2 Bottles

No of Bottles:	1	Combined Capacity:	42 L
		Combined Average Pressure:	15000 kPa

BOP Controls

No of Floor:	2	No of Remote:	2
Floor Type:	Air/Hydraulic	Remote Type:	Hydraulic
Distance from Well:	7	Handwheel:	Yes

BOP Function Test

Type:	Manufacturer:	Model:	Size:	Pressure Rate:
Blind Ram	Generic	A	1	1
Type:	Manufacturer:	Model:	Size:	Pressure Rate:
Pipe Ram Lower	Generic	A	1	1

Date Printed: 14 Mar 2023

Licence: W 0442883 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Service Operations

Associated licences

\*\*\* No Associated Licences \*\*\*

Bioremediation

\*\*\* No Bioremediation \*\*\*

Appeals

\*\*\* No Appeals \*\*\*

Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Site		- No function test conducted due to fishing operations.	Cindy Stewart	12 Feb 2013 04:28 PM

Attachments

\*\*\* No Attachments \*\*\*



Date Printed: 14 Mar 2023

Licence: W 0357607 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

**General** Inspection ID: 510041

Surveillance Type: Inspection	Inspector: Derek Flewell	Inspection Date/Time: 11 Dec 2020 08:09 AM
Inspection Type: Complaint	Inspection Field Centre: Drayton Valley	Complete Date: 27 Sep 2021
Inspection Reason: Event	Operation During: Suspended	Created Date/Time: 29 Apr 2021 11:58 AM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 31 Mar 2022 07:43 AM
Insp. Location: 04-16-048-15W5	EDGE Reference No: 0374307	
Surveillance EDCT: Suspended Well		

Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Non-Compliance Level: Low Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Well	-	Y

Incident Type	Incident #	Incident Date/ Time
Complaint	20202854	02 Dec 2020 12:00 AM

**Activity Type**

Activity	Insp	Description
Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

**Inspection Results**

Result	Manual #	Description
Low Risk	1.10.1.1	Equipment - Signs and Security Operations - Well signage - Improper identification sign, sign not posted, improper warning symbol, or no warning symbol posted adjacent to all entrances to the developed area of the facility. [OGCR 6.020(3), (5), (7), (8), (9), (10), (11), (12), (13), Schedule 12; Directive 055 (2.6)]
Satisfactory	4.1.2	Liability Management - Suspension Operations - Suspended wellhead security

**Compliance Action**

Risk Type:	Low	Follow-Up Deadline Date:	14 May 2021
Prior Action:	-	Follow-Up Complete Date:	22 Sep 2021
Compliance Action:	Low Risk Notice	Deficiency Letter Required:	No
Compliance Action Confirmed:	Yes	Deficiency Letter Sent Date:	-
Licensee Notified Date:	30 Apr 2021	Deficiency Letter Deadline Date:	-
Suspended Date/Time:	-	Response Received Date:	-
Startup Date/Time:	-	Action Plan Required:	No
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	22 Sep 2021

**Contacts**

\*\*\* No Contacts \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0357607 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Inspection Category Details

Installation Name	Inspection Site	H2SConcentration Source
CHANGHUA ERGY PECO 4-16-48-15	0.000	Inspection

Date Printed: 14 Mar 2023

Licence: W 0357607 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

## Associated licences

\*\*\* No Associated Licences \*\*\*

## Bioremediation

\*\*\* No Bioremediation \*\*\*

## Appeals

\*\*\* No Appeals \*\*\*

## Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	1.10.1.1	<p>The Oil and Gas Conservation Rules Section 6.020 (3) states:</p> <p>The licensee of a well shall identify a well and the operator of a facility shall identify a facility by the use of a conspicuous sign erected at the primary entrance to the well or facility that indicates</p> <p>(a) the name and telephone number of the licensee or operator, and</p> <p>(b) the legal description of the surface location of the well or facility.</p>	Derek Flewell	29 Apr 2021 11:54 AM
Follow-up		<p>The wellsign did not have the company name and contact information on it.</p> <p>This inspection record is a Notice of Noncompliance and qualifies as AER communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection. The Licensee is expected to do the following remedial actions to achieve compliance:</p> <ol style="list-style-type: none"> <li>1. Take corrective action to address the noncompliance</li> <li>2. Submit confirmation via the DDS system detailing what was done to correct the noncompliance by the Follow Up Deadline Date.</li> </ol>	Derek Flewell	29 Apr 2021 11:55 AM
Licensee		<p>Failure to comply with the noted remedial actions may result in an enforcement response from the AER.</p> <p>This unsatisfactory inspection was originally entered in december 2020, however due to an entry error was issued to the wrong well license and not recieved by the licensee. This new record corrects the error and a new follow up date has been issued. if the deficiency has been corrected please inform the inspector and the inspection can be closed.</p>	Derek Flewell	29 Apr 2021 12:03 PM
Licensee		<p>Changhua has not replied to the inspetion or addressed deficiency. Inspector called Changhua and left a message requesting callback to discuss.</p>	Derek Flewell	27 Jul 2021 08:25 AM
Site		<p>INspector got a hold of tyler (4038501696) with changhua. Changhua does not have a dds account and did not recieve the inspection notification. tyler will have operator go look and update sign if it has already not been addressed. Inspector will follow up next week if not heard back from changhua</p>	Derek Flewell	08 Sep 2021 08:34 AM
Licensee		<p>Tyler with Changhua indicated t inspector that signs have been ordered. a picture of the new sign will be emailed to inspector by end of this week</p>	Derek Flewell	13 Sep 2021 08:20 AM
Licensee		<p>inspector recieved a picture of the well signage</p>	Derek Flewell	22 Sep 2021 07:39 AM

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ALBERTA ENERGY REGULATOR  
INSPECTION DETAIL REPORT

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Date Printed: 14 Mar 2023

Licence: W 0357607 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

confirming it has been replaced. no further follow  
up is required.

Inspection Closure

inspection complete

Derek Flewell

22 Sep 2021 07:40 AM

Attachments

\*\*\* No Attachments \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

**General** Inspection ID: 488407

Surveillance Type: Inspection	Inspector: Cameron Ames	Inspection Date/Time: 30 May 2019 03:23 PM
Inspection Type: Routine lease	Inspection Field Centre: Drayton Valley	Complete Date: 30 Sep 2020
Inspection Reason: OSI	Operation During Specified Enactment	Created Date/Time: 12 Jun 2019 04:01 PM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 30 Sep 2020 08:29 AM
Insp. Location: 11-22-048-15W5	EDGE Reference No: -	

Surveillance EDCT: Oil Well

Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Non-Compliance Level: Low Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Well	-	Y

## Associated Authorizations

## Activity Type

Type	Number	Activity	Insp	Description
LOC (Public Lands)	072628	Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

## Inspection Results

Result	Manual #	Description
Low Risk	51.1.1	Public Lands Act - Water Management - Deleterious Material - Deleterious material deposited into, or onto the ice of, a water body or watercourse [PLA 54(1)(e), PLAR 173(1), Approval]
Low Risk	51.2.1	Public Lands Act - Water Management - Permanent Watercourse Crossing - Unsatisfactory crossing of a permanent or fish-bearing watercourse [PLA 54(1)(e)(f), PLAR 21 (1)(j), Approval]

## Compliance Action

Risk Type:	Low	Follow-Up Deadline Date:	12 Jul 2019
Prior Action:	-	Follow-Up Complete Date:	30 Sep 2020
Compliance Action:	Low Risk Notice	Deficiency Letter Required:	No
Compliance Action Confirmed:	Yes	Deficiency Letter Sent Date:	-
Licensee Notified Date:	12 Jun 2019	Deficiency Letter Deadline Date:	-
Suspended Date/Time:	-	Response Received Date:	-
Startup Date/Time:	-	Action Plan Required:	No
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	30 Sep 2020

## Contacts

Resp. Licensee Rep: -	Operator: -	Contractor: -
Rep Phone: -		Contractor Rep: -
		Rep Phone: (587) 352-8088

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Inspection Category Details

Installation Name	Inspection Site	H2S Concentration Source
CHANGHUA ERGY PECO 14-22-48-15	0.000	Isopach Actual

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Associated licences

\*\*\* No Associated Licences \*\*\*

Bioremediation

\*\*\* No Bioremediation \*\*\*

Appeals

\*\*\* No Appeals \*\*\*

Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	51.1.1	This is in noncompliance with the Public Lands Act S. 54(1) No person shall cause, permit or suffer& (f) the creation of any condition on public land which is likely to result in soil erosion.  Erosion of fill slope on both inlet and outlet sides  Photos attached Photos available for licensee upon request from Jazmine.Larocque@aer.ca	Jazmine Larocque	12 Jun 2019 03:26 PM
Deficiency	51.2.1	This is in noncompliance with the Public Lands Act S. 54(1) No person shall cause, permit or suffer& (e) the disturbance of any public land in any manner that results or is likely to result in injury to the bed or shore of any river, stream, watercourse, lake or other body of water or land in the vicinity of that public land.  UTM 11 558501 5889363 Primary culvert sunken. secondary culvert blocked on inlet side  photos attached Photos available for licensee upon request from Jazmine.Larocque@aer.ca	Jazmine Larocque	12 Jun 2019 03:27 PM
Follow-up		This inspection record is a Notice of Noncompliance and qualifies as AER communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection.  Changhua Energy Canada LTD. is expected to do the following remedial actions to achieve compliance:  1. Develop and electronically submit an Action Plan to DraytonValley.FieldCentre@aer.ca outlining what will be done to correct the non-compliance. This action plan must include a mutually agreeable timeframe for completion of remedial work. Corrective action plan must be submitted by July 12, 2019. Remedial action must not commence until a plan is accepted by noted inspector. 2. Take corrective action to address the noncompliance 3. Submit confirmation via the DDS system detailing what was done to correct the noncompliance and the date completed.  Failure to comply with the noted remedial actions may result in an enforcement response from the AER.	Jazmine Larocque	12 Jun 2019 03:30 PM
Site		The Watercourse Crossing Management Directive under the Government of Alberta (GoA),	Jazmine Larocque	12 Jun 2019 03:59 PM

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Environment and Parks, came into effect on March 4, 2015. This is a voluntary initiative where crossing owners will work with Regulatory bodies to promote and support a watershed-based approach to effective, collaborative watercourse crossing inspection, monitoring, management and remediation activities.

As part of its mandate, the Alberta Energy Regulator (AER) is implementing the GoA Directive. Please refer to the following website link for further information on the Directive, how to become a member and how you can receive an information package by emailing AER.WCC@aer.ca

<https://www.aer.ca/providing-information/by-topic/watercourse-crossing-management>

Information Request	Provide the AER with GIS spatial data (shapefile with attribute table) of 100% of completed crossing inspections as per the provincial inspection standard and data requirements set out within the GoA Roadways Watercourse Crossing Inspection Manual and inspection form. The spatial data needs to include all licensee operated watercourse crossing locations within the same HUC 8 watershed that were not assessed by the AER as a result of this inspection.  For an example of the data required in excel format that can be used to create the GIS spatial data, email AER.WCC@aer.ca for an auto reply with attachment.  Site: The lease location was selected for administrative purposes and the actual inspection location was at	Jazmine Larocque	12 Jun 2019 03:59 PM
Site	The lease location was selected for administrative purposes and the actual inspection location was on LOC072628 at UTM 11 558501 5889363	Jazmine Larocque	12 Jun 2019 04:00 PM
Follow-up	Aer left a voicemail on the general phone line 587-352-8088 for someone to call back in response to the inspection.	Karen Durocher	07 Aug 2019 09:09 AM
Follow-up	AER spoke with Pyrer Jiang regarding inspection results. Inspection report was emailed to pyrer.jiang@changhuaenergy.com for follow up.	Karen Durocher	08 Aug 2019 03:16 PM
Follow-up	Contact # 403-850-1696 A follow up email was sent to Changhua Energy requesting an update.	Karen Durocher	11 Sep 2019 11:32 AM
Follow-up	AER spoke to Pyrer Jiang to request an update. He indicated that he thinks the work was done but he was not sure. He was also not sure what had to be done and where this site was located. AER sent another email outlining the actions that are necessary to bring this site into compliance.	Karen Durocher	07 Oct 2019 03:16 PM
Follow-up	Licensee sent a couple text message to my land line that outlined a oil leak on this site. Further follow up is being conducted however at this time it sounds like the abandoned well may be leaking.	Karen Durocher	07 Oct 2019 04:08 PM



Date Printed: 14 Mar 2023

Licence:	W 0442860	Resp. Licensee: A63L Changhua Energy Canada Ltd.	Insp. Category:	Well Site Inspection
Follow-up	Licensee advised that they have access to the site now and will be assessing the crossing. They inquired about what approvals they needed to conduct the work. AER provided them info on COP and Water Act approvals via OneStop. AER also requested that the licensee submit their plan for approval before any work is conducted.		Karen Durocher	13 Nov 2019 01:43 PM
Follow-up	AER requested more details on the planned repair. Where do they plan to dig, what is being filled in and if they are digging within the waterbody.		Karen Durocher	26 Nov 2019 04:37 PM
Follow-up	AER did not accept the plan submitted by licensee to address the noncompliances. An email was sent back requested a new plan to be developed.		Karen Durocher	29 Nov 2019 03:59 PM
Follow-up	A second action plan was submitted however the AER still has concerns with the plan to conduct the repairs. Licensee proposed to use mud from the stream to block the water and bank to avoid contaminating water and then fill the gap between the bank and culvert with clay and pack it.		Karen Durocher	13 Dec 2019 02:14 PM
	AER had a phone discussion with licensee and it appears that they may not fully understand how to repair the crossing. AER agreed to set up a on site visit with the licensee next year to help educate them on the requirements and explain why this site is non complaint and what actions they can possibly take. Next update in May 2020.			
Site	Changed assigned inspector to Cameron Ames on June 23, 2020.		Trish Taylor	23 Jun 2020 10:01 AM
Site	AER Inspector sent email to licensee requesting update on crossing and suggested phone meeting to discuss file.		Cameron Ames	22 Jul 2020 11:42 AM
Site	AER Inspector had telephone call with licensee. AER Inspector sent follow up email with Information on Code of Practice for Watercourse Crossings and Watercourse Crossing Management Information Package. AER Inspector explained that proposed remedial plan must meet the intent and requirements of the CoP and regulations.		Cameron Ames	30 Jul 2020 05:01 PM
Site	AER Inspector conducted site inspection on September 11, 2020 and entered new inspection into FIS (see Inspection no.503734). That inspection will address the non-compliance as noted in this inspection as well as additional non-compliance noted on the wellsite.		Cameron Ames	28 Sep 2020 02:49 PM
Inspection Closure	No follow up required. Inspection complete.		Cameron Ames	28 Sep 2020 02:52 PM

Attachments			
Description	Format	File Modified Date/Time	Size
Changhua PICS of Water Crossing, 2019 06 12, W0442860	MSG	12 Jun 2019 04:40 PM	31634
Changhua INSP RPT, 2019 08 08, W0442860	MSG	08 Aug 2019 04:44 PM	47
Changhua RQST for Summary of Action, 2019 10 07, W0442860	MSG	07 Oct 2019 05:14 PM	41
Changhua PICS, 2019 10 07, W0442860	MSG	07 Oct 2019 05:16 PM	9694
Changhua Voicemail, 2019 10 07, W0442860	MSG	08 Oct 2019 07:51 AM	349
Changhua INSP RPT, 2019 10 07, W0442860	MSG	08 Oct 2019 10:05 AM	51
Changhua PICS of RLS, 2019 10 15, W0442860	MSG	15 Oct 2019 05:26 PM	7738
Changhua EML RQST INSP Photos, 2019 05 30, W0442860	MSG	17 Oct 2019 12:56 PM	52
Changhua AER EML Re Water Act Approval, 2019 11 13, W0442860	MSG	13 Nov 2019 05:02 PM	55
Changhua AER EML Re Fish Passage, 2019 11 14, W0442860	MSG	14 Nov 2019 02:23 PM	2497

Date Printed: 14 Mar 2023

Licence:	W 0442860	Resp. Licensee: A63L Changhua Energy Canada Ltd.	Insp. Category:	Well Site Inspection	
Changhua EML RSP Re Approval and Action Plan, 2019 11 13, W0442860			MSG	14 Nov 2019 04:15 PM	2481
Changhua EML Re Rubber Tire Backhoe, 2019 11 25, W0442860			MSG	26 Nov 2019 07:01 AM	2505
Changhua AER EML RQST Additional Details of Plan, 2019 11 26, W0442860			MSG	26 Nov 2019 02:27 PM	64
Changhua AP, 2019 11 28, W0442860			MSG	29 Nov 2019 09:56 AM	8122
Changhua AER RSP Re AP, 2019 11 29, W0442860			MSG	29 Nov 2019 04:50 PM	47
Changhua EML Re Developing an AP, 2019 11 29, W0442860			MSG	02 Dec 2019 07:59 AM	76
Changhua AP, 2019 12 09, W0442860			MSG	09 Dec 2019 10:07 AM	6490
Changhua AER EML Re AP & Joint INSP, 2019 12 13, W0442860			MSG	13 Dec 2019 03:04 PM	41
Changhua EML Re Field Trip, 2019 12 16, W0442860			MSG	17 Dec 2019 07:49 AM	69
Changhua AER EML RQST Update on Current Status, 2020 06 22, W0442860			MSG	24 Jun 2020 04:09 PM	112
AER Email to Changhua w WC INFO Package, 2020 07 30, W0442860.msg			MSG	13 Aug 2020 11:31 AM	7885
Changhua Email w AP, 2020 08 12, W0442860.msg			MSG	13 Aug 2020 11:33 AM	2501
Changhua Email w PICS, 2020 08 31, W0442860, 488407.msg			MSG	25 Sep 2020 08:47 AM	364

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

<b>General</b>	<b>Inspection ID: 494036</b>
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Surveillance Type: Investigation	Inspector: Faye Ross	Inspection Date/Time: 11 Oct 2019 09:05 AM
Inspection Type: Routine lease	Inspection Field Centre: Drayton Valley	Complete Date: 11 Feb 2020
Inspection Reason: OSI	Operation During: Abandoned	Created Date/Time: 11 Oct 2019 09:19 AM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 11 Feb 2020 02:22 PM
Insp. Location: 11-22-048-15W5	EDGE Reference No: -	
Surveillance EDCT: Oil Well		

Overall Inspection Result: Satisfactory	Re-Inspection Required: No
Non-Compliance Level: Satisfactory	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Well	-	Y

Activity Type

Activity	Insp	Description
Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

<b>Inspection Results</b>
---------------------------

Result	Manual #	Description
Satisfactory	4.3	Liability Management - Abandonment Operations

<b>Compliance Action</b>
--------------------------

\*\*\* No Compliance Action \*\*\*

<b>Contacts</b>
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Resp. Licensee Rep: Pyrer Jiang	Operator: -	Contractor: -
Rep Phone: (403) 850-1696		Contractor Rep: -
		Rep Phone: -

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Inspection Category Details

Installation Name	Inspection Site	H2S Concentration Source
CHANGHUA ERGY PECO 14-22-48-15		Inspection

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Associated licences

\*\*\* No Associated Licences \*\*\*

Bioremediation

\*\*\* No Bioremediation \*\*\*

Appeals

\*\*\* No Appeals \*\*\*

Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Site		- Licensees investigation determined that bubbling was due to soil settling around well centre and not as a result of a leaking wellbore .Site should be re-assessed in the spring to confirm no bubbling at surface.	Faye Ross	14 Jan 2020 01:15 PM
Inspection Closure		Inspection complete.	Faye Ross	14 Jan 2020 03:57 PM

Attachments

Description	Format	File Modified Date/Time	Size
Changhua EML RSP Re Wellbore, 2019 10 18, W0442860	MSG	14 Jan 2020 05:05 PM	61

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

<b>General</b>	<b>Inspection ID: 503734</b>
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Surveillance Type: Inspection	Inspector: Cameron Ames	Inspection Date/Time: 11 Sep 2020 03:58 PM
Inspection Type: Routine lease	Inspection Field Centre: Drayton Valley	Complete Date: -
Inspection Reason: OSI	Operation During: Abandoned	Created Date/Time: 14 Sep 2020 04:43 PM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 22 Feb 2023 04:30 PM
Insp. Location: 11-22-048-15W5	EDGE Reference No: -	

Surveillance EDCT: Abandoned Well	Overall Inspection Result: Unsatisfactory
	Re-Inspection Required: No
	Non-Compliance Level: High Risk
	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Well	-	Y

**Associated Authorizations**

**Activity Type**

Type	Number	Activity	Insp	Description
MSL (Public Lands)	113480	Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.
LOC (Public Lands)	072628			
COP Watercourse Crossing	COPWCC			

<b>Inspection Results</b>
---------------------------

Result	Manual #	Description
Low Risk	1.10.1.1	Equipment - Signs and Security Operations - Well signage - Improper identification sign, sign not posted, improper warning symbol, or no warning symbol posted adjacent to all entrances to the developed area of the facility. [OGCR 6.020(3), (5), (7), (8), (9), (10), (11), (12), (13), Schedule 12; Directive 055 (2.6)]
Low Risk	1.12.5.1	Equipment - Storage - Secondary containment design, construction, sizing, and maintenance - Secondary containment not designed, constructed, sized, and maintained as required. [OGCR 8.030(2); Directive 055 (5.3), (5.3.2.1), (5.3.2.1(a)), (5.3.2.1(b)), (5.3.3), (6.1), (7), Appendix 2(1), (2.2.1)]
Low Risk	3.3.1.1	Environment - Waste Management - Facility maintenance - Well not maintained in a clean condition. [OGCR 8.150(4)]
High Risk	3.4.2.1	Environment - Spills - Spill containment and cleanup - Spill or release not contained/cleaned up. [OGCR 8.050(1), 8.051(b)]
High Risk	4.3.18.1	Liability Management - Abandonment Operations - Surface equipment removal and cleanup activities - Failure to complete surface equipment removal and cleanup activities within 12 months. [Directive 020 (8)]
Low Risk	50.6.1	Public Lands Act - General - Timber Salvage - Timber not salvaged as per Approval [PLAR 173(1), Approval]
Low Risk	74.2.1.1	Water Act Codes of Practice - Water Course Crossings - Water Act Code of Practice notification for activity - No Water Act Code of Practice obtained for activity. [WMR Part 1(3)]

<b>Compliance Action</b>
--------------------------

Risk Type:	High	Follow-Up Deadline Date:	11 Oct 2020
Prior Action:	-	Follow-Up Complete Date:	-
Compliance Action:	High Risk Notice	Deficiency Letter Required:	No
Compliance Action Confirmed:	Yes	Deficiency Letter Sent Date:	-
Licensee Notified Date:	12 Sep 2020	Deficiency Letter Deadline Date:	11 Oct 2020
Suspended Date/Time:	-	Response Received Date:	-
Startup Date/Time:	-	Action Plan Required:	Yes
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	-

<b>Contacts</b>
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Date Printed: 14 Mar 2023

ALBERTA ENERGY REGULATOR  
INSPECTION DETAIL REPORT

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Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

\*\*\* No Contacts \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Inspection Category Details
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Installation Name	Inspection Site	H2SConcentration Source
CHANGHUA ERGY PECO 14-22-48-15	0.000	Inspection



Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Associated licences

\*\*\* No Associated Licences \*\*\*

Bioremediation

\*\*\* No Bioremediation \*\*\*

Appeals

\*\*\* No Appeals \*\*\*

Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	1.10.1.1	<p>Sign at lease entrance does not contain name of licensee</p> <p>This is in non-compliance with Oil and Gas Conservation Rules, Section 6.020(3), which states:                      "(3) The licensee of a well shall identify a well and the operator of a facility shall identify a facility by the use of a conspicuous sign erected at the primary entrance to the well or facility that indicates:                      (a) the name and telephone number of the licensee or operator, and                      (b) the legal description of the surface location of the well or facility."</p>	Cameron Ames	14 Sep 2020 04:01 PM
Deficiency	1.12.5.1	<p>Secondary containment around tanks was nearly full of water. Tank gauges indicated tanks are approximately 50% full. With the water in the containment, there is not enough available capacity to contain a release from one of the tanks.</p> <p>This is in non-compliance with Directive 055, Section 5.3.2.1(a), which states:                      "...A dike must be sized to have a volumetric capacity of not less than 110 per cent of the capacity of the tank when the diked area contains one tank or when the diked area contains more than one tank of not less than the sum of                      a) the capacity of the largest tank located in the diked area, and                      b) 10 per cent of the greater of:                      - the capacity specified in (a), or                      - the aggregate capacity of all other tanks located in the diked area;                      and...</p>	Cameron Ames	14 Sep 2020 04:23 PM
Deficiency	3.3.1.1	<p>"A dike must be maintained in good condition"</p> <p>Hydrocarbon staining was noted on the ground around the former wellhead area. The interior floor of the separator building is nearly full of hydrocarbon fluid.</p> <p>This is in non-compliance with Oil and Gas Conservation Rules, Section 8.150(4), which states:                      "The licensee of a well or pipeline and the operator of a facility shall maintain the well, pipeline or facility in a clean condition and shall ensure that oilfield wastes do not create or constitute a safety hazard or nuisance or adversely affect air, soil, surface water or groundwater."</p>	Cameron Ames	14 Sep 2020 04:31 PM

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Deficiency 3.4.2.1 Hydrocarbon staining on ground near former wellhead was previously identified by licensee but it appears that no clean-up efforts were taken.

Cameron Ames 14 Sep 2020 04:33 PM

This is in non-compliance with Oil and Gas Conservation Rules, Section 8.050(1), which state:

"When oil, water or unrefined product is spilled or released from a break or leak in a wellhead, tank, separator, treater or process vessel, the licensee of the well or operator of the facility from which the spill or release occurred shall immediately take reasonable steps to contain and clean up the spill or release and shall ensure that the spilled or released material is processed in the operators facilities, if appropriate, or is treated or disposed of, or both, in accordance with Directive 058."

Deficiency 4.3.18.1 Well abandonment was reported in April 2018 but surface equipment remains on site. Surface equipment includes on-lease piping, separator, flare knockout, flare stack, storage tanks (2x750 bbl) in steel containment and plastic liner, and miscellaneous pipes laying on wellsite lease.

Cameron Ames 14 Sep 2020 04:41 PM

This is in non-compliance with Directive 020, Section 8, which states:

"Surface equipment, cement pads, debris, and produced liquids associated with the well licence must be removed within 12 months of the cutting and capping operation."

Deficiency 50.6.1 Log deck still present along access road.

Cameron Ames 14 Sep 2020 05:06 PM

This is in non-compliance with Public Lands Act, Disposition MSL113480, Condition 200.5.1, which states:

"Conduct progressive reclamation and interim clean-up...for the wellsite and all associated disturbances (log decks, remote sumps, campsites, borrow sites, etc.) of that disposition as per External Directive SD 2010-02 Progressive Reclamation and Interim Clean up."

NOTE: External Directive SD 2010-02 Progressive Reclamation and Interim Clean up, states:

"Progressive reclamation and interim clean-up would occur at the production clean-up phase. This is considered the phase of post drill, post well service and construction of a teardrop."

Deficiency 74.2.1.1 Remediation of watercourse crossing appears to have occurred without providing Notification under the Code of Practice for Watercourse Crossings.

Cameron Ames 14 Sep 2020 05:11 PM

This is in non-compliance with Code of Practice for Watercourse Crossings, Section 3(1), which states:

"3(1) For the purposes of section 4 of the Water (Ministerial) Regulation (a) notwithstanding the requirement for at least 7 days notice in section 4, an owner must provide notice to the Director at least 14 calendar days before any works are commenced, continued or carried out, unless otherwise specified in writing by the Director;"

Follow-up This inspection record is a Notice of Noncompliance and qualifies as AER

Cameron Ames 14 Sep 2020 05:15 PM

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection.

The Licensee is expected to do the following remedial actions to achieve compliance:

1. Take corrective action to address the noncompliance
2. Submit confirmation via the DDS system detailing what was done to correct the noncompliance by the Follow Up Deadline Date.
3. Develop, implement, and electronically submit an action plan to the RedDeer.fieldcentre@aer.ca (and cc: Cameron.Ames@aer.ca) with a description of the causes of the noncompliance and measures being considered that would prevent similar events in the future by the Action Plan Deadline Date.

Failure to comply with the noted remedial actions may result in an enforcement response from the AER.

Site	During the inspection, a large stick nest was noted on the top of the pumpjack. Prior to any disturbance of this structure, the nest must be checked for occupancy or use by a qualified wildlife specialist.	Cameron Ames	14 Sep 2020 05:19 PM
Site	AER Inspector sent copy of Inspection Report to licensee since Licensee did not respond by deadline date identified in report. ATTACHED	Cameron Ames	16 Oct 2020 03:04 PM
Site	Received and attached lease agreement from November 22, 2020.	Trish Taylor	23 Nov 2020 12:59 PM
Site	AER Inspector sent email to AER Fish Biologist requesting SME review of response.	Cameron Ames	26 Nov 2020 04:20 PM
Site	AER Inspector discussed site with AER Fisheries Biologist. Discussed the following: - WCC located on 2nd order stream, - located ~2 km upstream of Pembina River - WCC Inspection identified concerns of erosion and blockage on culvert inlet. - Work plan from licensee identified that blockage has been removed and initial steps to address erosion. - If licensee can address remaining erosion concerns, satisfied with crossing.	Cameron Ames	01 Dec 2020 02:45 PM
Site	Email sent to licensee requesting site visit towards end of May to discuss outstanding non-compliance items identified in inspection.	Cameron Ames	28 Apr 2021 03:45 PM
Site	AER Inspector met with Colin (licensee representative) on site to discuss expectations to achieve compliance. AER inspector discussed the following: - test water in secondary containment (Directive 55, Section 11) and empty. Pumpoff or dispose depending on results of testing. - place additional erosion control on fill slopes of watercourse crossing. NOTE: some erosion control was added in 2020 but was not enough. - get rid of piled logs along access road (use for reclamation or burn) - Develop plan to have storage tanks emptied as soon as road conditions permit.	Cameron Ames	27 May 2021 01:19 PM
Site	Licensee submitted Action Plan to address items discussed during site visit. Action plan has timelines to complete.	Cameron Ames	11 Jun 2021 10:50 PM
Site	AER Inspector sent email to Licensee accepting Action Plan and requested email update (with photos) once each action item is complete. AER Inspector also reminded Licensee to send email if an Action Item cannot be completed by the timeline identified in the Action Plan.	Cameron Ames	14 Jun 2021 10:22 AM

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Site Email from Licensee: "Hi Cam, Cameron Ames 07 Jul 2021 12:14 PM

I have already contacted the operator to empty the liquid in the storage tanks on 11-22-48-15W5. I would like to report as required on your last Email once it is done. Also, I am considering how to treat the piles of wood. There are two choices we discussed on site. firstly, TC Energy could use the piles for road reclamation. Secondly, we could burn them in winter. I am wondering if it is possible for us to spread piles to avoid the piles of the wood and then to avoid the wild fire. We can spread them on the deck and a nearby borrow pit or along the access. It could be another choice if you agree. Then I could talk to Changhua Energy and TC Energy to figure it out the best way to go.

Thank you for your consideration Cam,

Colin  
"

Site Email received from licensee advising that road conditions too wet and will continue plan to empty tanks as roads dry. Cameron Ames 31 Jul 2021 02:09 PM

Site AER Inspector requested update from licensee regarding emptying storage tanks. \*\*\* Sept 15 - Licensee sent email advising they will contact operator and provide update Cameron Ames 15 Sep 2021 01:50 PM

Site AER Inspector sent licensee email asking for update and reminded that the AER expects the licensee to empty the tanks as soon as reasonably possible. Cameron Ames 23 Sep 2021 04:52 PM

Site Email received from Licensee: "Hi Cam, Cameron Ames 23 Sep 2021 08:07 PM

Yes, the tanks has been emptied. please see the email below that I sent to you on sep. 16. I believe that you have so many emails coming in every day, so you did not see it. it is good to ask me again.

Thank you Cam,

Colin"

NOTE: AER Inspector confirmed that email was received on September 16 but was in Junk mail folder.

Site Inspection review: Licensee has addressed the following non-compliance items:  
- Sign at entrance has been corrected  
- Secondary containment has been emptied  
- Storage tanks have been emptied  
- Banks around watercourse crossing have been stabilized  
- Hydrocarbon staining has been cleaned up on site. Cameron Ames 02 Dec 2021 11:42 AM

Licensee still needs to address the following non-compliance items:  
- Log deck beside access road  
- Surface equipment on site following abandonment. NOTE: Licensee is/was planning to re-enter well to continue production.

Site Email sent to Licensee requesting update on the log deck and plans to resume production from the well. \*\*\*Dec 2, 2021 @ 23:00 hrs - email received from Cameron Ames 02 Dec 2021 11:55 AM

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

licensee advising that they have a well licence to re-enter the abandoned well and they are in discussions with TC energy regarding the log deck. See attached.

Site	AER Inspector still waiting for response from licensee.	Cameron Ames	08 Mar 2022 11:51 AM
Site	AER Inspector drove by site. Log deck still located adjacent to access road. Pipeline company still constructing pipeline in this area.	Cameron Ames	24 Mar 2022 03:07 PM
Site	AER Inspector sent email requesting update.	Cameron Ames	15 Nov 2022 02:35 PM
Site	Email received from licensee with plan to spread out log pile. See attached.	Cameron Ames	16 Nov 2022 10:28 AM
Site	AER Inspector sent email requesting additional information.	Cameron Ames	17 Nov 2022 09:49 AM
Site	Email received with additional information on log deck. See attached.	Cameron Ames	08 Dec 2022 03:29 PM
Site	AER Inspector responded and accepted plan to spread logs over log deck area or other reclaimed areas. AER Inspector asked for update on plan to re-enter well.	Cameron Ames	21 Dec 2022 03:14 PM
Site	AER Inspector sent email requesting confirmation that log deck has been spread out.	Cameron Ames	16 Feb 2023 07:04 AM
Site	Email response from licensee: "Hi Cam,	Cameron Ames	17 Feb 2023 12:38 PM

I forwarded your email to Changhua Energy.  
They are going to contact you and do it as plan.

Best,

Colin

"

### Attachments

Description	Format	File Modified Date/Time	Size
AER Site PICS, 2020 09 11, W0442860.msg	MSG	18 Sep 2020 12:56 PM	18013
AER Internal INV Triage, 2020 09 24, W0442860, 503734.msg	MSG	05 Oct 2020 02:55 PM	1802
AER Email to Changhua w Site PICS and FLWUP RQST, 2020 10 22, W0442860, 503734.msg	MSG	23 Oct 2020 11:23 AM	18019
AER Internal INV Triage, 2020 11 13, W0442860, INSP 503734.msg	MSG	16 Nov 2020 07:56 AM	1898
Changhua Email w AP RSP, 2020 11 06, W0442860, INSP 503734.msg	MSG	16 Nov 2020 03:38 PM	3359
Changhua Email w Lease agreement, 2020 11 22, W0442860, INSP 503734.msg	MSG	23 Nov 2020 12:57 PM	286
Changhua Email re Corrective action, 2020 11 05, W0442860, INSP 503734.msg	MSG	27 Nov 2020 08:02 AM	742
Changhua Email Re Recap of Site Visit, 2021 05 31, W0442860, INSP 503734	MSG	01 Jun 2021 09:04 AM	140
Changhua Email Re Plan Addressing Problems, 2021 06 11, W0442860, INSP 503734	MSG	15 Jun 2021 08:46 AM	2088
Changhua EML Re Secondary Containment, 2021 06 21, W0442860	MSG	21 Jun 2021 11:21 AM	9895
Changhua EML Re Corrective Action Update, 2021 09 23, W0442860, INSP 503734	MSG	24 Sep 2021 09:14 AM	570
Changhua EML Re Tanks Empty, 2021 09 23, W0442860, INSP 503734	MSG	27 Sep 2021 11:10 AM	61
Changhua EML Re Well Resumption, 2021 12 02, W0442860, INSP 503734	MSG	16 Dec 2021 09:46 AM	189
AER Email to Changhua, RQST for UPD, 2022 11 15, W0442860, INSP 503734	MSG	15 Nov 2022 02:39 PM	93
Changhua Email, UPD, 2022 11 16, W0442860, INSP 503734	MSG	08 Dec 2022 02:21 PM	88
Changhua Email, re UPD on Log Removal, 2022 12 08, W0442860, INSP 503734	MSG	24 Jan 2023 10:05 AM	1169
AER Email, re UPD on Log Removal, 2022 12 21, W0442860, INSP	MSG	24 Jan 2023 10:11 AM	1171

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Date Printed: 14 Mar 2023

Licence: W 0442860    Resp. Licensee: A63L Changhua Energy Canada Ltd.    Insp. Category: Well Site Inspection  
503734

Date Printed: 14 Mar 2023

Licence: W 0364958 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

**General** Inspection ID: 506252

Surveillance Type: Inspection	Inspector: Derek Flewell	Inspection Date/Time: 11 Dec 2020 07:22 AM
Inspection Type: Routine lease	Inspection Field Centre: Drayton Valley	Complete Date: 18 Feb 2021
Inspection Reason: Incident	Operation During: Suspended	Created Date/Time: 14 Dec 2020 08:07 AM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 18 Feb 2021 08:32 AM
Insp. Location: 11-22-048-15W5	EDGE Reference No: 0374307	
Surveillance EDCT: Suspended Well		

Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Non-Compliance Level: Low Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Well	-	Y

Incident Type	Incident #	Incident Date/ Time
Complaint	20202854	02 Dec 2020 12:00 AM

**Activity Type**

Activity	Insp	Description
Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

**Inspection Results**

Result	Manual #	Description
Low Risk	1.10.1.1	Equipment - Signs and Security Operations - Well signage - Improper identification sign, sign not posted, improper warning symbol, or no warning symbol posted adjacent to all entrances to the developed area of the facility. [OGCR 6.020(3), (5), (7), (8), (9), (10), (11), (12), (13), Schedule 12; Directive 055 (2.6)]
Satisfactory	4.1.2	Liability Management - Suspension Operations - Suspended wellhead security

**Compliance Action**

Risk Type:	Low	Follow-Up Deadline Date:	10 Jan 2021
Prior Action:	-	Follow-Up Complete Date:	11 Jan 2021
Compliance Action:	Low Risk Notice	Deficiency Letter Required:	No
Compliance Action Confirmed:	Yes	Deficiency Letter Sent Date:	-
Licensee Notified Date:	12 Dec 2020	Deficiency Letter Deadline Date:	-
Suspended Date/Time:	-	Response Received Date:	-
Startup Date/Time:	-	Action Plan Required:	No
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	11 Jan 2021

**Contacts**

\*\*\* No Contacts \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0364958 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Inspection Category Details

Installation Name	Inspection Site	H2SConcentration Source
CHANGHUA ERGY PECO 7-9-48-15	0.000	Actual



Date Printed: 14 Mar 2023

Licence: W 0364958 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

## Associated licences

\*\*\* No Associated Licences \*\*\*

## Bioremediation

\*\*\* No Bioremediation \*\*\*

## Appeals

\*\*\* No Appeals \*\*\*

## Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	1.10.1.1	The Oil and Gas Conservation Rules Section 6.020 (3) states:  The licensee of a well shall identify a well and the operator of a facility shall identify a facility by the use of a conspicuous sign erected at the primary entrance to the well or facility that indicates (a) the name and telephone number of the licensee or operator, and (b) the legal description of the surface location of the well or facility.	Derek Flewell	14 Dec 2020 07:50 AM
Follow-up		The wellsign did not have the company name and contact information on it. This inspection record is a Notice of Noncompliance and qualifies as AER communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection. The Licensee is expected to do the following remedial actions to achieve compliance: 1. Take corrective action to address the noncompliance 2. Submit confirmation via the DDS system detailing what was done to correct the noncompliance by the Follow Up Deadline Date.	Derek Flewell	14 Dec 2020 08:04 AM
Follow-up		Failure to comply with the noted remedial actions may result in an enforcement response from the AER. We amended signage on 7-9-48-15W5, putting company name and contact information on it. All completed in December 2020.	Erica Wu	11 Jan 2021 10:50 PM
Inspection Closure		inspection complete	Derek Flewell	20 Jan 2021 08:07 AM

## Attachments

\*\*\* No Attachments \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0363808 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

<b>General</b>	<b>Inspection ID: 506255</b>
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Surveillance Type: Inspection	Inspector: Derek Flewell	Inspection Date/Time: 11 Dec 2020 08:28 AM
Inspection Type: Routine lease	Inspection Field Centre: Drayton Valley	Complete Date: 18 Feb 2021
Inspection Reason: Incident	Operation During: Suspended	Created Date/Time: 14 Dec 2020 08:38 AM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 18 Feb 2021 09:49 AM
Insp. Location: 11-22-048-15W5	EDGE Reference No: 0374307	
Surveillance EDCT: Oil Well		

Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Non-Compliance Level: Low Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp	Incident Type	Incident #	Incident Date/ Time
Well	-	Y	Complaint	20202854	02 Dec 2020 12:00 AM

**Activity Type**

Activity	Insp	Description
Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

<b>Inspection Results</b>
---------------------------

Result	Manual #	Description
Low Risk	1.10.1.1	Equipment - Signs and Security Operations - Well signage - Improper identification sign, sign not posted, improper warning symbol, or no warning symbol posted adjacent to all entrances to the developed area of the facility. [OGCR 6.020(3), (5), (7), (8), (9), (10), (11), (12), (13), Schedule 12; Directive 055 (2.6)]
Satisfactory	4.1.2	Liability Management - Suspension Operations - Suspended wellhead security

<b>Compliance Action</b>
--------------------------

Risk Type:	Low	Follow-Up Deadline Date:	13 Jan 2021
Prior Action:	-	Follow-Up Complete Date:	11 Jan 2021
Compliance Action:	Low Risk Notice	Deficiency Letter Required:	No
Compliance Action Confirmed:	Yes	Deficiency Letter Sent Date:	-
Licensee Notified Date:	15 Dec 2020	Deficiency Letter Deadline Date:	-
Suspended Date/Time:	-	Response Received Date:	-
Startup Date/Time:	-	Action Plan Required:	No
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	11 Jan 2021

<b>Contacts</b>
-----------------

\*\*\* No Contacts \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0363808 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Inspection Category Details

Installation Name	Inspection Site	H2SConcentration Source
CHANGHUA ERGY PECO 2-21-48-15	0.000	Actual

Date Printed: 14 Mar 2023

Licence: W 0363808 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

## Associated licences

\*\*\* No Associated Licences \*\*\*

## Bioremediation

\*\*\* No Bioremediation \*\*\*

## Appeals

\*\*\* No Appeals \*\*\*

## Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	1.10.1.1	The Oil and Gas Conservation Rules Section 6.020 (3) states:  The licensee of a well shall identify a well and the operator of a facility shall identify a facility by the use of a conspicuous sign erected at the primary entrance to the well or facility that indicates (a) the name and telephone number of the licensee or operator, and (b) the legal description of the surface location of the well or facility.	Derek Flewell	14 Dec 2020 08:30 AM
Follow-up		The wellsign did not have the company name and contact information on it. This inspection record is a Notice of Noncompliance and qualifies as AER communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection. The Licensee is expected to do the following remedial actions to achieve compliance: 1. Take corrective action to address the noncompliance 2. Submit confirmation via the DDS system detailing what was done to correct the noncompliance by the Follow Up Deadline Date.	Derek Flewell	14 Dec 2020 08:32 AM
Site		Failure to comply with the noted remedial actions may result in an enforcement response from the AER. During the inspection it was noted and confirmed through the use of a FLIR camera that the wellhead was leaking gas through valve stem packing and another audible source not found. There were odours present around the wellhead but not off lease. Regardless the leaks need to be addressed and stopped.	Derek Flewell	14 Dec 2020 08:35 AM
Follow-up		We amended signage on 2-21-48-15W5, putting company name and contact information on it. Leaks were addressed and stopped. All completed in December 2020.	Erica Wu	11 Jan 2021 10:54 PM
Inspection Closure		inspection complete	Derek Flewell	20 Jan 2021 08:08 AM

## Attachments

\*\*\* No Attachments \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

<b>General</b>	<b>Inspection ID: 506257</b>
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Surveillance Type: Inspection	Inspector: Derek Flewell	Inspection Date/Time: 11 Dec 2020 08:43 AM
Inspection Type: Routine lease	Inspection Field Centre: Drayton Valley	Complete Date: 18 Feb 2021
Inspection Reason: Incident	Operation During: Abandoned	Created Date/Time: 14 Dec 2020 08:55 AM
Licensee: A63L Changhua Energy Canada Ltd.	Inspection:	Updated Date/Time: 18 Feb 2021 09:39 AM
Insp. Location: 11-22-048-15W5	EDGE Reference No: 0374307	

Surveillance EDCT: Abandoned Well

Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Non-Compliance Level: High Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Well	-	Y

Incident Type	Incident #	Incident Date/ Time
Complaint	20202854	02 Dec 2020 12:00 AM

**Activity Type**

Activity	Insp	Description
Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

<b>Inspection Results</b>
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Result	Manual #	Description
Low Risk	1.10.1.1	Equipment - Signs and Security Operations - Well signage - Improper identification sign, sign not posted, improper warning symbol, or no warning symbol posted adjacent to all entrances to the developed area of the facility. [OGCR 6.020(3), (5), (7), (8), (9), (10), (11), (12), (13), Schedule 12; Directive 055 (2.6)]
High Risk	3.1.3.1	Environment - Emissions Operations - Hydrocarbon odour management - Venting and/or fugitive emissions resulting in offensive hydrocarbon odours outside the lease boundary. [Directive 060 (8.8(3))]

<b>Compliance Action</b>
--------------------------

Risk Type:	High	Follow-Up Deadline Date:	13 Jan 2021
Prior Action:	-	Follow-Up Complete Date:	11 Jan 2021
Compliance Action:	High Risk Notice	Deficiency Letter Required:	No
Compliance Action Confirmed:	Yes	Deficiency Letter Sent Date:	-
Licensee Notified Date:	15 Dec 2020	Deficiency Letter Deadline Date:	-
Suspended Date/Time:	-	Response Received Date:	-
Startup Date/Time:	-	Action Plan Required:	No
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	11 Jan 2021

<b>Contacts</b>
-----------------

\*\*\* No Contacts \*\*\*

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Inspection Category Details

Installation Name	Inspection Site	H2SConcentration Source
CHANGHUA ERGY PECO 14-22-48-15	0.000	Inspection

Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

Associated licences

\*\*\* No Associated Licences \*\*\*

Bioremediation

\*\*\* No Bioremediation \*\*\*

Appeals

\*\*\* No Appeals \*\*\*

Comments

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	1.10.1.1	<p>The Oil and Gas Conservation Rules Section 6.020 (3) states:</p> <p>The licensee of a well shall identify a well and the operator of a facility shall identify a facility by the use of a conspicuous sign erected at the primary entrance to the well or facility that indicates</p> <p>(a) the name and telephone number of the licensee or operator, and</p> <p>(b) the legal description of the surface location of the well or facility.</p> <p>The wellsign did not have the company name and contact information on it.</p>	Derek Flewell	14 Dec 2020 08:49 AM
Deficiency	3.1.3.1	<p>Directive 60 section 8.8(3) states:</p> <p>Venting and/or fugitive emissions must not result in any H2S odours outside the lease boundary. Venting and/or fugitive emissions must not result in any offensive hydrocarbon odours outside the lease boundary that, in the opinion of the AER, are unreasonable either because of their frequency, their proximity to surface improvements and surface development (as defined in Directive 056), their duration, or their strength.</p> <p>During the inspection it was noted that he interior of the separator building was coating in hydrocarbons and that the floor sump was full of free product. this free product was causing odors at the location which were reported by an anonymous complainant to the AER. the inspector confirmed these odours.</p> <p>The bulding must be cleaned to prevent future odours.</p>	Derek Flewell	14 Dec 2020 08:50 AM
Follow-up		<p>This inspection record is a Notice of Noncompliance and qualifies as AER communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection. The Licensee is expected to do the following remedial actions to achieve compliance:</p> <ol style="list-style-type: none"> <li>1. Take corrective action to address the noncompliance</li> <li>2. Submit confirmation via the DDS system detailing what was done to correct the noncompliance by the Follow Up Deadline Date.</li> </ol> <p>Failure to comply with the noted remedial actions may result in an enforcement response from the AER.</p>	Derek Flewell	14 Dec 2020 08:54 AM
Follow-up		<p>We amended signage on 11-22-48-15W5, putting company name and contact information on it. The</p>	Erica Wu	11 Jan 2021 10:55 PM

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INSPECTION DETAIL REPORT

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Date Printed: 14 Mar 2023

Licence: W 0442860 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Well Site Inspection

separator's room was cleaned. All completed in  
December 2020.

Inspection Closure

inspection complete

Derek Flewell

20 Jan 2021 08:06 AM

Attachments

\*\*\* No Attachments \*\*\*



Date Printed: 26 Apr 2023

## INSPECTION DETAIL REPORT

## FOR LICENSEE AND AER USE ONLY

Licence: P25044 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

General	Inspection ID: 529572
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Surveillance Type: Inspection	Inspector: Daniel Hartley	Inspection Date/Time: 22 Mar 2023 10:01 AM
Inspection Type: RVP-Pipeline	Inspection Field Centre: Drayton Valley	Complete Date: -
Inspection Reason: Random Verification	Operation During Inspection: Normal	Created Date/Time: 22 Mar 2023 07:30 PM
Licensee: A63L Changhua Energy Canada Ltd.	EDGE Reference No: -	Updated Date/Time: 23 Mar 2023 08:21 AM

Insp. Location: 15-09-047-14W5

Surveillance EDCT: Other Pipeline

Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Non-Compliance Level: High Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Pipeline	-	Y

## Associated Authorizations

## Activity Type

Type	Number	Activity	Insp	Description
VPT Priority List Id	37021	Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

## Inspection Results

Result	Manual #	Description
Satisfactory	3.1.5	Ground Disturbance - General - Alberta One Call registration
Satisfactory	5.1.5	Operations and Maintenance - Operations Manuals and Procedures - Manuals/procedures
Low Risk	5.1.15.1	Operations and Maintenance - Operations Manuals and Procedures - Manual updates - Licensee has not updated the manuals as necessary (specified in Pipeline Rules 7[1]) to ensure correct content.(Pipeline Rules, 7[3][a])
Low Risk	5.2.5.1	Operations and Maintenance - Records - Inspection and supervision records - Inspection and supervision records required under Pipeline Rules, Part 4, are not maintained for two years from the date the record is made or are not available to be submitted on request. (Pipeline Rules, 47)
High Risk	5.5.5.1	Operations and Maintenance - Corrosion Monitoring and Mitigation - Internal corrosion program and annual evaluation - For operating and discontinued metallic pipelines, licensee did not conduct and document the necessity for and suitability of internal corrosion mitigation procedures annually, and prior to operation of new pipeline or resumption of existing pipeline, or records are not maintained and provided to the AER on request. (Pipeline Rules, 54[1], 56)
Satisfactory	5.6.5	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Protective coatings on atmospherically exposed pipe
Satisfactory	5.6.10	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Inspection of atmospherically exposed pipe
Low Risk	5.6.95.1	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Annual Cathodic protection inspection, testing and records (Steel and aluminum) - Cathodic protection of steel and aluminum lines is not inspected or tested annually or before resumption of discontinued or abandoned pipelines, or records are not maintained and provided to the AER on request. (Pipeline Rules, 53[1], 56; CSA Z662 [9.9.1], [9.9.3], [9.9.4])
Satisfactory	5.7.5	Operations and Maintenance - Emergency Valves - Valves locations accessibility
Satisfactory	5.7.45	Operations and Maintenance - Emergency Valves - Inspection and function test of pipeline valves
High Risk	5.11.20.1	Operations and Maintenance - Leak Detection - Gas and carbon dioxide pipelines - Leak detection program - For gas and carbon dioxide pipeline systems, the company does not have a leak detection program that includes regular and effective surveys. (CSA Z662 [10.3.4.1])
Low Risk	5.12.5.1	Operations and Maintenance - Signage - Pipeline warning signs - Installation - Pipeline warning signs are not installed as required by the Pipeline Rules. (Pipeline Rules 68[1], 68[2])
Low Risk	5.12.15.1	Operations and Maintenance - Signage - Pipeline warning signs maintenance - Pipeline warning signs are not maintained or replaced when defaced, worn, or illegible, or are missing or destroyed. (Pipeline Rules 68[4])
High Risk	5.12.20.1	Operations and Maintenance - Signage - Pipeline warning sign telephone number - Emergency response - Pipeline warning signs do not have a valid telephone number for immediate emergency response as required by schedule 1. (Pipeline Rules 68[5][a])

Date Printed: 26 Apr 2023

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Licence: P25044 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline  
 High Risk 5.14.5.1 Operations and Maintenance - Right-of-Way Surveillance - ROW inspections for pipeline that crosses water or unstable ground - ROW inspections are not conducted at least annually for a pipeline that crosses water or unstable ground, or the inspections were not done in accordance with the Pipeline Rules and CSA Z662. (Pipeline Rules 43[1], CSA Z662 [10.6.1])  
 High Risk 5.14.10.1 Operations and Maintenance - Right-of-Way Surveillance - Underwater crossing inspection - Underwater crossings are not inspected periodically to ensure safety or integrity of the crossing. (CSA Z662 [10.6.4.2])

**Compliance Information**

Risk Type:	High	Follow-Up Deadline Date:	21 Apr 2023
Prior Action:	-	Follow-Up Complete Date:	-
Compliance Action:	High Risk Notice	Review Required:	No
Compliance Action Confirmed:	No	Reviewed Date:	-
Licensee Notified Date:	23 Mar 2023	Action Plan Required:	Yes
Suspended Date/Time:	-	Action Plan Deadline Date:	21 Apr 2023
Startup Date/Time:	-	Action Plan Received Date:	-
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	-

**Contacts**

\*\*\* No Contacts \*\*\*

**FOR LICENSEE AND AER USE ONLY**

Licence: P25044 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

Inspection Category Details
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Segment Line Number	From Location	To Location	From Facility	To Facility
1	15-09-047-14W5	06-36-047-15W5	Pipeline	Pipeline

**FOR LICENSEE AND AER USE ONLY**

Licence: P25044 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

**Associated Licences**

\*\*\* No Associated Licences \*\*\*

**Bioremediation**

\*\*\* No Bioremediation \*\*\*

**Appeals**

\*\*\* No Appeals \*\*\*

**Comments**

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	5.1.15.1	<p>This is in noncompliance with section 7(3)(a) of The Pipeline Rules which states,</p> <p>A licensee shall update the manuals referred to in subsection (1) as necessary to ensure that their contents are correct.</p> <p>At time of inspection Changhua Energy Canada Ltd had not updated their POMM as necessary to ensure that the contents are correct, specifically sections 4.3, 4.3.3, 6.2.3</p>	Daniel Hartley	22 Mar 2023 06:33 PM
Deficiency	5.2.5.1	<p>This is in noncompliance with section 47 of The Pipeline Rules which states,</p> <p>Unless otherwise authorized by the Regulator, a licensee shall maintain a record of all inspection and supervision required under this Part for a period of 2 years from the date the record is made and shall submit a copy of the record to the Regulator on request.</p> <p>At time of inspection Changhua Energy Canada Ltd did not submit copies of their Right of way inspection, Annual inspection for external corrosion mitigation, Annual evaluation for internal corrosion. mitigation</p>	Daniel Hartley	22 Mar 2023 06:41 PM
Deficiency	5.5.5.1	<p>This is in noncompliance with section 54(1) of The Pipeline Rules which states,</p> <p>Unless otherwise authorized by the Regulator, a licensee shall conduct and document an evaluation of any operating or discontinued metallic pipelines in a pipeline system to determine the necessity for, and the suitability of, internal corrosion mitigation procedures annually</p> <p>At time of inspection Changhua Energy Canada Ltd did not submit copies of their Annual evaluation for internal corrosion mitigation</p>	Daniel Hartley	22 Mar 2023 06:46 PM
Deficiency	5.6.95.1	<p>This is in noncompliance with section 53(1) of The Pipeline Rules which states,</p> <p>Unless otherwise authorized by the Regulator, a licensee shall conduct an inspection or test on all steel and aluminum lines in a pipeline system to determine the</p>	Daniel Hartley	22 Mar 2023 06:51 PM

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Licence: P25044 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

effectiveness of external corrosion mitigation procedures annually

At time of inspection Changhua Energy Canada Ltd did not submit copies of their Annual inspection for external corrosion mitigation

Deficiency 5.11.20.1 This is in noncompliance with CSAZ662-19 10.3.4.1 which states, Daniel Hartley 22 Mar 2023 06:57 PM

Operating companies shall perform regular surveys or analyses for evidence of leaks. Such leak detection surveys or analyses may include gas-detector or thermographic surveys, aerial surveys, vegetation surveys, gas-volume monitoring analyses, bar-hole surveys, surface detection surveys, mathematical modelling analyses, or other method that the operating company has determined to be effective.

At time of inspection Changhua Energy Canada Ltd did not demonstrate they have a leak detection program which includes regular and effective surveys.

All noncompliance items related to CSA are in noncompliance with Pipeline Rules Part 2, Section 9 which states: 9(1) A reference in these Rules to a code or standard is to the latest published edition of the code or standard issued by the Canadian Standards Association (CSA). (2) Except as otherwise specified by these Rules, the following standards are in force:  
a) CSA Z245.11, Steel Fittings;  
b) CSA Z245.12, Steel Flanges;  
c) CSA Z245.15, Steel Valves;  
d) CSA Z662, Oil and Gas Pipeline Systems.  
(3) Except as otherwise specified by these Rules, the minimum requirements for the design, construction, testing, operation, maintenance, repair and leak detection of pipelines are set out in CSA Z662. (4) The leak detection requirements contained in Annex E of CSA Z662 are mandatory for liquid hydrocarbon pipelines.

Deficiency 5.12.15.1 This is in noncompliance with section 68(4) of The Pipeline Rules which states, Daniel Hartley 22 Mar 2023 07:08 PM

A licensee shall, regardless of the operational status of the pipeline and for all pipelines, including abandoned pipelines, maintain pipeline warning signs and shall replace any pipeline warning sign that becomes defaced, worn out or illegible or that is missing or destroyed.

At time of inspection Changhua Energy Canada Ltd did not replace pipeline warning signs which have become defaced, worn out or illegible.

Deficiency 5.12.20.1 This is in noncompliance with section 68(5)(a) of The Pipeline Rules which states, Daniel Hartley 22 Mar 2023 07:12 PM

A licensee shall, regardless of the operational status of a pipeline and for all pipelines, including abandoned pipelines,

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Licence: P25044 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

update all warning signs by replacing them with new signs or applying durable permanent adhesive decals bearing the updated information before a telephone number indicated on the warning sign becomes invalid

At time of inspection Changhua Energy Canada Ltd's pipeline warning signs did not have a valid telephone number for immediate emergency response as required by schedule 1.

Deficiency 5.14.5.1 This is in noncompliance with section 43(1) of The Pipeline Rules which states, Daniel Hartley 22 Mar 2023 07:14 PM

The licensee of a pipeline that crosses water or unstable ground shall at least once annually inspect the pipeline right of way to assess  
(a) the surface conditions on and adjacent to the right of way,  
(b) indications of any leak in the pipeline,  
(c) any construction activity performed by others,  
(d) any encroachment or development near the pipeline right of way, or  
(e) any other condition affecting the operation of the pipeline.

At time of inspection Changhua Energy Canada Ltd did not provide annual inspections of the pipeline right of way.

Deficiency 5.14.10.1 This is in noncompliance with CSAZ662-19 10.6.4.2 which states, Daniel Hartley 22 Mar 2023 07:16 PM

Underwater crossings shall be inspected periodically for adequacy of cover, accumulation of debris, and other conditions that can affect the safety or integrity of the crossing.

Documentation was not supplied to demonstrate underwater crossing inspections were performed nor was a program in place in the Changhua Energy Canada Ltd manual.

All noncompliance items related to CSA are in noncompliance with Pipeline Rules Part 2, Section 9 which states: 9(1) A reference in these Rules to a code or standard is to the latest published edition of the code or standard issued by the Canadian Standards Association (CSA). (2) Except as otherwise specified by these Rules, the following standards are in force:  
a) CSA Z245.11, Steel Fittings;  
b) CSA Z245.12, Steel Flanges;  
c) CSA Z245.15, Steel Valves;  
d) CSA Z662, Oil and Gas Pipeline Systems.  
(3) Except as otherwise specified by these Rules, the minimum requirements for the design, construction, testing, operation, maintenance, repair and leak detection of pipelines are set out in CSA Z662. (4) The leak detection requirements contained in Annex E of CSA Z662 are mandatory for liquid hydrocarbon pipelines.

Deficiency 5.12.5.1 This is in noncompliance with section 68(1) of The Pipeline Rules which states, Daniel Hartley 22 Mar 2023 07:19 PM

A licensee shall install pipeline warning signs at each side of the crossing where a pipeline

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Licence: P25044 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

crosses a highway, road, railway or watercourse

At time of inspection Changhua Energy Canada Ltd did not have signs where the pipeline crosses a watercourse.

Follow-up This inspection record is a Notice of Noncompliance and qualifies as AER communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection. Daniel Hartley 22 Mar 2023 07:28 PM

The Licensee is expected to do the following remedial actions to achieve compliance:  
 1. Take corrective action to address the noncompliance  
 2. Submit confirmation via the DDS system detailing what was done to correct the noncompliance by the Follow Up Deadline Date.  
 3. Develop, implement, and electronically submit an action plan to the FieldOpsWest@aer.ca with a description of the causes of the noncompliance and measures being considered that would prevent similar events in the future by the Action Plan Deadline Date.

Failure to comply with the noted remedial actions may result in an enforcement response from the AER.

HR Non Esc Reason As of July 1, 2014, enforcement actions must be assessed under the Contravention Triage process, this inspection will remain as a High Risk Notice until otherwise notified. Daniel Hartley 22 Mar 2023 07:29 PM

**Attachments**

Description	Format	File Modified Date/Time	Size
AER Email to Changhua, w PL INSP DOC RQST, 2022 07 06, P25044, INSP 529572	MSG	23 Mar 2023 08:18 AM	145
Changhua Email, w PL DOC INFO, 2022 08 15, P25044, INSP 529572	MSG	23 Mar 2023 08:19 AM	4238

FOR LICENSEE AND AER USE ONLY

Licence: P25048 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

General	Inspection ID: 529573
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Surveillance Type: Inspection	Inspector: Daniel Hartley	Inspection Date/Time: 22 Mar 2023 10:00 AM
Inspection Type: Targeted-Small	Inspection Field Centre: Drayton Valley	Complete Date: -
Inspection Reason: Targeted	Operation During Inspection: Suspended	Created Date/Time: 22 Mar 2023 08:42 PM
Licence: A63L Changhua Energy Canada Ltd.	EDGE Reference No: -	Updated Date/Time: 23 Mar 2023 08:25 AM

Insp. Location: 06-36-047-15W5	Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Surveillance EDCT: Sour Gas Pipeline	Non-Compliance Level: High Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Pipeline	-	Y

Activity Type

Activity	Insp	Description
Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

Inspection Results

Result	Manual #	Description
Satisfactory	3.1.5	Ground Disturbance - General - Alberta One Call registration
Satisfactory	5.1.5	Operations and Maintenance - Operations Manuals and Procedures - Manuals/procedures
Low Risk	5.1.15.1	Operations and Maintenance - Operations Manuals and Procedures - Manual updates - Licensee has not updated the manuals as necessary (specified in Pipeline Rules 7[1]) to ensure correct content.(Pipeline Rules, 7[3][a])
Low Risk	5.2.5.1	Operations and Maintenance - Records - Inspection and supervision records - Inspection and supervision records required under Pipeline Rules, Part 4, are not maintained for two years from the date the record is made or are not available to be submitted on request. (Pipeline Rules, 47)
Satisfactory	5.6.5	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Protective coatings on atmospherically exposed pipe
Satisfactory	5.6.10	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Inspection of atmospherically exposed pipe
Low Risk	5.6.95.1	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Annual Cathodic protection inspection, testing and records (Steel and aluminum) - Cathodic protection of steel and aluminum lines is not inspected or tested annually or before resumption of discontinued or abandoned pipelines, or records are not maintained and provided to the AER on request. (Pipeline Rules, 53[1], 56; CSA Z662 [9.9.1], [9.9.3], [9.9.4])
Low Risk	5.12.5.1	Operations and Maintenance - Signage - Pipeline warning signs - Installation - Pipeline warning signs are not installed as required by the Pipeline Rules. (Pipeline Rules 68[1], 68[2])
Low Risk	5.12.15.1	Operations and Maintenance - Signage - Pipeline warning signs maintenance - Pipeline warning signs are not maintained or replaced when defaced, worn, or illegible, or are missing or destroyed. (Pipeline Rules 68[4])
High Risk	5.12.20.1	Operations and Maintenance - Signage - Pipeline warning sign telephone number - Emergency response - Pipeline warning signs do not have a valid telephone number for immediate emergency response as required by schedule 1. (Pipeline Rules 68[5][a])
High Risk	5.14.5.1	Operations and Maintenance - Right-of-Way Surveillance - ROW inspections for pipeline that crosses water or unstable ground - ROW inspections are not conducted at least annually for a pipeline that crosses water or unstable ground, or the inspections were not done in accordance with the Pipeline Rules and CSA Z662. (Pipeline Rules 43[1], CSA Z662 [10.6.1])
High Risk	5.14.10.1	Operations and Maintenance - Right-of-Way Surveillance - Underwater crossing inspection - Underwater crossings are not inspected periodically to ensure safety or integrity of the crossing. (CSA Z662 [10.6.4.2])
High Risk	8.1.20.1	Discontinue, Abandon, Removal and Resumption - General - Isolation or disconnection of discontinued or abandoned pipeline - Discontinued or abandoned pipeline is not physically isolated or disconnected from any operating facility or other pipeline. (Pipeline Rules 82[3][a])
Satisfactory	8.1.25	Discontinue, Abandon, Removal and Resumption - General - Discontinued pipeline - Clean, purge with fresh water, air, or inert gas



**FOR LICENSEE AND AER USE ONLY**

Licence: P25048 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

**Compliance Information**

Risk Type:	High	Follow-Up Deadline Date:	21 Apr 2023
Prior Action:	-	Follow-Up Complete Date:	-
Compliance Action:	High Risk Notice	Review Required:	No
Compliance Action Confirmed:	No	Reviewed Date:	-
Licensee Notified Date:	23 Mar 2023	Action Plan Required:	Yes
Suspended Date/Time:	-	Action Plan Deadline Date:	21 Apr 2023
Startup Date/Time:	-	Action Plan Received Date:	-
Duration (hrs):	-	Action Plan Approved Date:	-
		Compliance Complete Date:	-

**Contacts**

\*\*\* No Contacts \*\*\*

**FOR LICENSEE AND AER USE ONLY**

Licence: P25048 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

Inspection Category Details
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Segment Line Number	From Location	To Location	From Facility	To Facility
1	06-36-047-15W5	15-09-047-14W5	Blind End	Blind End

**FOR LICENSEE AND AER USE ONLY**

Licence: P25048 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

**Associated Licences**

\*\*\* No Associated Licences \*\*\*

**Bioremediation**

\*\*\* No Bioremediation \*\*\*

**Appeals**

\*\*\* No Appeals \*\*\*

**Comments**

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	5.1.15.1	This is in noncompliance with section 7(3)(a) of The Pipeline Rules which states,  A licensee shall update the manuals referred to in subsection (1) as necessary to ensure that their contents are correct.	Daniel Hartley	22 Mar 2023 08:29 PM
Deficiency	5.2.5.1	At time of inspection Changhua Energy Canada Ltd had not updated their POMM as necessary to ensure that the contents are correct, specifically sections 4.3, 4.3.3, 6.2.3 This is in noncompliance with section 47 of The Pipeline Rules which states,  Unless otherwise authorized by the Regulator, a licensee shall maintain a record of all inspection and supervision required under this Part for a period of 2 years from the date the record is made and shall submit a copy of the record to the Regulator on request.	Daniel Hartley	22 Mar 2023 08:29 PM
Deficiency	5.6.95.1	At time of inspection Changhua Energy Canada Ltd did not submit copies of their Right of way inspection, Annual inspection for external corrosion mitigation This is in noncompliance with section 53(1) of The Pipeline Rules which states,  Unless otherwise authorized by the Regulator, a licensee shall conduct an inspection or test on all steel and aluminum lines in a pipeline system to determine the effectiveness of external corrosion mitigation procedures annually	Daniel Hartley	22 Mar 2023 08:31 PM
Deficiency	5.12.5.1	At time of inspection Changhua Energy Canada Ltd did not submit copies of their Annual inspection for external corrosion mitigation This is in noncompliance with section 68(1) of The Pipeline Rules which states,  A licensee shall install pipeline warning signs at each side of the crossing where a pipeline crosses a highway, road, railway or watercourse  At time of inspection Changhua Energy Canada Ltd did not have signs where the pipeline crosses a watercourse.	Daniel Hartley	22 Mar 2023 08:33 PM

## FOR LICENSEE AND AER USE ONLY

Licence:	P25048	Resp. Licensee:	A63L Changhua Energy Canada Ltd.	Insp. Category:	Pipeline
Deficiency	5.12.15.1	This is in noncompliance with section 68(4) of The Pipeline Rules which states,  A licensee shall, regardless of the operational status of the pipeline and for all pipelines, including abandoned pipelines, maintain pipeline warning signs and shall replace any pipeline warning sign that becomes defaced, worn out or illegible or that is missing or destroyed.  At time of inspection Changhua Energy Canada Ltd did not replace pipeline warning signs which have become defaced, worn out or illegible.	Daniel Hartley	22 Mar 2023 08:33 PM	
Deficiency	5.12.20.1	This is in noncompliance with section 68(5)(a) of The Pipeline Rules which states,  A licensee shall, regardless of the operational status of a pipeline and for all pipelines, including abandoned pipelines, update all warning signs by replacing them with new signs or applying durable permanent adhesive decals bearing the updated information before a telephone number indicated on the warning sign becomes invalid  At time of inspection Changhua Energy Canada Ltd's pipeline warning signs did not have a valid telephone number for immediate emergency response as required by schedule 1.	Daniel Hartley	22 Mar 2023 08:33 PM	
Deficiency	5.14.5.1	This is in noncompliance with section 43(1) of The Pipeline Rules which states,  The licensee of a pipeline that crosses water or unstable ground shall at least once annually inspect the pipeline right of way to assess (a) the surface conditions on and adjacent to the right of way, (b) indications of any leak in the pipeline, (c) any construction activity performed by others, (d) any encroachment or development near the pipeline right of way, or (e) any other condition affecting the operation of the pipeline.  At time of inspection Changhua Energy Canada Ltd did not provide annual inspections of the pipeline right of way.	Daniel Hartley	22 Mar 2023 08:34 PM	
Deficiency	5.14.10.1	This is in noncompliance with CSAZ662-19 10.6.4.2 which states,  Underwater crossings shall be inspected periodically for adequacy of cover, accumulation of debris, and other conditions that can affect the safety or integrity of the crossing.  Documentation was not supplied to demonstrate underwater crossing inspections were performed nor was a program in place in the Changhua Energy Canada Ltd manual.	Daniel Hartley	22 Mar 2023 08:34 PM	

**FOR LICENSEE AND AER USE ONLY**

Licence:	P25048	Resp. Licensee:	A63L Changhua Energy Canada Ltd.	Insp. Category:	Pipeline
Deficiency	8.1.20.1	This is in noncompliance with section 82(3)(a) of The Pipeline Rules which states,  When a pipeline or part of a pipeline is discontinued, the licensee shall ensure that the pipeline or the part of the pipeline that is discontinued is physically isolated or disconnected from any operating facility or other pipeline		Daniel Hartley	22 Mar 2023 08:38 PM
Follow-up		At time of inspection, Changhua Energy Canada Ltd had not ensured that P25048 L1 was physically isolated or disconnected from any operating facility or other pipeline.  This inspection record is a Notice of Noncompliance and qualifies as AER communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection.  The Licensee is expected to do the following remedial actions to achieve compliance: 1. Take corrective action to address the noncompliance 2. Submit confirmation via the DDS system detailing what was done to correct the noncompliance by the Follow Up Deadline Date. 3. Develop, implement, and electronically submit an action plan to the FieldOpsWest@aer.ca with a description of the causes of the noncompliance and measures being considered that would prevent similar events in the future by the Action Plan Deadline Date.  Failure to comply with the noted remedial actions may result in an enforcement response from the AER.		Daniel Hartley	22 Mar 2023 08:41 PM
HR Non Esc Reason		As of July 1, 2014, enforcement actions must be assessed under the Contravention Triage process, this inspection will remain as a High Risk Notice until otherwise notified.		Daniel Hartley	22 Mar 2023 08:41 PM

Attachments			
Description	Format	File Modified Date/Time	Size
AER Email to Changhua, w PL INSP DOC RQST, 2022 07 06, P25048, INSP 529573	MSG	23 Mar 2023 08:24 AM	145
Changhua Email, w PL DOC INFO, 2022 08 15, P25048, INSP 529573	MSG	23 Mar 2023 08:24 AM	4238

INSPECTION DETAIL REPORT

FOR LICENSEE AND AER USE ONLY

Licence: P48396 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

<b>General</b>	<b>Inspection ID:</b> 529574
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Surveillance Type: Inspection	Inspector: Daniel Hartley	Inspection Date/Time: 22 Mar 2023 01:00 PM
Inspection Type: Targeted-Small	Inspection Field Centre: Drayton Valley	Complete Date: -
Inspection Reason: Targeted	Operation During Inspection: Suspended	Created Date/Time: 22 Mar 2023 09:02 PM
Licence: A63L Changhua Energy Canada Ltd.	EDGE Reference No: -	Updated Date/Time: 23 Mar 2023 08:27 AM

Insp. Location: 04-16-048-15W5	Overall Inspection Result: Unsatisfactory	Re-Inspection Required: No
Surveillance EDCT: Sour Gas Pipeline	Non-Compliance Level: High Risk	Re-Inspection Due Date: -

Facility Type	Reporting Facility	Insp
Pipeline	-	Y

Activity Type

Activity	Insp	Description
Conventional	Y	Primary Recovery Operations that do not meet the Non-Conventional or in situ definition.

<b>Inspection Results</b>
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Result	Manual #	Description
Satisfactory	3.1.5	Ground Disturbance - General - Alberta One Call registration
Satisfactory	5.1.5	Operations and Maintenance - Operations Manuals and Procedures - Manuals/procedures
Low Risk	5.1.15.1	Operations and Maintenance - Operations Manuals and Procedures - Manual updates - Licensee has not updated the manuals as necessary (specified in Pipeline Rules 7[1]) to ensure correct content.(Pipeline Rules, 7[3][a])
Low Risk	5.2.5.1	Operations and Maintenance - Records - Inspection and supervision records - Inspection and supervision records required under Pipeline Rules, Part 4, are not maintained for two years from the date the record is made or are not available to be submitted on request. (Pipeline Rules, 47)
Satisfactory	5.6.5	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Protective coatings on atmospherically exposed pipe
Satisfactory	5.6.10	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Inspection of atmospherically exposed pipe
Low Risk	5.6.95.1	Operations and Maintenance - External Corrosion (Cathodic Protection and Coatings) - Annual Cathodic protection inspection, testing and records (Steel and aluminum) - Cathodic protection of steel and aluminum lines is not inspected or tested annually or before resumption of discontinued or abandoned pipelines, or records are not maintained and provided to the AER on request. (Pipeline Rules, 53[1], 56; CSA Z662 [9.9.1], [9.9.3], [9.9.4])
Satisfactory	5.12.5	Operations and Maintenance - Signage - Pipeline warning signs - Installation
Satisfactory	5.12.20	Operations and Maintenance - Signage - Pipeline warning sign telephone number - Emergency response
High Risk	5.14.5.1	Operations and Maintenance - Right-of-Way Surveillance - ROW inspections for pipeline that crosses water or unstable ground - ROW inspections are not conducted at least annually for a pipeline that crosses water or unstable ground, or the inspections were not done in accordance with the Pipeline Rules and CSA Z662. (Pipeline Rules 43[1], CSA Z662 [10.6.1])
High Risk	8.1.20.1	Discontinue, Abandon, Removal and Resumption - General - Isolation or disconnection of discontinued or abandoned pipeline - Discontinued or abandoned pipeline is not physically isolated or disconnected from any operating facility or other pipeline. (Pipeline Rules 82[3][a])
Satisfactory	8.1.25	Discontinue, Abandon, Removal and Resumption - General - Discontinued pipeline - Clean, purge with fresh water, air, or inert gas

<b>Compliance Information</b>
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Risk Type:	High	Follow-Up Deadline Date:	21 Apr 2023
Prior Action:	-	Follow-Up Complete Date:	-
Compliance Action:	High Risk Notice	Review Required:	No

**FOR LICENSEE AND AER USE ONLY**

Licence:	P48396	Resp. Licensee:	A63L Changhua Energy Canada Ltd.	Insp. Category:	Pipeline
Compliance Action Confirmed:	No	Reviewed Date:	-		
Licensee Notified Date:	23 Mar 2023	Action Plan Required:	Yes		
Suspended Date/Time:	-	Action Plan Deadline Date:	21 Apr 2023		
Startup Date/Time:	-	Action Plan Received Date:	-		
Duration (hrs):	-	Action Plan Approved Date:	-		
		Compliance Complete Date:	-		

**Contacts**

\*\*\* No Contacts \*\*\*

**FOR LICENSEE AND AER USE ONLY**

Licence: P48396 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

Inspection Category Details
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Segment Line Number	From Location	To Location	From Facility	To Facility
1	04-16-048-15W5	03-09-048-15W5	Blind End	Blind End



**FOR LICENSEE AND AER USE ONLY**

Licence: P48396 Resp. Licensee: A63L Changhua Energy Canada Ltd. Insp. Category: Pipeline

**Associated Licences**

\*\*\* No Associated Licences \*\*\*

**Bioremediation**

\*\*\* No Bioremediation \*\*\*

**Appeals**

\*\*\* No Appeals \*\*\*

**Comments**

Comment Type	Manual #	Comments	Author	Comment Date/Time
Deficiency	5.1.15.1	This is in noncompliance with section 7(3)(a) of The Pipeline Rules which states,  A licensee shall update the manuals referred to in subsection (1) as necessary to ensure that their contents are correct.	Daniel Hartley	22 Mar 2023 08:53 PM
Deficiency	5.2.5.1	At time of inspection Changhua Energy Canada Ltd had not updated their POMM as necessary to ensure that the contents are correct, specifically sections 4.3, 4.3.3, 6.2.3 This is in noncompliance with section 47 of The Pipeline Rules which states,  Unless otherwise authorized by the Regulator, a licensee shall maintain a record of all inspection and supervision required under this Part for a period of 2 years from the date the record is made and shall submit a copy of the record to the Regulator on request.	Daniel Hartley	22 Mar 2023 08:54 PM
Deficiency	5.6.95.1	At time of inspection Changhua Energy Canada Ltd did not submit copies of their Right of way inspection, Annual inspection for external corrosion mitigation This is in noncompliance with section 53(1) of The Pipeline Rules which states,  Unless otherwise authorized by the Regulator, a licensee shall conduct an inspection or test on all steel and aluminum lines in a pipeline system to determine the effectiveness of external corrosion mitigation procedures annually	Daniel Hartley	22 Mar 2023 08:55 PM
Deficiency	5.14.5.1	At time of inspection Changhua Energy Canada Ltd did not submit copies of their Annual inspection for external corrosion mitigation This is in noncompliance with section 43(1) of The Pipeline Rules which states,  The licensee of a pipeline that crosses water or unstable ground shall at least once annually inspect the pipeline right of way to assess (a) the surface conditions on and adjacent to the right of way, (b) indications of any leak in the pipeline,	Daniel Hartley	22 Mar 2023 08:57 PM

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(c) any construction activity performed by others,  
(d) any encroachment or development near the pipeline right of way, or  
(e) any other condition affecting the operation of the pipeline.

At time of inspection Changhua Energy Canada Ltd did not provide annual inspections of the pipeline right of way.

Deficiency 8.1.20.1 This is in noncompliance with section 82(3)(a) of The Pipeline Rules which states, Daniel Hartley 22 Mar 2023 08:58 PM

When a pipeline or part of a pipeline is discontinued, the licensee shall ensure that the pipeline or the part of the pipeline that is discontinued is physically isolated or disconnected from any operating facility or other pipeline

At time of inspection, Changhua Energy Canada Ltd had not ensured that P48396 L1 was physically isolated or disconnected from any operating facility or other pipeline.

Follow-up This inspection record is a Notice of Noncompliance and qualifies as AER communication regarding inspection findings and expected action. A separate letter will not be forthcoming specific to this inspection. Daniel Hartley 22 Mar 2023 09:01 PM

The Licensee is expected to do the following remedial actions to achieve compliance:  
1. Take corrective action to address the noncompliance  
2. Submit confirmation via the DDS system detailing what was done to correct the noncompliance by the Follow Up Deadline Date.  
3. Develop, implement, and electronically submit an action plan to the FieldOpsWest@aer.ca with a description of the causes of the noncompliance and measures being considered that would prevent similar events in the future by the Action Plan Deadline Date.

Failure to comply with the noted remedial actions may result in an enforcement response from the AER.

HR Non Esc Reason As of July 1, 2014, enforcement actions must be assessed under the Contravention Triage process, this inspection will remain as a High Risk Notice until otherwise notified. Daniel Hartley 22 Mar 2023 09:02 PM

Attachments

Description	Format	File Modified Date/Time	Size
AER Email to Changhua, w PL INSP DOC RQST, 2022 07 06, P48396, INSP 529574	MSG	23 Mar 2023 08:26 AM	145
Changhua Email, w PL DOC INFO, 2022 08 15, P48396, INSP 529574	MSG	23 Mar 2023 08:26 AM	4238

**THE FOLLOWING COMPRISES SCHEDULE "I" ATTACHED TO AND FORMING PART OF A PURCHASE AND SALE AGREEMENT DATED THE 10TH DAY OF JULY, 2023 BETWEEN FTI CONSULTING CANADA INC., solely in its capacity as receiver of CHANGHUA ENERGY CANADA LTD., and not in its personal or corporate capacity, and BITSTONE RESOURCES INC.**

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