

AER Notice of Closure:

Best Practices For Preparing Your Working Interest Participant Response

The Sequoia Resources bankruptcy has resulted in the Alberta Energy Regulator (AER) issuing a very large and unprecedented Closure Order. **The Order affects all Working Interest Participants in Sequoia wells, pipelines and facilities.** Ignoring or improperly responding to the Order could result in an enforcement action. We have prepared this document to help you effectively and efficiently respond in the event that you receive a Notice of Closure from the AER.

If You Receive A Notice Of Closure from the AER:

1. **Identify the assets in which the Order shows you having a working interest.** This will be included in the AER's Order. Read through it carefully to ensure you identify all wells, pipelines, and facilities where you are noted as the Licensee, Working Interest Participant (WIP), or Operator.
2. **Verify your ownership.** The AER only collects WIP information during the Directive 56 application process, therefore records may be out of date. Talk to your surface land team to ensure the AER's Order is correct. If there are discrepancies, contact the AER to have the Order corrected.
3. **Determine your proportionate share of the required abandonment costs.** This requires a thorough review of all agreements that are in place. The relevant CAPL or PJVA operating agreements may have an impact on what actions you are required to take.
4. **Connect with any other WIPs for each of your affected assets.** Normally the WIP with the largest interest is expected to lead, starting with the Licensee. If other WIPs cannot be located or have ceased operations, you may be expected to pay for the costs of abandonment alone, and later seek reimbursement from the Orphan Well fund.
5. **Decide which assets to retain, and which to abandon.** Taking a data driven, risk based approach to understanding your assets' true liability will help you make the best decision.

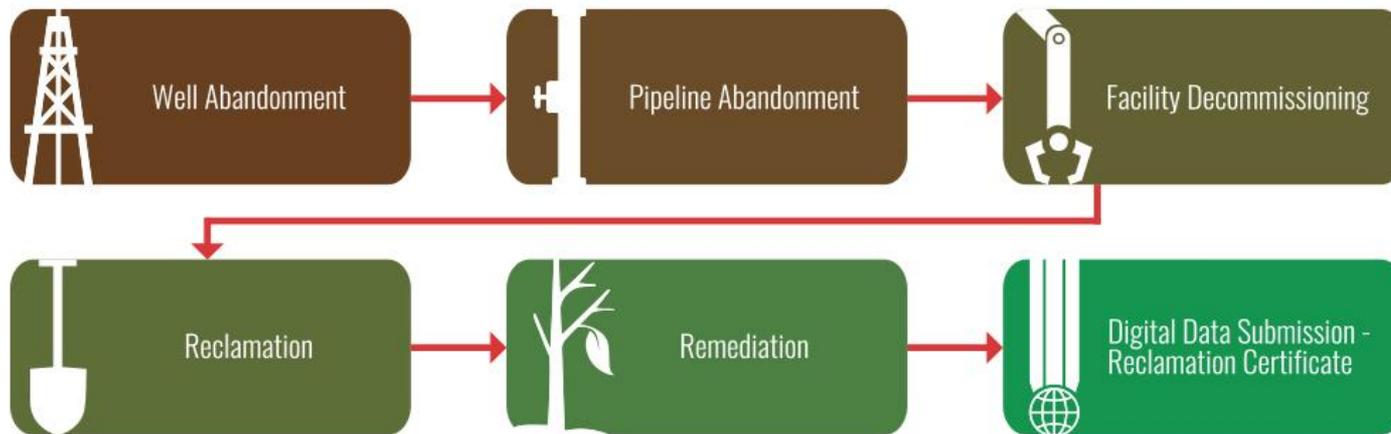


Understanding Your
Asset Retirement
Obligations

Proactive Asset Retirement

Integrated abandonment planning is a phased approach where wells or pipelines are abandoned first, followed by facilities, and finally reclamation and remediation activities finish the physical work. Regulatory updates (via Digital Data Service or DDS submission) and the issuing of a “rec cert” or reclamation certificate completes the work. Planning these integrated activities in an area-based approach creates efficiency and cost savings.

ARO Activity Integrated or “Phased” Approach



Understanding Your Asset Retirement Obligations

To really understand your asset retirement obligations, you need all the facts.

Dynamic Risk can help you with any or all of your AER response.

We help you take a risk based approach to your assets' retirement.

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more information:

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