

January 4, 2018

Calgary Head Office
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Canada

LICENSEES OF PENALIZED OFF-TARGET GAS WELLS RE: 2018 ANNUAL GAS ALLOWABLE ORDER AND ANNUAL PRESSURE TESTING

www.aer.ca

2018 ANNUAL GAS ALLOWABLE ORDER

The Alberta Energy Regulator (AER) 2018 Annual Gas Allowable is issued which is posted on the AER's website: www.aer.ca. The penalized annual allowable shown in column (6) is the amount of gas that may be produced by the well identified in column (1) in the year 2018. If the well has unretired overproduction, the amount in column (6) has been adjusted. Column (7) provides the operator with additional instructions as to outstanding requirements and/or production limitations.

Wells with outstanding deliverability and/or pressure tests have not been assigned an allowable. These wells shall not be produced until the required test data has been submitted to the AER, the gas allowable application process is completed, and an allowable assigned for the 2018 production period. Production that occurs in the absence of an allowable will be subject to immediate enforcement action. Wells that have an outstanding pressure test have not been assigned an allowable for the 2018 year and are producing will be issued a shut-in notice.

ANNUAL PRESSURE TESTING

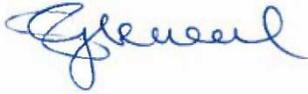
An annual pressure test is required for an off-target gas well unless the test requirement has been waived by the AER. The waiver is provided at the time an off-target penalty and annual allowable are initially assigned, and is subsequently included in the AER's annual pressure test survey document. Licensees are advised that penalized off-target gas wells should be pressure-tested and the test submitted to the AER prior to November 1 of the current year to ensure continued production at the start of the new allowable period. **Extensions to the annual submission date are not granted for off-target wells.** If a pressure test is submitted after the November 1 deadline, the operator is required to complete a gas allowable application requesting a review or assignment of an allowable and will not produce until an allowable is assigned.

Additional information respecting off-target well administration is included in the attachment.

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Any questions respecting this matter may be directed to Jessica Eslinger at 403-297-6599.

Yours truly,

A handwritten signature in blue ink, appearing to read "Sukh Mangat".

Sukh Mangat, C.E.T.
Manager, Oil & Gas Southeast
Authorizations

ADMINISTRATION OF OFF-TARGET PENALTIES AND GAS ALLOWABLES

The following information summarizes procedures regarding the general administration regarding off-target wells and the assignment of gas allowables.

- The AER will be issuing and enforcing shut-in notices for all off-target wells subject to a penalty which have been operating without an assigned allowable.
- When a well subject to a penalty has not been assigned an allowable, production is to cease immediately; all production that occurs in the absence of an allowable is subject to penalties and enforcement action.
- A review or re-assignment of gas allowable due to a submission error or an outstanding pressure test requires the completion of a gas allowable application in accordance with *Directive 065: Resources Applications for Oil and Gas Reservoirs (Directive 065)*. The application must contain the information noted in the directive.
- An off-target well that has been suspended will not be allowed to resume production until the operator has fulfilled the pressure test requirement, filed a gas allowable application in accordance with *Directive 065*, and the AER has assigned an allowable.
- All production that occurs in the absence of an allowable or exceeds the assigned allowable will be subject to penalties and enforcement. The retirement of overproduction will be outlined in a letter of disposition which will include a date when the well may recommence production. It is the operator's responsibility to note the date involved, as no other notice will be provided to the operator as to when the well may recommence production.
- An applicant requesting the assignment of an off-target penalty is required to notify the operator of the well in question and provide the AER with the contact information for all parties involved.