

| <p>1</p> <p style="text-align: center;">THE ALBERTA ENERGY REGULATOR PROCEEDING ID NO. 434</p> <p style="text-align: center;">IN THE MATTER OF the Regulatory Appeal of the Reasonable Care and Measures Order dated March 30, 2023 (Regulatory Appeal 1943516)</p> <p style="text-align: center;">AND IN THE MATTER OF the Regulatory Appeal of the Suspension Order dated June 5, 2023 (Regulatory Appeal 1943521)</p> <hr/> <p style="text-align: center;">AER PROCEEDING VOLUME 1</p> <hr/> <p style="text-align: center;">Calgary, Alberta November 27, 2023</p> | <p>2</p> <p style="text-align: center;">TABLE OF CONTENTS</p> <p>3</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Description</th> <th style="text-align: right;">Page</th> </tr> </thead> <tbody> <tr> <td>4</td> <td></td> </tr> <tr> <td>5 November 27, 2023 Morning Session</td> <td style="text-align: right;">4</td> </tr> <tr> <td>6</td> <td></td> </tr> <tr> <td>7 Opening Remarks</td> <td style="text-align: right;">4</td> </tr> <tr> <td>8 Submissions by Mr. Stapon</td> <td style="text-align: right;">14</td> </tr> <tr> <td>9 Discussion</td> <td style="text-align: right;">15</td> </tr> <tr> <td>10 RICK IRONSIDE, BEN LI, Sworn</td> <td style="text-align: right;">27</td> </tr> <tr> <td>11 WYMAN PEDERSON, KIM SERGINSON, AMY ZHANG,</td> <td></td> </tr> <tr> <td>12 Affirmed</td> <td></td> </tr> <tr> <td>13 Direct Evidence of AlphaBow Energy Ltd.</td> <td style="text-align: right;">27</td> </tr> <tr> <td>14</td> <td></td> </tr> <tr> <td>15 November 27, 2023 Afternoon Session</td> <td style="text-align: right;">81</td> </tr> <tr> <td>16</td> <td></td> </tr> <tr> <td>17 RICK IRONSIDE, BEN LI, Re-Sworn</td> <td style="text-align: right;">81</td> </tr> <tr> <td>18 WYMAN PEDERSON, KIM SERGINSON, AMY ZHANG,</td> <td></td> </tr> <tr> <td>19 Re-Affirmed</td> <td></td> </tr> <tr> <td>20 Direct Evidence of AlphaBow Energy Ltd.</td> <td style="text-align: right;">82</td> </tr> <tr> <td>21 Certificate of Transcript</td> <td style="text-align: right;">274</td> </tr> <tr> <td>22</td> <td></td> </tr> <tr> <td>23</td> <td></td> </tr> <tr> <td>24</td> <td></td> </tr> <tr> <td>25</td> <td></td> </tr> <tr> <td>26</td> <td></td> </tr> </tbody> </table> | Description | Page | 4 | | 5 November 27, 2023 Morning Session | 4 | 6 | | 7 Opening Remarks | 4 | 8 Submissions by Mr. Stapon | 14 | 9 Discussion | 15 | 10 RICK IRONSIDE, BEN LI, Sworn | 27 | 11 WYMAN PEDERSON, KIM SERGINSON, AMY ZHANG, | | 12 Affirmed | | 13 Direct Evidence of AlphaBow Energy Ltd. | 27 | 14 | | 15 November 27, 2023 Afternoon Session | 81 | 16 | | 17 RICK IRONSIDE, BEN LI, Re-Sworn | 81 | 18 WYMAN PEDERSON, KIM SERGINSON, AMY ZHANG, | | 19 Re-Affirmed | | 20 Direct Evidence of AlphaBow Energy Ltd. | 82 | 21 Certificate of Transcript | 274 | 22 | | 23 | | 24 | | 25 | | 26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>3</p> <p style="text-align: center;">EXHIBITS</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Description</th> <th style="text-align: right;">Page</th> </tr> </thead> <tbody> <tr> <td>4</td> <td></td> </tr> <tr> <td>5 EXHIBIT 68.01 - Statement of Ben Li</td> <td style="text-align: right;">19</td> </tr> <tr> <td>6 EXHIBIT 69.01 - Letter from Mona Sellers of the</td> <td style="text-align: right;">237</td> </tr> <tr> <td>7 Alberta Energy Regulator to Ben Li dated July 24,</td> <td></td> </tr> <tr> <td>8 2023</td> <td></td> </tr> <tr> <td>9</td> <td></td> </tr> <tr> <td>10</td> <td></td> </tr> <tr> <td>11 style="text-align: center;">UNDERTAKINGS</td> <td></td> </tr> <tr> <td>12</td> <td></td> </tr> <tr> <td>13 Description</td> <td style="text-align: right;">Page</td> </tr> <tr> <td>14</td> <td></td> </tr> <tr> <td>15 UNDERTAKING 1 - To provide letter dated July 24,</td> <td style="text-align: right;">55</td> </tr> <tr> <td>16 2023, from Mona Sellers at the Alberta Energy</td> <td></td> </tr> <tr> <td>17 Regulator that gave AlphaBow Energy Ltd. a clean</td> <td></td> </tr> <tr> <td>18 bill of health in terms of the \$3.84 million spend</td> <td></td> </tr> <tr> <td>19</td> <td></td> </tr> <tr> <td>20</td> <td></td> </tr> <tr> <td>21</td> <td></td> </tr> <tr> <td>22</td> <td></td> </tr> <tr> <td>23</td> <td></td> </tr> <tr> <td>24</td> <td></td> </tr> <tr> <td>25</td> <td></td> </tr> <tr> <td>26</td> <td></td> </tr> </tbody> </table> | Description | Page | 4 | | 5 EXHIBIT 68.01 - Statement of Ben Li | 19 | 6 EXHIBIT 69.01 - Letter from Mona Sellers of the | 237 | 7 Alberta Energy Regulator to Ben Li dated July 24, | | 8 2023 | | 9 | | 10 | | 11 style="text-align: center;">UNDERTAKINGS | | 12 | | 13 Description | Page | 14 | | 15 UNDERTAKING 1 - To provide letter dated July 24, | 55 | 16 2023, from Mona Sellers at the Alberta Energy | | 17 Regulator that gave AlphaBow Energy Ltd. a clean | | 18 bill of health in terms of the \$3.84 million spend | | 19 | | 20 | | 21 | | 22 | | 23 | | 24 | | 25 | | 26 | | <p>4</p> <p>1 Proceedings taken at Govier Hall, Calgary, Alberta.</p> <p>2</p> <hr/> <p>3 November 27, 2023 Morning Session</p> <p>4</p> <table border="0"> <tbody> <tr> <td>5 C.L.F. Chiasson</td> <td>Hearing Commissioner</td> </tr> <tr> <td>6 M.A. Barker</td> <td>Hearing Commissioner</td> </tr> <tr> <td>7 S.F. Mackenzie</td> <td>Hearing Commissioner</td> </tr> <tr> <td>8</td> <td></td> </tr> <tr> <td>9 A. Huxley</td> <td>Counsel for the Panel</td> </tr> <tr> <td>10 A. Doebele</td> <td>Counsel for the Panel</td> </tr> <tr> <td>11 C. Ross</td> <td>AER Counsel - CLM Branch</td> </tr> <tr> <td>12 M. Lavelle</td> <td>AER Counsel - CLM Branch</td> </tr> <tr> <td>13 D. Parsons</td> <td>AER Staff</td> </tr> <tr> <td>14 T. Wheaton</td> <td>AER Staff</td> </tr> <tr> <td>15 E. Arruda</td> <td>AER Staff</td> </tr> <tr> <td>16 A. Stanislavski</td> <td>AER Staff</td> </tr> <tr> <td>17</td> <td></td> </tr> <tr> <td>18 G. Stapon</td> <td>For AlphaBow Energy Ltd.</td> </tr> <tr> <td>19 K. Cameron</td> <td></td> </tr> <tr> <td>20</td> <td></td> </tr> <tr> <td>21 R.M. Johanson, CSR(A)</td> <td>Official Court Reporter</td> </tr> <tr> <td>22 A. Porco, CSR(A)</td> <td>Official Court Reporter</td> </tr> <tr> <td>23</td> <td></td> </tr> <tr> <td>24 (PROCEEDINGS COMMENCED AT 9:22 AM)</td> <td></td> </tr> <tr> <td>25 Opening Remarks</td> <td></td> </tr> <tr> <td>26 THE CHAIR:</td> <td>Good morning. Welcome to</td> </tr> </tbody> </table> | 5 C.L.F. Chiasson | Hearing Commissioner | 6 M.A. Barker | Hearing Commissioner | 7 S.F. Mackenzie | Hearing Commissioner | 8 | | 9 A. Huxley | Counsel for the Panel | 10 A. Doebele | Counsel for the Panel | 11 C. Ross | AER Counsel - CLM Branch | 12 M. Lavelle | AER Counsel - CLM Branch | 13 D. Parsons | AER Staff | 14 T. Wheaton | AER Staff | 15 E. Arruda | AER Staff | 16 A. Stanislavski | AER Staff | 17 | | 18 G. Stapon | For AlphaBow Energy Ltd. | 19 K. Cameron | | 20 | | 21 R.M. Johanson, CSR(A) | Official Court Reporter | 22 A. Porco, CSR(A) | Official Court Reporter | 23 | | 24 (PROCEEDINGS COMMENCED AT 9:22 AM) | | 25 Opening Remarks | | 26 THE CHAIR: | Good morning. Welcome to |
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| 5 C.L.F. Chiasson | Hearing Commissioner | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 M.A. Barker | Hearing Commissioner | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 S.F. Mackenzie | Hearing Commissioner | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 9 A. Huxley | Counsel for the Panel | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 A. Doebele | Counsel for the Panel | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11 C. Ross | AER Counsel - CLM Branch | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12 M. Lavelle | AER Counsel - CLM Branch | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13 D. Parsons | AER Staff | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14 T. Wheaton | AER Staff | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15 E. Arruda | AER Staff | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 16 A. Stanislavski | AER Staff | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 18 G. Stapon | For AlphaBow Energy Ltd. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 19 K. Cameron | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 21 R.M. Johanson, CSR(A) | Official Court Reporter | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 22 A. Porco, CSR(A) | Official Court Reporter | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 24 (PROCEEDINGS COMMENCED AT 9:22 AM) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 25 Opening Remarks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 26 THE CHAIR: | Good morning. Welcome to | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| <p style="text-align: right;">5</p> <p>1 Govier Hall. Thank you for your patience. 2 Oh. 3 MS. WHEATON: Just a minute. We're 4 missing -- 5 THE CHAIR: Okay. Oh, that's right. The 6 other counsel. 7 Ms. Wheaton, we have everyone who should be here, 8 it appears? 9 MS. WHEATON: It appears to be. 10 THE CHAIR: Thank you. 11 So let's start again. Good morning. Welcome to 12 Govier Hall. So thank you for your patience while we 13 were dealing with -- with some technical issues, and 14 thank you for attending to participate in and observe 15 this hearing. 16 My name is Cindy Chiasson, and I am the hearing 17 commissioner chairing this hearing. So the other Panel 18 members are, on my right, Meg Barker, and on my left, 19 Shona Mackenzie. 20 So during this hearing, we ask that the parties 21 refer to us as "Commissioner Chiasson", "Commissioner 22 Barker", and "Commissioner Mackenzie" and that you 23 refrain from using the term "madam chair". 24 My colleagues and I respectfully acknowledge that 25 we are holding this proceeding on the traditional 26 territories of the people of the Treaty 7 region on</p> | <p style="text-align: right;">6</p> <p>1 southern Alberta, which includes the Siksika, Piikani, 2 and Kainai Nations of the Blackfoot Confederacy, the 3 Tsuut'ina Nation, and the Stoney Nakoda Nation, which 4 includes the Chiniki, Bearspaw, and Wesley First 5 Nations. Mohkinstsis, also known as the city of 6 Calgary, is also home to the Métis Nation of Alberta 7 Region 3. 8 So I would like to introduce now the AER staff 9 assisting the Panel in this proceeding, and so please 10 give a wave when I read your names. So we have Alison 11 Doebele and -- and Amanda Huxley of the law branch. 12 Not with us this morning, but we hope will join us 13 later on during this proceeding, is Andrew Lung, who is 14 the hearing coordinator for the proceeding and the 15 parties would have dealt with in the lead-up to this, 16 and we do have additional staff who are supporting the 17 hearing and will be switching in and out throughout -- 18 throughout the week, and so this morning, we have Tara 19 Wheaton and Denise Parsons, Elaine Arruda and Anastasia 20 Stanislavski, all from hearing services with us. 21 So the Hearing Panel and all AER staff in the 22 hearing room are wearing name tags, whether they are 23 assisting with this proceeding or observing. If you 24 have questions about this proceeding, please approach 25 the staff, who are supporting the hearing for 26 assistance.</p> |
| <p style="text-align: right;">7</p> <p>1 Communications with the Hearing Panel must be on 2 the record; therefore, please don't speak to the Panel 3 members unless it's part of the hearing. We're not 4 trying to be unfriendly, but to be fair and transparent 5 to the hearing parties, all communication with us must 6 be on the record. We appreciate everyone's 7 understanding and respect of this request. 8 In addition to AER staff, we have court reporters 9 to transcribe the proceeding, and so we ask the hearing 10 parties to be mindful of speaking slowly and not 11 interrupting for the court reporters' benefit. 12 There are also security officers in attendance. 13 They're here to provide for the safety of everyone in 14 the room and to support the hearing process. 15 Audio of the hearing is being live-streamed 16 through a link on the AER's website. We do not keep a 17 record of the audiocast, and the audiocast is not an 18 official transcript. The court reporters will prepare 19 the only official transcript of this hearing. 20 Ms. Wheaton, please tell us the safety procedures 21 as well as the particulars of this proceeding and the 22 publication of the notice of hearing. 23 MS. WHEATON: Thank you, Commissioner 24 Chiasson. 25 In case there is a building alarm, listen for 26 directions, and if asked to evacuate, turn left as you</p> | <p style="text-align: right;">8</p> <p>1 exit Govier Hall and proceed down the stairs. The 2 muster point will be in the lobby of the Eau Claire 3 Tower, which is directly west of us. In the event of a 4 medical emergency, call 911 and then alert an AER 5 employee, who will notify security. 6 A defibrillator kit is located next to the sink in 7 the foyer area where check-in took place. For other 8 emergencies, please alert AER staff. 9 Please note that Govier Hall is the only AER room 10 on the third floor. All other conference rooms are 11 private and not for use unless a room has been booked 12 for you. 13 The subject of today's proceedings -- the subject 14 of today's proceeding are Regulatory Appeals 1943516 15 and 1943521. On April 21st, 2023, the AER received a 16 request for regulatory appeal from AlphaBow Energy Ltd. 17 under Division 3 of the Responsible Energy Development 18 Act and Part 3 of the Alberta Energy Regulator Rules of 19 Practice of the AER's decision to issue a reasonable 20 care and measures order to AlphaBow on March 30th, 21 2023. 22 Subsequently on June 9, 2023, the AER received a 23 request for regulatory appeal from AlphaBow of the 24 AER's decision to issue a suspension order to AlphaBow 25 on June 5th, 2023. The AER granted both requests for 26 regulatory appeals on June 28th, 2023.</p> |

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| <p style="text-align: right;">9</p> <p>1 The purpose of this hearing is to determine 2 whether the AER should confirm, vary, suspend or revoke 3 its decisions to issue both orders. The notice of 4 hearing and notice of scheduling of hearing are 5 Exhibits 1101 and 6301 respectively and were 6 distributed directly to all parties. The materials 7 filed for the hearing have been marked as exhibits. 8 The parties were sent a copy of the exhibit list on 9 November 23, 2023. 10 Also, if parties wish to make a request to file 11 new documentary evidence during the hearing, I ask that 12 before you make the request, you provide me with an 13 electronic version of the document via email to 14 hearing.services@ aer.ca. This will allow us to proceed 15 quickly if the Panel decides to allow the document into 16 evidence. 17 THE CHAIR: Thank you, Ms. Wheaton. 18 We'll now register the hearing participants. 19 Please speak clearly and not too quickly into the 20 microphone so the court reporters can hear you and for 21 the audio webcast; state your name for the record, 22 spell your surname for the court reporter, and confirm 23 the party you are representing; mute your microphone 24 when you are finished. 25 So who is representing the regulatory appeal 26 requestor, AlphaBow Energy Ltd.?</p> | <p style="text-align: right;">10</p> <p>1 MR. STAPON: Madam commissioners, 2 Grant Stapon of the law firm Bennett Jones, 3 S-T-A-P-O-N, and my co-counsel. 4 MS. CAMERON: Keely Cameron. Last name 5 C-A-M-E-R-O-N. 6 THE CHAIR: Thank you, counsel. Just a 7 reminder, Mr. Stapon, you don't have to use the 8 "madam". 9 MR. STAPON: Thank you. 10 THE CHAIR: Thank you. 11 And who is representing the AER's Closure and 12 Liability Management branch, who we'll refer to going 13 forward as "CLM"? 14 MS. ROSS: Candice Ross. Last name 15 R-O-S-S, and my co-counsel. 16 MS. LAVELLE: Maria Lavelle. Last name, 17 L-A-V-E-L-L-E. 18 THE CHAIR: Thank you, counsel. 19 To our knowledge, that is all the hearing parties. 20 If there is anyone else who wants to speak today, 21 please come forward now. 22 Okay. Thank you. 23 I will now explain the procedures for this 24 hearing. The Panel expects all hearing participants 25 and observers to be respectful and civil throughout 26 this proceeding.</p> |
| <p style="text-align: right;">11</p> <p>1 According to Section 21 of the Alberta Energy 2 Regulator's Rules of Practice, all witnesses must give 3 evidence under oath or affirmation. The court 4 reporters will provide for this when witnesses come 5 forward to give evidence. 6 During this hearing, exhibits will be referred to 7 and displayed on the screens in this room. To assist 8 all participants, we ask counsel and witnesses to 9 identify each document they refer to by its exhibit 10 number, then the relevant PDF page number within the 11 document, and the paragraph number or line number if 12 applicable. Please pause for a breath after giving an 13 exhibit number to give everyone time to find the 14 relevant exhibit. 15 We will be following the order of presentation set 16 out in the AER Rules of Practice. So first I will ask 17 AlphaBow to come forward and present its direct 18 evidence. AlphaBow has been allocated all of today and 19 the first part of tomorrow morning to present its 20 direct evidence. 21 Our plan is to wrap up Day 1 of this hearing at 22 6:30 PM. After giving evidence, the witnesses for 23 AlphaBow will be available for cross-examination by CLM 24 and for questions by the Panel and our counsel. This 25 is scheduled to take us to Tuesday afternoon. 26 This hearing includes confidential information</p> | <p style="text-align: right;">12</p> <p>1 that is protected by legislation and the AER Rules of 2 Practice. On Tuesday afternoon, there will be an 3 in-camera portion of the hearing related to this 4 confidential information. This means that portion will 5 be closed to public access, including in-person 6 attendance and audio stream. Only the Hearing Panel, 7 staff supporting the hearing, and the hearing parties 8 will be allowed to participate. All other persons will 9 leave the hearing room, and the audio stream will be 10 stopped throughout the in-camera portion. The 11 transcripts of the in-camera portion will also be 12 confidential. 13 During the in-camera portion, CLM may 14 cross-examine AlphaBow on the confidential information 15 and provide direct evidence. Following that, AlphaBow 16 may cross-examine CLM on the confidential information. 17 Finally, the Panel may have questions for CLM and then 18 AlphaBow on the confidential information. After a 19 break, AlphaBow may re-direct, and we plan to wrap up 20 Day 2 of the hearing around 6:15 PM. 21 On Wednesday, we expect that the hearing will 22 return to being open to the public through attendance 23 and audio stream. CLM will provide direct evidence, 24 followed by AlphaBow's cross-examination. We plan to 25 conclude Day 3 of the hearing at 5:30 PM. 26 On Thursday morning, AlphaBow will cross-examine</p> |

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| <p style="text-align: right;">13</p> <p>1 CLM, and the Panel may also question CLM. Following 2 that, CLM may re-direct, and AlphaBow may present 3 rebuttal evidence. The day will conclude with CLM's 4 cross-examination of AlphaBow on rebuttal, if needed, 5 and the Panel's questions for AlphaBow on rebuttal, if 6 needed. We plan to conclude Day 4 of the hearing 7 around 6 PM. 8 On Friday morning, we will hear closing argument, 9 first from AlphaBow and then from CLM. Our plan is to 10 conclude the hearing around 12:30 PM on Friday. 11 After the hearing is concluded, we expect to issue 12 the hearing decision within 90 days. 13 Please note that the Panel Members may be taking 14 notes throughout the hearing. Even though we may not 15 be making direct eye contact with you, please 16 understand that we are listening to what you are 17 saying. We request the parties remain in the hearing 18 room throughout the proceedings to maintain procedural 19 fairness and consideration of -- in consideration of 20 those giving their presentations. 21 Should any of the parties require a break during 22 the proceedings, please let me or hearing services 23 staff know. 24 We ask that everyone present ensure that your 25 electronic devices, including telephones and computers, 26 are set to silent mode throughout the hearing. If you</p> | <p style="text-align: right;">14</p> <p>1 must make a call -- take or make a call and cannot do 2 so at the break, please step out of Govier Hall, so all 3 the way out into the hallway, to do so. Recording of 4 this hearing is not permitted -- whether by audio or 5 video. 6 Are there any questions about this hearing 7 procedure? 8 Do the parties have any preliminary matters they 9 wish to raise? 10 Okay. Hearing none, I will now ask counsel for 11 AlphaBow to seat its witness panel and proceed with its 12 direct evidence. 13 Submissions by Mr. Stapon 14 MR. STAPON: Commissioners, as our 15 witnesses are being seated, we have a brief handout 16 that we would like to provide to each of our members of 17 the panel, to the Panel -- or to the Hearing Panel 18 itself, and to opposing counsel in connection with the 19 opening statement of AlphaBow and also a PowerPoint 20 presentation which we propose to address during the 21 process and the financial statements. What I would 22 suggest that we do, because it would be more 23 convenient, is to mark it perhaps as an exhibit for 24 identification in the first instance. And if the Panel 25 confirms that it's to be marked as an exhibit 26 ultimately, we can mark it then as Exhibit 1.</p> |
| <p style="text-align: right;">15</p> <p>1 THE CHAIR: Ms. Ross? 2 MS. ROSS: Madam chair, this -- 3 MS LAVELLE: Is it on? 4 MS. ROSS I'm not sure that -- 5 MS. LAVELLE: It's not -- 6 THE CHAIR: Actually, if you come to the 7 main mic, Ms. Ross. 8 Discussion 9 MS. ROSS: Madam chair, this is the first 10 we've heard of any additional materials. We've not 11 been provided with a copy. We object to that being 12 provided to the Panel. 13 THE CHAIR: Mr. Stapon? Can you advise us 14 as to why -- or was that -- Ms. Ross has said it wasn't 15 provided beforehand. 16 MR. STAPON: This is going to be part of 17 our direct evidence in the circumstances. You will 18 hear that Mr. Li is not particularly proficient in the 19 English language, but he proposes to speak on behalf of 20 AlphaBow, and as a result, his opening statement is, in 21 fact, printed and should be available for him to read 22 and review. The PowerPoint presentation is actually 23 one of the core elements of our case. It will be the 24 direct evidence, but it will also have visual impact in 25 the circumstances, and, with respect, it should be 26 permitted. There's a -- this is not new evidence, so</p> | <p style="text-align: right;">16</p> <p>1 to speak. It is part of our case. 2 THE CHAIR: Counsel, Rule 53 is fairly 3 clear that if documentary evidence is to be provided, 4 it is to be provided ahead of the hearing and provided 5 to the other parties. Is there a reason why this could 6 not have been provided ahead of time -- filed on the 7 record and provided to CLM? 8 MR. STAPON: It is actually not documentary 9 evidence. In that regard, this is not pre-existing 10 materials. This is the actual case that the parties 11 are going to present. So it -- the answer is that this 12 isn't something that was pre-existing; it had to be 13 prepared for the purpose of this hearing, and, with 14 respect, it should be admitted. 15 THE CHAIR: Ms. Ross, anything further? 16 MS. ROSS: Yeah. I -- I have serious 17 concerns about a PowerPoint presentation. We were not 18 provided with a copy of a PowerPoint presentation. We 19 have no idea what it's about. We could have had an 20 opportunity to prepare our own PowerPoint had we known 21 about it, but we weren't provided with this. They have 22 bound copies of this. They've -- they've clearly had 23 it for some time. I would ask that it be excluded. 24 MR. STAPON: With respect, commissioners, 25 in connection with the provision of direct evidence 26 where this is not a document that, in fact, exists</p> |

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| <p style="text-align: right;">17</p> <p>1 prior to the hearing in this case, this is our case 2 before this Panel. It is important, in our respectful 3 submission, that this Panel has the full information. 4 There will be time to provide a response and, indeed, 5 time to prepare for cross-examination just as if this 6 was oral evidence in the circumstances. It will 7 prejudice our client significantly if this information 8 is not admitted. 9 THE CHAIR: Mr. Stapon, we're a little 10 unclear, because you're saying that this is your direct 11 evidence. Does that mean that what we're seeing is a 12 document, and we're not going to actually hear from any 13 of your witnesses? 14 MR. STAPON: No. With respect, 15 commissioners, this is part of -- we're actually going 16 to hear our witnesses speak to the matters that are in 17 the PowerPoint, and that is, there's nothing in here 18 with the exception of one letter from the AER that 19 existed prior to our preparation for these proceedings, 20 so it's not a document that we can share. It is part 21 of our case. 22 THE CHAIR: And you mentioned financial 23 statements. 24 MR. STAPON: I'm mistaken in that regard. 25 It's not financial statements. It is a cash flow 26 projection, which, of course, this Panel will not be</p> | <p style="text-align: right;">18</p> <p>1 able to understand unless it is before this Panel. 2 MS. LAVELLE: Madam chair, that cash flow 3 statement is actually new information. We have not 4 seen that before. It's in the form of documentary 5 evidence. We need to maintain our objection to the 6 inclusion of it. 7 THE CHAIR: Thank you, Ms. Lavelle. 8 MR. STAPON: If the -- if the cash flow 9 statement is excluded, we can take it out of the binder 10 or simply have it disregarded in the circumstances, but 11 the balance of the material should go in. 12 MS. LAVELLE: Chair, that -- we are only 13 just being told that there is a cash flow statement. 14 We have no idea what the rest of the documentation is, 15 so we maintain our objection on the entire submission. 16 THE CHAIR: Okay. Thank you, counsel. 17 The Panel is going to take a pause now. 18 (DISCUSSION OFF THE RECORD) 19 THE CHAIR: Thank you. We are going to 20 step out for a few minutes, so we'll take a pause. 21 (ADJOURNMENT) 22 THE CHAIR: The Panel has considered the 23 request. The Panel will allow Mr. Li to refer to his 24 statement. It will be marked as an exhibit and made 25 available to the Panel and to CLM. The Panel will not 26 admit the PowerPoint or use of the PowerPoint. The</p> |
| <p style="text-align: right;">19</p> <p>1 material was not shared in advance with CLM, and so, in 2 fairness -- in fairness to both parties, the time lines 3 and the rules of this proceeding have been abundantly 4 clear, and so had AlphaBow wanted to do so, they could 5 have provided it before so -- beforehand. In fairness, 6 AlphaBow will still be able to make its case in direct 7 evidence in terms of anything that it's wishing to 8 speak to that falls within the scope of this hearing, 9 and CLM will have the ability to make objections to 10 that. 11 And we want to reiterate, as the Panel, that we 12 have given direction twice to the parties that we are 13 focusing on the hearing issues that were set and that, 14 given the nature of the suspension order, we will be 15 focusing on the information that was available to the 16 AER at the time of issuance of the suspension order, 17 which is June 2nd -- or -- sorry -- June 5th, 2023. 18 So with that, please proceed. 19 MS. DOEBELE: And, Chair Chiasson, I just 20 wanted to mark for the record Mr. Li's statement as 21 Exhibit 68.01. 22 EXHIBIT 68.01 - Statement of Ben Li 23 THE CHAIR: Thank you, Ms. Doebele. 24 MS. DOEBELE: Chair Chiasson, may we be 25 provided with a copy of it, please. 26 THE CHAIR: Yes, please. Please provide a</p> | <p style="text-align: right;">20</p> <p>1 copy. 2 MR. STAPON: The copy that we have is bound 3 in the PowerPoint materials as well. We will tear out 4 a copy and ultimately provide a copy to the Panel as 5 well for marking on a formal basis. 6 THE CHAIR: Counsel, I suggest that we 7 take five minutes now and you take the copies and 8 provide them now to the Panel and to counsel for CLM. 9 MR. STAPON: Commissioners, if I may 10 approach the Panel, we have three copies and one for 11 the exhibit. We have provided a copy to opposing 12 counsel as well. 13 THE CHAIR: Please pass them to 14 Ms. Wheaton. Ms. Wheaton will provide them to us. 15 Ms. Ross and Ms. Lavelle, you have your copies? 16 Thank you. 17 We'll proceed to have court reporters swear in and 18 affirm the witnesses. 19 MS. ROSS: Chair Chiasson, I note that 20 the witnesses have a lot of notes in front of them, 21 and -- and we just wanted some direction from the Panel 22 as to what notes are available or can be used and 23 whether or not they will be provided to us as well. 24 THE CHAIR: Mr. Stapon, can you speak to 25 us a little bit about your witnesses' notes. 26 MR. STAPON: Yes, of course. We indicated</p> |

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| <p style="text-align: right;">21</p> <p>1 that the presentation would be put in by way of 2 PowerPoint. We proposed to have the PowerPoint 3 addressed on an oral basis. With respect, this is an 4 open-book hearing, and the witness may, in fact, have 5 notes for the purpose of direct testimony. 6 And if the Panel or my friends want to see our 7 PowerPoint materials which will follow along for the 8 purpose of our direct evidence, we're happy to provide 9 that, but, of course, you've excluded it even though 10 it's not proven documentary evidence. 11 THE CHAIR: Ms. Ross? 12 MS. ROSS: I'm not exactly clear what 13 that means. Do they have the PowerPoints in front of 14 them and that's what they're following along with or -- 15 I didn't understand that answer. 16 MR. STAPON: Yes. What -- what the 17 witness, or two of the witnesses at least, have in 18 front of them and available is, in fact, the PowerPoint 19 presentation that they were going to give, which will 20 assist them in connection with the numerical portions 21 of their testimony before this Panel. They can, of 22 course, be cross-examined in connection with their 23 direct evidence. This is just an aid to memoir. With 24 respect, it's entirely permissible. 25 THE CHAIR: Mr. Stapon, is any of this 26 numerical information related to the confidential</p> | <p style="text-align: right;">22</p> <p>1 information that's on the record? 2 MR. STAPON: The answer is no. The answer 3 is no. 4 MS. LAVELLE: Madam chair -- or -- pardon. 5 Chair, is this information before them also in the 6 exhibits? Could they not refer to the exhibits rather 7 than having something additional? 8 MR. STAPON: The hearing will take two 9 weeks if we do that. 10 THE CHAIR: Mr. Stapon, the Panel would 11 like you to clarify your comment in the answer to 12 counsel's -- CLM's counsel's last question. Does it -- 13 is the PowerPoint referencing in its total material 14 that is on the record in relation to the exhibit list 15 that was provided to the parties on November 23rd? 16 MR. STAPON: We can advise the Panel that 17 all of the information that is in the PowerPoint is, in 18 fact, scattered throughout the thousands of documents 19 that have been produced for this process. They've been 20 assembled very carefully for the purpose of an 21 efficient hearing before this Panel; in other words, 22 nothing new. 23 MS. LAVELLE: Chair, the difficulty we're 24 having is that this means all the exhibits will be 25 taken -- or all the information will be out of context. 26 We can't then correspond the information that they'll</p> |
| <p style="text-align: right;">23</p> <p>1 be presenting to any of the exhibits, and we'll be at a 2 disadvantage accordingly. 3 MR. STAPON: Once again and with respect, 4 it is common evidentiary process to permit in direct 5 evidence a party to have the materials available for 6 the purpose of assisting in their evidence, and we are 7 going to be much longer and much less efficient if we 8 don't do it on this basis. 9 THE CHAIR: Mr. Stapon, do these materials 10 that you propose to have your clients refer to include 11 the references to the exhibits? 12 MR. STAPON: They include numbers taken 13 from some of the exhibits, but, of course, they could 14 give that testimony on an oral basis even without 15 access to the document in front of them. This is an 16 aid to memoir. 17 THE CHAIR: Perhaps you misunderstood what 18 I was asking. Does the material include -- I'm not 19 interested in the content of -- of what it is. Does it 20 include the references to the exhibits? 21 MR. STAPON: The answer is no. 22 THE CHAIR: Okay. So the Panel feels, 23 again, that AER practice is clear in terms of hearing 24 procedure that there is -- the process that the parties 25 refer to the exhibits, that we continue with the 26 exhibits. That material has been communicated in the</p> | <p style="text-align: right;">24</p> <p>1 hearing process, letters to the parties ahead of the 2 hearing, and that is our expectation, that is what CLM 3 has indicated they are prepared for, that is what the 4 Panel has prepared for, and so not to do so will also 5 affect the efficiency of the hearing. It was 6 communicated to the parties that the Panel have 7 reviewed the record, and what we were expecting to hear 8 is not a rehash of the record. 9 So at this stage, Mr. Stapon, the Panel is 10 prepared to recess to give you and your client some 11 time to get references in order. 12 MR. STAPON: That recess process would 13 likely take a couple of days, and this Panel, as I 14 understand it, is not available on an immediate basis, 15 for example, the week following. So what I would 16 submit we should do instead is to proceed forward, and 17 if there are concerns in connection with references to 18 numbers, we can provide them by way of undertaking in 19 due course. 20 For example, we're going to testify as to the 21 gross number of wells that AlphaBow has abandoned over 22 the course of time, how much money it has spent in the 23 circumstances, what it did annually. These are all 24 referred to throughout the proceedings in numerous 25 exhibits. We intend to summarize it, and Mr. Ironside, 26 who will be delivering that process, should have those</p> |

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| 25 | <p>1 numbers available in front of him for the purpose of 2 saying, Here's what we did. We shouldn't have to say, 3 Oh, and by the way, it's in a particular document, 4 Document 235 at page 17. That process will take days 5 of evidence. 6 This is a summary of accomplishments and a summary 7 of what remains to be done, a summary of what's spent, 8 what remains to be spent, and how this company has done 9 its business before the March 30th, 2023, order and the 10 June order as well. So we want to show you that this 11 company is acting responsibly and safety -- or safely, 12 and we need to reference the record in that regard. 13 If you require -- or if there's concerns about the 14 accuracy of our numbers, we can undertake to provide 15 counsel with that information in due course. 16 MS. LAVELLE: Chair, we would like some 17 clarification as to what "due course" is and how that 18 would permit us to effectively cross-examine or prepare 19 our closing argument if we're searching through the 20 document to determine if this is new or evidence that's 21 already there. 22 THE CHAIR: Similarly, Mr. Stapon, the 23 Panel has the expectation that where material is being 24 provided by the witnesses, that it is reference to the 25 record and that it's material that is already on the 26 record.</p> | 26 | <p>1 MR. STAPON: Why don't we do this, then -- 2 or, commissioners, why don't we proceed on this basis, 3 because this is an emergency hearing. This asset is 4 now shut down. It needs to be started up if the Panel 5 agrees that the decision of the AER was improper, and, 6 as a result, every day counts, and, accordingly, we 7 would like to try to put in our case, and if there are 8 concerns in connection with references to specific 9 numbers, because I believe most of them ought to have 10 been known to the AER well before its order. In fact, 11 they ought to have formed the basis of the order. So I 12 would submit that we should start now and see how it 13 goes. 14 THE CHAIR: All right. The other point of 15 clarification I wish to make, Mr. Stapon, is that the 16 Panel never indicated to the parties unavailability for 17 the following week. That was AlphaBow's counsel that 18 indicated unavailability for the following week, which 19 is on the record. So let us be abundantly clear about 20 that. The Panel is prepared to take what time it takes 21 to make sure that both sides have a fair hearing. 22 MR. STAPON: Well, if I lose Ms. Cameron 23 for the purpose of the tail end of the hearing, I will 24 change what I need to change to proceed if we don't get 25 done on time. 26 THE CHAIR: Thank you.</p> |
| 27 | <p>1 MR. STAPON: Sorry, commissioners. I 2 missed it. Have the witnesses been sworn? 3 THE CHAIR: Let's proceed with that, then. 4 MS. ROSS: Sorry, madam chair -- or 5 Chair Chiasson. I -- I don't know if that was 6 resolved. We just seem to be swearing in a witness. 7 We still have no direction as to what's going to be 8 referenced, whether it's on the record or not on the 9 record. 10 THE CHAIR: Okay. So the PowerPoint is 11 out. The PowerPoint has not been allowed. AlphaBow 12 will be allowed to provide their evidence. The 13 expectation is that there will be references to 14 exhibits. When they are referencing exhibits, it will 15 be open to you and your colleague to raise that concern 16 if you need references, and, similarly, the Panel will 17 ask for cross-references where they feel that they need 18 that. 19 MS. ROSS: Thank you. 20 MR. STAPON: Thank you, commissioners. 21 RICK IRONSIDE, BEN LI, Sworn 22 WYMAN PEDERSON, KIM SERGINSON, AMY ZHANG, Affirmed 23 Direct Evidence of AlphaBow Energy Ltd. 24 MR. STAPON: Thank you, madam reporter. 25 Q MR. STAPON: We will proceed to introduce 26 each of you as you give the first part of your major</p> | 28 | <p>1 evidence, and, in that regard, I'd like to start with 2 Mr. Li. 3 I wonder, sir, if you would advise the Panel about 4 your background, your education, your work, and, in 5 fact, your association with AlphaBow. What is your 6 education, sir? 7 A MR. LI: Sorry. My -- my education, 8 I'm the -- I'm the bachelor of the commerce, graduated 9 in 1996. 10 Q And where did you graduate from, sir? 11 A From the Anhui University of Finance and Economics. 12 Q And where is that located? 13 A That's located in the Anhui province in China. 14 Q And after your graduation, what did you do? 15 A Then I work for the bank. 16 Q Which bank? 17 A The first bank I work for is Industrial and Commercial 18 Bank of China. That's the biggest bank in China. I 19 was working there from 1996 to 1999 as a commercial 20 loan officer. 21 Q And what did your duties generally involve as a 22 commercial loan officer? 23 A Yeah. My -- my major role is approve the commercial 24 loan application. 25 Q All right. And to do that, what did you have to do in 26 terms of assessing the capability of the person who was</p> |

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| 29 | <p>1 to be the borrower?</p> <p>2 A Yes. We look at all the companies' financials --</p> <p>3 financial statement and evaluate the risk and then make</p> <p>4 the decision.</p> <p>5 Q All right. What was your next job?</p> <p>6 A My -- my next job in 1999. I was moved to -- I was</p> <p>7 moved to another bank called the China CITIC Bank.</p> <p>8 My job is the senior commercial loan manager.</p> <p>9 Q And in that capacity, what did you do?</p> <p>10 A My major role for that job is dealing with financial</p> <p>11 distressed company and working with them and evaluate</p> <p>12 their -- their loan risk and to find the solution and</p> <p>13 then fix the problem.</p> <p>14 Q So that you were actually working to fix companies that</p> <p>15 were in financial distress?</p> <p>16 A Yes, I do.</p> <p>17 Q And how long did you do that for?</p> <p>18 A I was there for about two years.</p> <p>19 Q Did you gain expertise in that regard in terms of being</p> <p>20 able to fix or assess --</p> <p>21 A Yes.</p> <p>22 Q -- how to fix financially distressed companies?</p> <p>23 A Yes, I did.</p> <p>24 Q What was your next job?</p> <p>25 A In twenty-twenty -- in 2001, I immigrated to Canada.</p> <p>26 Q Okay.</p> | 30 |
| 31 | <p>1 director of the company regarding the management and</p> <p>2 operation of AlphaBow?</p> <p>3 A In the -- in March '22 -- March 2022, at that time,</p> <p>4 AlphaBow has received the court -- the judgment related</p> <p>5 to the municipal tax. Also AlphaBow is -- have</p> <p>6 outstanding balance on the AES administration fee,</p> <p>7 orphan fund levy, and some Crown land. Then the</p> <p>8 director of the company approached me, asked for help.</p> <p>9 Q Right. And why were you approached for help rather</p> <p>10 than anyone else, to your knowledge?</p> <p>11 A People ask this question all the time, because I was</p> <p>12 not oil and gas guy at is -- that time, but as a</p> <p>13 shareholder and a director, believe that AlphaBow have</p> <p>14 a very good operation team with many years' experience</p> <p>15 on oil and gas. But they also believe AlphaBow need</p> <p>16 someone with more business sense and good management</p> <p>17 skill and experience on solve the financial issue.</p> <p>18 Q All right. So, in any event, you were offered the job.</p> <p>19 Who did you replace?</p> <p>20 A I was -- replaced a previous CEO named "Quan Li".</p> <p>21 Q And do you know why you were replacing Mr. Li? What</p> <p>22 was happening to him?</p> <p>23 A As I said, is the shareholder -- Quan Li, they have --</p> <p>24 the prev [sic] management team, they have difficulty</p> <p>25 dealing with financial distress, and this is my</p> <p>26 specialty. That's why the shareholder and the</p> | 32 |
| 31 | <p>1 director, they wanted me to replace him.</p> <p>2 Q So how is it, Mr. Li, that without experience in the</p> <p>3 oil and gas business, were you going to go in as CEO of</p> <p>4 a company like AlphaBow that had long-term operations,</p> <p>5 thousands of licences -- what were you going to do?</p> <p>6 What was the plan?</p> <p>7 A The -- I -- before I come here, I got a mandate from</p> <p>8 the director of the company. That would be safety</p> <p>9 operation, environmental responsible, fulfill all</p> <p>10 the -- fulfill the ARO obligation to AER, and then turn</p> <p>11 the company around, pay the bill.</p> <p>12 Q Turn the company around and pay the bills with</p> <p>13 environmental safety and --</p> <p>14 A I --</p> <p>15 Q -- ARO payments?</p> <p>16 A I think -- yeah. Yeah. Fulfill the obligation on ARO.</p> <p>17 Q Yes.</p> <p>18 A Safety operation, yeah.</p> <p>19 Q And how were you going to do that without oil and gas</p> <p>20 operational experience?</p> <p>21 A As I mentioned before, I work with a pretty good team.</p> <p>22 They have many -- lot experience on oil and gas.</p> <p>23 Q Did the director give you any assurances one way or the</p> <p>24 other about whether or not the shareholder was to take</p> <p>25 out any money in the corporation as you were working a</p> <p>26 fix?</p> | 32 |

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| <p style="text-align: right;">33</p> <p>1 A I ask the question before I take the job. The director 2 and the shareholder made very clearly they did not take 3 any money out of the company until the environmental 4 liability obligation and the credit issue is resolved. 5 Q Mr. Li, did you tell the AER that, or do you know if it 6 was said on your behalf? 7 A I did. I just cannot remember what time. 8 Q All right. So you started working with the company in 9 what month? 10 A April 2022. 11 Q All right. We're going to hear about meetings which 12 occurred in June of 2022 on the record in short order, 13 but before we do that, I'm going to ask you to -- 14 there's an opening statement that's been provided in 15 these proceedings. Did you work on the preparation of 16 that opening statement? 17 A Yes, I did. 18 Q And do you adopt that opening statement under oath? 19 A Yes. 20 Q I'm going to ask you to read it, and after which we'll 21 have it marked as Exhibit 1. 22 A Okay. 23 Q Pardon me. I'm told it's already been marked as 24 Exhibit 67 point -- 68.1. So if you would just then 25 read it into the record, then, sir. 26 A Good morning, members of the Panel, AER staff, and the</p> | <p style="text-align: right;">34</p> <p>1 counsel, ladies and gentlemen. 2 The AlphaBow panel thanks everyone for their time 3 in considering AlphaBow's regulatory appeal order 4 issued by the AER. The questions the Panel must answer 5 is whether the AER acted consistent with its mandate in 6 determining it was no longer prepared to regulate 7 AlphaBow and that it was in the public interest to 8 order the payment of the security in an amount that 9 they knew AlphaBow cannot pay, then proceed to shut in 10 AlphaBow's assets. 11 In answering these questions, the Panel must have 12 regards for (a), the social and economic effects of the 13 energy resource activity; (b), the effects of energy 14 resource activity on the environment; (c), the impacts 15 on the landowner as a result of the use of the land on 16 which the energy resource activity is or will be 17 located. THE AER's action toward AlphaBow has been the 18 opposite of this considerations. 19 I'm -- I'm advised that no deference is to be 20 given to the AES decision by this Panel. 21 As the Panel is aware, Alberta's energy industry 22 is a volatile one, subject to commodity price swings. 23 An energy company could be on the verge of insolvency 24 one day and wildly prosperous a while later. Given its 25 assets, there is no denying that AlphaBow has faced the 26 financial struggles, and these struggles have sometime</p> |
| <p style="text-align: right;">35</p> <p>1 led to the tardiness in addressing all of its ongoing 2 obligation, but the record is clear, when an issue has 3 been identified and there have not been that many given 4 the number of the licence that AlphaBow operated, it 5 has acted to remedy this issue with reasonable care and 6 attention. 7 Despite its challenges, rather than walk away, 8 AlphaBow shareholders replace management, refrain from 9 taking funds from the company and tasked me as CEO with 10 addressing AlphaBow's environmental obligations and 11 turning operations around with no return to the 12 shareholder until our liabilities are managed. 13 Consistent with this, AlphaBow had, prior to the 14 orders, made significant strides addressing arrears, 15 has met its mandatory spend, caught up with the 16 deferred voluntary spend, and implemented a plan to 17 enhance field compliance. 18 Further, even after AER's order and the suspension 19 of AlphaBow's operations, rather than walk away, 20 AlphaBow is here today to fight for the opportunity to 21 continue to operate its sites and address its 22 regulatory and the environmental obligation. 23 Obligation which, if order are to stand, will fall to 24 the rest of the industry and -- and Alberta public at a 25 substantially additional cost. 26 So what led us to being here today?</p> | <p style="text-align: right;">36</p> <p>1 On March 7th, 2023, the AER met with AlphaBow as a 2 part of the ongoing quarterly meeting set up at the 3 request of AlphaBow. At that meeting, the AER provided 4 no indication that it would be proceeding to issue an 5 order. 6 On the very next day, AlphaBow's management become 7 aware that Alberta's new CO2 plan, opening up a 8 significant new income stream that will further assist 9 AlphaBow in advance its plan to address its arrears and 10 get ahead of the environmental liabilities. 11 A few short weeks later, on March 24, 2023, 12 Mr. Callicott directed the preparation of RCAM order 13 for AlphaBow, and on March 29, 2023, the AER advised 14 AlphaBow for the first time it was considering 15 regulatory action. Despite multiple requests for 16 details of the proposed action or a request for 17 alternative days for the meeting, the AER proceeded to 18 issue the RCAM order. 19 As a -- as AER knew prior to issuing the order, 20 AlphaBow was not in the position to post the security 21 demanded and in the time requested. AlphaBow proposed 22 as an alternative the payment into the trust in 23 quarterly installments. Funds for the completion of 24 additional closure work to reduce its environmental 25 obligations. In support of this proposal, AlphaBow 26 provided its plan to support his -- to support its</p> |

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1 ability to exist its mandatory spend and reduce its
 2 inactive well liability.
 3 Rather than recognize AlphaBow's potential, AER
 4 was bent on driving AlphaBow out of the business. Even
 5 when faced with confirmation that AlphaBow's field
 6 compliance rate was improving, rather than view this
 7 positively, the AER directed a further 22 target
 8 inspections in 9 days to justify its position that
 9 AlphaBow's field compliance was worsening.
 10 Despite AlphaBow's substantial compliance with all
 11 terms of RCAM order, except the payment of the security
 12 deposit, and in the face of a regulatory appeal of RCAM
 13 order, rather than work with AlphaBow in good faith,
 14 the AER proceeded to issue an order, suspended
 15 AlphaBow's operation, and it choose to do so pursuant
 16 to a provision that would deprive AlphaBow from its
 17 entitlement to an AER statutory inquiry within 15 days.
 18 Thus ensuring that any ultimate success in its
 19 regulatory appeal would follow a protracted shut-in of
 20 its operation.
 21 While AlphaBow, upon receipt of the draft of
 22 suspension order, proceeded to take immediate step to
 23 start shutting -- shut-in process, it has received a
 24 brief reprieve as a result of the temporary stay.
 25 However, as soon as the stay was lifted and the --
 26 despite the AER being aware that AlphaBow had sought

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1 took -- it took concerted steps to ensure that AlphaBow
 2 would not be able to operate. This included issuing an
 3 order imposing additional requirements, knowing that --
 4 it knew AlphaBow could not meet, in an attempt to
 5 justify shutting AlphaBow down.
 6 In doing so, the AER have no regard for the
 7 effect -- for the effect of its action on AlphaBow, the
 8 OWA, the industry, landowner, and other stakeholders.
 9 Shutting down AlphaBow serves no benefit, and, as
 10 demonstrated by the reality of the case, has result in
 11 a worst outcome than if the AER had worked with
 12 AlphaBow to ensure that it continued to advance its
 13 plan. AlphaBow's plan resulting in approximately
 14 \$650,000 royalty a month, jobs for over 60 Albertans,
 15 spend of over \$9 million in a year on abandonment and
 16 its reclamation -- permanent sequestration of an
 17 average 550 tons of CO2 per day -- amounts which are no
 18 longer being captured right now, loss of the business
 19 plan which would see AlphaBow's ARO fully satisfied and
 20 the creditors settled with or paid in the fullness of
 21 time.
 22 Such -- such harm should not be perpetuated. We
 23 respectfully ask, in light of the above submissions and
 24 the evidence that has been and will be provided, that
 25 this Panel rescind the orders and give AlphaBow an
 26 opportunity to continue to advance its resurgence and

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1 directed from this Panel, the AER proceeded to view
 2 AlphaBow as being in noncompliance with the order, and
 3 even once AlphaBow had shut in the remainder of its
 4 assets, the AER proceeded to issue a direction that
 5 Orphan Well Association assume care and the custody of
 6 AlphaBow sites and prohibited AlphaBow from accessing
 7 its site.
 8 The result of this was a loss of the job for
 9 AlphaBow employees and assets that brought a million
 10 dollar -- millions of royalty dollar to Alberta
 11 Government, boosting health care, education, and
 12 building the province future. Now bring none.
 13 Carefully developed assets are worsening. Valuable
 14 carbon capture opportunity are left unutilized.
 15 We will submit that AER's job is not to pick a
 16 winner or loser, nor is it insolvency court. It does
 17 not have the jurisdiction to determine when the
 18 company's no longer viable or that its plan will not
 19 work. However, that is exactly what AER have sought to
 20 do here. It had determined that AlphaBow would not be
 21 able to meet its obligation in the future, and in doing
 22 so, it exceeded its role and has caused significant
 23 harm to AlphaBow and all its stakeholders by its
 24 regulatory order issued without a due process.
 25 Further, once the AER made up its mind that
 26 AlphaBow would not be able to meet its obligation, it

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1 recovery in a safe and an environmentally responsible
 2 fashion.
 3 We have the survival plan that is good for
 4 Albertans and good for the environment. We ask the
 5 Panel to please let us proceed.
 6 Thank you.
 7 Q Thank you, Mr. Li. We will be back to you a bit later
 8 in the proceedings, but I'd like now to turn to
 9 Mr. Ironside and have him indicate for the record what
 10 his background and experience is and his work on the
 11 workout program that AlphaBow, in fact, has put into
 12 place and --
 13 MR. STAPON: As you will see,
 14 commissioners.
 15 Q MR. STAPON: -- advised the AER of.
 16 Mr. Ironside, I wonder if you might take a few
 17 moments and indicate to the Panel what your general
 18 background and experience is, and then we'll speak
 19 specifically about your involvement with AlphaBow and
 20 its predecessors over the course of the years.
 21 A MR. IRONSIDE: Yes. Thank you.
 22 My background: I started in the energy industry
 23 here in Calgary in 1979 with a company called
 24 Westcoast Petroleum. I was a half a block away from
 25 the ERCB. My training at the time is I was -- I was a
 26 forestry technologist, and I was hired as a production

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| <p style="text-align: right;">41</p> <p>1 technologist.</p> <p>2 After about three years, the National Energy</p> <p>3 policy -- the federal National Energy policy happened,</p> <p>4 and I determined that the best thing for my career was</p> <p>5 to go back to school, so I did my chemical engineering</p> <p>6 degree.</p> <p>7 I have worked in the industry over 30 years.</p> <p>8 I have been a very hands-on engineer, working from a</p> <p>9 junior position up through -- up through to middle</p> <p>10 management. I've spent a lot of time in the field</p> <p>11 supervising construction, supervising drilling rigs,</p> <p>12 supervising completion rigs.</p> <p>13 At a point where I was about 40 years old, I</p> <p>14 determined that my toolbox needed another tool, and I</p> <p>15 did an MBA.</p> <p>16 And from that point on, I have had senior</p> <p>17 positions in oil and gas companies. I have been the</p> <p>18 CEO -- 'C' -- mostly COO, but I've been the CEO of</p> <p>19 public companies that traded on the Toronto Stock</p> <p>20 Exchange.</p> <p>21 And at a point, I went to the University of</p> <p>22 Calgary and took the directors education program, so I</p> <p>23 am pretty familiar with governance matters with regard</p> <p>24 to running public companies.</p> <p>25 I -- I tried to get out of the oil industry for a</p> <p>26 while. I did a lot of travel. I even got involved in</p> | <p style="text-align: right;">42</p> <p>1 drilling some very, very deep wells in granite for</p> <p>2 geothermal in Helsinki from a period of about 2016</p> <p>3 through to about 2018. I even looked after --</p> <p>4 supervised the modernization -- the construction</p> <p>5 modernization of an ammonia plant -- ammonia terminal</p> <p>6 about an hour and a half out of Chicago.</p> <p>7 But the opportunity presented itself in 2018,</p> <p>8 April, where AlphaBow, previously called Sequoia</p> <p>9 Operating Company, required new management. There's a</p> <p>10 history that I want to go into because I know right</p> <p>11 from the beginning in my dealings with the AER with</p> <p>12 regard to this company that we were -- we were a sister</p> <p>13 company to a company called SRC and -- Sequoia</p> <p>14 Resources Company in there.</p> <p>15 Q And when you say "sister company", what do you mean?</p> <p>16 A The two companies were started by the same management</p> <p>17 team and shareholders.</p> <p>18 Q Thank you.</p> <p>19 A But the two companies were very different. One had</p> <p>20 gassier assets; one has oilier assets; one had better</p> <p>21 prospects for survival; one -- one maybe -- maybe</p> <p>22 didn't. And at the point I was asked to come in, SRC</p> <p>23 was going into receivership, and they needed new</p> <p>24 management, and management changed. So I was invited</p> <p>25 to be the chief operating officer of Sequoia Operating</p> <p>26 Company. Shortly thereafter, they appointed --</p> |
| <p style="text-align: right;">43</p> <p>1 Marshall Shi was appointed as CEO.</p> <p>2 Q I wonder if I could interrupt for a moment. Can you</p> <p>3 say how the asset base of the corporation was, in fact,</p> <p>4 established, that is, whose assets were they; where are</p> <p>5 they generally?</p> <p>6 A Yes. And -- sorry -- I meant to say that.</p> <p>7 So I'm going to refer to the company as "AlphaBow"</p> <p>8 always. At the time, it was called "SOC". AlphaBow</p> <p>9 was born essentially out of three transactions. So</p> <p>10 there was an acquisition from a company called OMERS;</p> <p>11 then there was an acquisition from Husky Oil; and,</p> <p>12 lastly, there was an acquisition from Pengrowth.</p> <p>13 Q And these were all legacy assets, I take it; is that</p> <p>14 right?</p> <p>15 A Yeah, they were asset packages --</p> <p>16 Q Yes.</p> <p>17 A -- that were available, and AlphaBow chose to acquire</p> <p>18 them.</p> <p>19 Q All right. So the acquisition occurred when? 2017 and</p> <p>20 '18?</p> <p>21 A The first one was late 2017, and the next two were</p> <p>22 about -- together in 2018.</p> <p>23 Q All right, sir. You were recruited in and you</p> <p>24 ultimately take the position of COO for a period of</p> <p>25 time; is that right?</p> <p>26 A Yes.</p> | <p style="text-align: right;">44</p> <p>1 Q And who was the sort of management and shareholder at</p> <p>2 that stage?</p> <p>3 A I reported to Marshall Shi. He was the CEO.</p> <p>4 Q And what occurred under Marshall's watch? How long did</p> <p>5 that last?</p> <p>6 A I'm just going to refer to something I have here. So</p> <p>7 Marshall was there from June of 2018 through to --</p> <p>8 excuse me -- through to December of 2020, and while</p> <p>9 Marshall was CEO and I was COO, as part of the</p> <p>10 management team, we drilled 15 wells, we increased</p> <p>11 light oil production, we had obtained over and</p> <p>12 qualified for over 20 million of SRP funding. We spent</p> <p>13 over \$7 million on -- of AlphaBow dollars on asset</p> <p>14 retirement obligations, we survived the COVID pandemic,</p> <p>15 and we had a satisfactory inspection average of</p> <p>16 approximately 69 percent.</p> <p>17 Q When you say "inspection average", that is AER</p> <p>18 inspections; is that correct?</p> <p>19 A Yes, I'm referring to AER inspections.</p> <p>20 Q All right. So what happened next? You seemed to be</p> <p>21 off to a good start.</p> <p>22 A Well, the pandemic was difficult. We did survive the</p> <p>23 COVID pandemic, but, you know, the very moment that we</p> <p>24 had -- we were a going concern. We were paying all of</p> <p>25 our bills. The very moment that we had increased our</p> <p>26 light oil production and it was peaking was about</p> |

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1 February of 2020. And if you'll recall, that's just
 2 when things started to get tight, and, you know, people
 3 were wearing masks, and, you know, we were starting to
 4 go into what we'll call -- or what I will refer to as
 5 "COVID lockdowns". But specifically, as far as an
 6 energy enterprise goes, oil price collapsed.
 7 So in that calendar year, based on as if oil price
 8 had been \$60 WTI equivalent, we had estimated that we
 9 had to forego in excess of \$20 million of revenue, and
 10 that definitely set the company back. I think the
 11 company is still recovering from that, but it is
 12 recovering.
 13 Q And in that regard, we provided as Attachment 2 to our
 14 initial submissions Price Deck information in
 15 connection with both oil and gas in Alberta as part of
 16 Exhibit 2. I won't take the Panel to that yet. You've
 17 had the opportunity to look at it.
 18 So what happened in the COVID times to AlphaBow?
 19 Did it fall behind in connection with its payments?
 20 A Yes. It most certainly did. I mean, it went from
 21 being able to be current on everything and having the
 22 ability to invest in wells and grow its production to
 23 being behind.
 24 Q And what happened to Marshall as CEO?
 25 A Marshall was replaced by Quan Li. Quan Li became CEO
 26 January 2021, and -- and he stayed there with the

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1 didn't encourage a great compliance culture, and during
 2 his watch, our satisfactory inspection rate declined
 3 and trended towards the -- the 54 percent.
 4 Q Why did you leave? That is, you left AlphaBow for a
 5 period of time?
 6 A I didn't -- I didn't share Quan's views, and I -- we
 7 didn't work well together, and I think it was a mutual
 8 circumstance where we decided to part.
 9 Q So Mr. Ben Li comes in. What happens then with respect
 10 to yourself?
 11 A To Mr. Li, shortly after he became CEO, reached out to
 12 me, I think, because -- because my name was on a lot of
 13 files or -- or whatever.
 14 Q Yes.
 15 A He certainly had heard of my involvement in the
 16 company. And he requested that we go for coffee. He
 17 had become CEO in April of 2022, and I think we had
 18 coffee in May, and by June, I was requested to assist
 19 him. I became a consultant to AlphaBow by June of
 20 2022, where I was providing -- I was providing insights
 21 and -- and advice to Ben, and I was tasked to work with
 22 him on all things CO2.
 23 Q Did Mr. Ben Li share his vision for the company and
 24 possible turnaround with you and ask you to work with
 25 him?
 26 A Absolutely. He had indicated to me a couple of things.

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1 company until March of 2022.
 2 Q And you were COO during at least part of that watch; is
 3 that correct?
 4 A I stayed for a period of time. I stayed until about
 5 October of '21. I would say that there was a
 6 significant culture change.
 7 Q Could I ask you to tell the Panel about that culture
 8 change and what happened in connection with Mr. Li as
 9 you observed it in connection with your position as
 10 COO?
 11 A I don't feel like Mr. Li had a really strong background
 12 in oil and gas. I know that --
 13 Q I wonder if you could start with Quan first, that is,
 14 Marshall Quan and then Mr. Li.
 15 A Quan Li.
 16 Q Oh, Quan Li. Thank you.
 17 A I mean --
 18 Q Sorry.
 19 A I don't feel like Mr. Quan Li -- I know he had been
 20 employed for a time with Schlumberger, and I know that
 21 most of his career here in Calgary was with CIBC. So I
 22 don't think he had -- had a strong oil and gas
 23 operational background. I don't think he had a strong
 24 vision for the company, and I don't think that he
 25 believed that the company could succeed, and, beyond
 26 that, I believe that he -- he didn't have a -- he

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1 One was that there was some concerns with the AER and
 2 that he was focused on meeting AER requirements. He
 3 was focused on meeting specifically the asset
 4 retirement obligation of the mandatory spend. I know
 5 that he was working to improve compliance, and I know
 6 that -- you know, I can -- I'm going to fast-forward to
 7 the March order. I was working with him through until
 8 March, and when the March order happened, I got an
 9 immediate phone call, Can you come and help me on a
 10 more full-time basis? And I -- and I agreed I would.
 11 And, you know, just -- I talked a bit about the
 12 compliance. So after I got involved and we started to
 13 deal with the March order, for the period April 2023,
 14 this year through to August 2023, there were 20-some
 15 inspections, and the compliance rate was 70 percent.
 16 Q And we'll -- we'll get there in a minute, but you have
 17 worked with Mr. Li and with AlphaBow in connection with
 18 dealings with the AER in particular since March 30th of
 19 2023 through to the suspension order. Is that fair?
 20 A That's correct.
 21 Q And there's a substantial body of correspondence, which
 22 we'll take you through, but I'd like to go now into the
 23 sort of general observations that you had so that this
 24 Panel can understand what you understood the AER to be
 25 doing and what, in fact, AlphaBow was doing. And did
 26 you have a view -- and you can look at your notes, and

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1 I'll take you through the process. Did you have a view
 2 or an understanding as to what the AER's real concerns
 3 were?
 4 A I was very involved in responding to the AER, and I
 5 understood, you know, what they were seeking. As far
 6 as their real concerns, it seemed to me that the AER
 7 had an agenda, and it seemed to me that as we -- as we
 8 made all of the responses that we made, it didn't seem
 9 to matter what information we were providing or what we
 10 were saying. It felt like our responses were falling
 11 on deaf ears.
 12 Q So in that regard, we've produced in a couple of places
 13 and many of the statistics and plans that you've talked
 14 about and that you will be talking about are referenced
 15 in Document 8.01, page 239 forward. They're also at
 16 Tab Number, I think, 7 in our initial submissions.
 17 It's a March -- pardon me -- a May 17, 2023, letter,
 18 which outlines all of your responses to the RCAM order
 19 that was issued in March.
 20 But I'd like to take you through and -- for the
 21 benefit of this Panel, your analysis of what AlphaBow
 22 had been doing, and I understand -- it's in various of
 23 your correspondence -- that you were asking the AER to
 24 judge AlphaBow based on what it had done, not what it
 25 expected it might do in the future. Is that so?
 26 A Yeah. I mean, in -- in various materials that we have

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1 the letter.
 2 Q MR. STAPON: All right.
 3 A And I would like to point out that the letter is
 4 19 pages long.
 5 Q Yes.
 6 A And a whole bunch of what I want to discuss -- this
 7 is -- this is our initial written response to the
 8 March -- to the March order. And so a great deal of
 9 what I, you know, intend to -- the information I
 10 intended to provide today comes from this letter.
 11 Q And so just in that regard, between April of 2018 and
 12 March of 2023, how many wells did AlphaBow abandon?
 13 A Well, I'd like AlphaBow to be judged on its
 14 accomplishments, and in that five-year period, AlphaBow
 15 abandoned 871 wells and disposed of 234 sites. It had,
 16 before it started that process, 3 -- 3,294 sites. So
 17 that's a reduction to 2,189 sites, both -- both active
 18 wells and inactive wells, and that represents a
 19 33-and-a-half percent reduction in sites. And I -- I
 20 would be extremely shocked if there's another company
 21 in the entire industry that accomplished that kind of
 22 reduction in that time period.
 23 Q So over five years, it abandoned 33 percent of its
 24 wells; is that right?
 25 A Abandoned and/or disposed.
 26 Q Okay.

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1 seen, I'm -- just some general comments. The AER has
 2 suggested AlphaBow was insolvent since 2019 and that we
 3 pose a risk to the public or the environment, and I
 4 absolutely don't believe that. And so in my letter of
 5 May 12th, which is what I think you're referring to --
 6 Q Yes.
 7 A -- I point it out and I would ask --
 8 THE CHAIR: Just -- just -- just a moment,
 9 Mr. Ironside.
 10 MS. PARSONS: Sorry. We're going to need
 11 the page number.
 12 MR. STAPON: It's Exhibit Number 9, page
 13 number 239.
 14 MS. PARSONS: Just wait one moment.
 15 MR. STAPON: Sorry?
 16 MS. PARSONS: You said Exhibit 8 before.
 17 MR. STAPON: I know.
 18 MS. PARSONS: Okay. So we're pulling up
 19 Exhibit 9.01, page 239; correct?
 20 MR. STAPON: Yes.
 21 And we'd ask that the witness have available a
 22 copy for review as well. Might I approach the witness
 23 and give him a copy?
 24 THE CHAIR: It should be available on the
 25 screen for him; correct?
 26 A MR. IRONSIDE: I have it. I have a copy of

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1 A In the same time period --
 2 Q Yes.
 3 A -- it reclaimed 236 sites, and it abandoned an
 4 additional 44 sites on behalf of the Orphan Well
 5 Association. So if you're not familiar with that
 6 process, certain operators, such as Lexin, Questfire,
 7 and -- and Glencoe would have gone into receivership,
 8 and AlphaBow received an order from the AER that it
 9 needed -- it needed to take care of these sites. There
 10 were 44 of them, I believe. Our working interest in
 11 those sites varied between half a percent and -- and
 12 maybe a little bit over 10 percent.
 13 Q If I could stop you there, Mr. Ironside. One of the
 14 concerns that was raised by the AER is whether or not
 15 AlphaBow was, in fact, being efficient in the way that
 16 it spent its money in connection with reclamation
 17 programs, and you mentioned that AlphaBow actually did
 18 44 wells that it received from the OWA; is that right?
 19 A The orders were received from the AER --
 20 Q Yes.
 21 A -- but the work was done on behalf of the OWA, and we
 22 would submit copies of the actual invoices, and the OWA
 23 would reimburse AlphaBow for the -- the insolvent
 24 operatorship.
 25 Q And can you tell me, in your experience, sir, did the
 26 OWA have experience in connection with what it should

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| <p style="text-align: right;">53</p> <p>1 cost to abandon a well?</p> <p>2 A Yeah. I believe the OWA has considerable experience in</p> <p>3 terms of what it costs.</p> <p>4 Q In connection with those 44 wells that you did over the</p> <p>5 course of time, did the OWA ever complain that it was</p> <p>6 overbilled for a particular closure?</p> <p>7 A No, not to my knowledge. In fact, AlphaBow was not</p> <p>8 entitled to charge any engineering costs, any admin</p> <p>9 costs for doing this work on behalf of the OWA. We --</p> <p>10 we were only allowed to charge third-party costs, so</p> <p>11 we -- you know, we had to -- that was a burden that we</p> <p>12 had to -- had to absorb.</p> <p>13 Q What was AlphaBow's mandatory spend for ARO in 2022?</p> <p>14 A So -- yes. You know -- and, again, just going through</p> <p>15 our accomplishments, the -- the company spent a little</p> <p>16 bit over its mandatory spend for 2022. It spent 6 --</p> <p>17 just over \$6 million, 6.04.</p> <p>18 Q Okay.</p> <p>19 A And then, in addition, it was delayed, but ending in --</p> <p>20 March 31st, 2023, AlphaBow completed an area-based</p> <p>21 closure spend of 3.84 million.</p> <p>22 Q So what did it spend over that -- that period of time</p> <p>23 approximately in terms of asset reclamation?</p> <p>24 A So AlphaBow, from its own revenue, spent 9.88 million</p> <p>25 in the 15-month period ended March 31st, 2023.</p> <p>26 Q Right. And can you tell me whether, in fact, there was</p> | <p style="text-align: right;">54</p> <p>1 a review of its cost effectiveness undertaken by the</p> <p>2 AER?</p> <p>3 A Well, there has been a lot of innuendo, and there --</p> <p>4 there is -- there is suggestion by different people at</p> <p>5 different times that there might be, you know,</p> <p>6 potential for fraud, that the costs of AlphaBow were</p> <p>7 really high, but specifically with the -- and -- and</p> <p>8 specifically with regard to the program of 57 wells</p> <p>9 that AlphaBow did for the ABC program from January to</p> <p>10 March of 2023, all of the invoices, all of the</p> <p>11 information was provided to the AER, and on July 24th</p> <p>12 of this year, it looks like we got a letter from</p> <p>13 Mona Sellers of the AER that essentially gave us a</p> <p>14 clean bill of health in terms of that \$3.84 million</p> <p>15 spend.</p> <p>16 THE CHAIR: Is that document on the</p> <p>17 record?</p> <p>18 MR. STAPON: I don't believe it's been</p> <p>19 produced. It was just located during the course of</p> <p>20 prep. We can certainly provide you one, and it's</p> <p>21 obviously one that the AER knows about, because they</p> <p>22 wrote it.</p> <p>23 MS. DOEBELE: Can we --</p> <p>24 A MR. IRONSIDE: Sorry.</p> <p>25 MS. DOEBELE: Apologies, Mr. Ironside.</p> <p>26 Can we confirm whether it's going to be produced</p> |
| <p style="text-align: right;">55</p> <p>1 and if CLM has any objection?</p> <p>2 MR. STAPON: We'll produce it. We don't</p> <p>3 have a copy currently. It was in the PowerPoint</p> <p>4 information we were going to provide. So we'll get it</p> <p>5 for tomorrow morning. But, for the record, it is a</p> <p>6 letter from the Alberta Energy Regulator delivered by</p> <p>7 email only on July 24th, 2023, to AlphaBow Energy to</p> <p>8 Ms. Mona Sellers.</p> <p>9 MS. LAVELLE: To clarify, we don't object to</p> <p>10 that. We just note that it's after the date of the</p> <p>11 suspension order, and that's why it's not already</p> <p>12 included in there.</p> <p>13 A The only reason I'm referencing it is because it speaks</p> <p>14 to other information regarding the credibility and --</p> <p>15 of AlphaBow and the level of our costs.</p> <p>16 THE CHAIR: So just so we're clear for the</p> <p>17 record, that is an undertaking?</p> <p>18 MR. STAPON: We'll give you that</p> <p>19 undertaking.</p> <p>20 MS. DOEBELE: Thank you, Mr. Stapon. That</p> <p>21 will be Undertaking Number 1.</p> <p>22 UNDERTAKING 1 - To provide letter dated</p> <p>23 July 24, 2023, from Mona Sellers at the</p> <p>24 Alberta Energy Regulator that gave AlphaBow</p> <p>25 Energy Ltd. a clean bill of health in terms</p> <p>26 of the \$3.84 million spend</p> | <p style="text-align: right;">56</p> <p>1 Q MR. STAPON: I'd like to talk about the</p> <p>2 issue of remaining inventory of low-risk and active</p> <p>3 sites that exist at AlphaBow. Could you speak to that,</p> <p>4 Mr. Ironside?</p> <p>5 A MR. IRONSIDE: Yes, please. So, again, I</p> <p>6 would ask the AER that we're judged on what we've</p> <p>7 accomplished during the recent five years, not what we</p> <p>8 have remaining to do.</p> <p>9 So we have active wells, 919; we have inactive</p> <p>10 wells, 1,270. That include 386 mineral expiries. And</p> <p>11 we have unreclaimed abandoned well sites, 1,467.</p> <p>12 Q So that's the sort of package that you have to plan for</p> <p>13 and deal with or the OWA does in connection with</p> <p>14 management of these assets. Is that fair?</p> <p>15 A That is correct. And we have a plan, and we have, I</p> <p>16 believe, the resources to manage this -- to manage that</p> <p>17 obligation.</p> <p>18 Q In terms of the relative effectiveness of AlphaBow</p> <p>19 versus the OWA, just in terms of what it can do and how</p> <p>20 it can do it, I understand, Mr. Ironside, that you've</p> <p>21 actually done some work to say, you know, Here's what</p> <p>22 AlphaBow did, and here's what the OWA did based on its</p> <p>23 publicly reported information; is that right?</p> <p>24 A Yes, I have.</p> <p>25 Q I wonder if you might advise the Panel of what you did</p> <p>26 and why you did it.</p> |

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| <p style="text-align: right;">57</p> <p>1 A So I reviewed the Orphan Well Association 2022-2023 2 annual report, and I made some comparisons. So based 3 on the numbers I've already provided, AlphaBow over the 4 five years has abandoned an average of 183 wells. In 5 that same time period, the Orphan Well Association has 6 abandoned an average of 1,110 wells. So we've done a 7 little bit better than one fifth -- as a single 8 company, better than one fifth what the OWA has done on 9 behalf of the entire industry in the last five years. 10 I also compared reclamations. And AlphaBow is at 11 47 reclamations a year. The OWA over that same 12 five-year period has averaged 239. So once again, 13 we've done in the order of a sixth to a fifth of what 14 the OWA has done. And I took -- I did another 15 interesting comparison. I took 40 percent of 16 AlphaBow's administration costs. Why did I choose 17 40 percent? I chose 40 percent because I believe 18 that's a good proxy for what percentage of AlphaBow's 19 administration efforts went into abandoning wells and 20 reclaiming wells. Our administration, of course, has 21 done a lot more. We've done things like drill wells. 22 We've done things like manage production and workover 23 wells and do a lot of different things that are 24 involved in an energy company. So about 40 percent of 25 our efforts have gone into this type of work. And our 26 G&A, then, works out -- if you -- if you -- if you look</p> | <p style="text-align: right;">58</p> <p>1 at it, it was -- our G&A for -- for -- for a year 2 averages about .9 million. And so we're spending about 3 \$3,900 per abandonment/reclamation. 4 Q That's on G&A? 5 A That's on our administration G&A, yes. 6 THE CHAIR: Excuse me. Could you explain 7 "G&A". It would be preferable if we minimized the 8 acronyms. 9 MR. STAPON: General and administrative 10 expense associated with the completion of a particular 11 task. 12 A MR. IRONSIDE: Yeah. It would -- it's -- 13 it's essentially our Calgary office cost. 14 THE CHAIR: Okay. 15 MR. STAPON: Thank you. 16 Q MR. STAPON: And why did you do that? 17 A MR. IRONSIDE: Well, I'm not finished. I'm 18 going to tell you what the OWA spent. 19 Q Okay. 20 A So -- sorry. The OWA spends 9.1 million a year in 21 administration, according to this annual report. And 22 that works out to 60 -- just over \$6,700 per well. So 23 a little bit more even than what AlphaBow has spent per 24 abandonment and per -- per reclamation. So I thought 25 that was an interesting and to some degree fair 26 comparison. And then I thought it was an indication</p> |
| <p style="text-align: right;">59</p> <p>1 that we were being pretty efficient. 2 Q Thank you. 3 You're not criticizing the OWA regarding its G&A. 4 You're just saying, Look, here's what the 'G' -- OWA 5 has versus here is what AlphaBow has done. 6 A I'm not criticizing the OWA in any way, shape, or form. 7 Q Thank you. 8 A The only other thing that I would add is AlphaBow has 9 historically paid its AER and OWA. As of when we 10 received the March order, we were current in paying our 11 OWA and AER levies, so we have funded some of the OWA's 12 effort. 13 Q Fair enough. 14 THE CHAIR: Mr. Stapon, before you go on, 15 I just note, looking at our schedule, that we were due 16 for a -- for a morning break, which has come and gone. 17 I'm just looking for some input on you in terms of ... 18 MR. STAPON: I suspect Mr. Ironside will be 19 the balance of the morning. He's got a lot of evidence 20 to give in connection with this. And I apologize, 21 commissioners. I seldom know what time it is when I'm 22 questioning, and I don't keep track of it, so I'll have 23 to be reminded in connection with break times. 24 THE CHAIR: So -- and I guess we'll look 25 for some guidance from our court report ers as well in 26 terms of -- because we normally schedule breaks to</p> | <p style="text-align: right;">60</p> <p>1 give -- give them a break. 2 MR. STAPON: Madam, bio breaks are 3 certainly understandable. 4 THE CHAIR: So we're at almost 11:30 now. 5 I'm wondering if at noon -- 12 noon would be a 6 convenient point for us to break, then, and we would 7 take the planned 45-minute lunch break? 8 MR. STAPON: Certainly. If everybody else 9 is fine with not breaking immediately for five minutes 10 or so, I'm also happy to continue. 11 THE CHAIR: So I guess I'll look to our 12 court reporters. Is that -- does that work for you? 13 THE COURT REPORTER: Yes. Thank you. For this 14 morning, since we had interruptions, we probably don't 15 need a break right now, but in future, yes, we would 16 appreciate the breaks. 17 THE CHAIR: All right. We will look, 18 then -- the plan will be that we'll break at 12 noon. 19 Thank you. 20 Q MR. STAPON: Mr. Ironside, I'd like to talk 21 about your review of AlphaBow's environmental safety. 22 A MR. IRONSIDE: So we've just sort of finished 23 my review of our asset retirement. So I'd like to 24 be -- to see AlphaBow judged on its actual safety 25 record and, in particular, in terms -- I'm going to 26 break my response into environmental safety and safety.</p> |

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| <p style="text-align: right;">61</p> <p>1 So with regard to environmental safety, I'm going 2 to speak to AlphaBow's five-year -- five-year history 3 of incidents, response, and remediation. 4 So for the same period, April 2018 when I joined 5 the company through to March of 2023, five years. The 6 company had 37 reportable incidents, nine of which were 7 vandalism or third-party precipitated, and in each and 8 every one of those incidents, AlphaBow's field 9 personnel provided immediate response and containment. 10 Of those 37 incidents, 27 are remediated and resolved. 11 Of the remaining 10 and of the total, only 4 incidents 12 are requiring more than two years. So they're all 13 being remediated within two years. 14 And when it comes to environmental remediation, 15 sometimes time is your friend, so in some 16 circumstances, it actually is more practical from a 17 cost perspective and better if it does take longer than 18 two years, given that the contamination is contained. 19 Q Mr. Ironside, the information is, in fact, before the 20 Panel already, but can you give some idea as to the 21 scope of AlphaBow's operations? How many licences and 22 pipelines there are with respect to this five-year 23 history of incidents? 24 A I've spoken to the number of wells, and off the top of 25 my head, I don't -- I don't know how many licences we 26 have in total.</p> | <p style="text-align: right;">62</p> <p>1 Q In these proceedings, Exhibit 52.01 is the AER 2 submissions in connection with this. And at the bottom 3 of page 2 -- and I'm going to bring this over to you. 4 All right. At the bottom of page 2 of that document. 5 So we're looking at -- it's actually page 3 numbered on 6 the bottom. It's the second page. There we go. 7 You'll see that there's a table. And that indicates 8 that there are -- AlphaBow had 3,785 wells, 9 322 facilities, and 4,060 pipeline segments. Do you 10 see that? 11 A Thank you. 12 I think that the 3,785 wells is commensurate with 13 the numbers that I've already stated. I think the most 14 material thing here is the 4,060 pipe segments and the 15 322 facilities. I guess the point is that 16 37 reportable incidents in five years with nine of them 17 being third-party precipitated is -- is not a great 18 deal, given that number of facilities and pipeline 19 segments. 20 Q And in connection with the risk of AlphaBow operating 21 and continuing to operate, there's a description of 22 sour wells and sour facilities and pipeline segments. 23 Can you comment on whether or not you view that to be a 24 fair categorization? 25 A In the AER materials, it's stated that AlphaBow has 26 577 sour gas wells.</p> |
| <p style="text-align: right;">63</p> <p>1 Q And -- 2 A That's simply wrong. 3 Q What does it have? 4 A AlphaBow has -- the only sour production AlphaBow has 5 is solution gas. And what do I mean by "solution gas"? 6 We have in our Provost area, quite a number of wells 7 that are oil wells, but they're high water-cut oil 8 wells. On average, maybe 95 percent water. 9 So if we're producing one of these oil wells, most 10 of what goes down the pipeline is saline water with a 11 little bit of oil and a little bit of solution gas. 12 This is the gas -- this is what I believe the AER was 13 referring to when they said we had 577 sour gas wells. 14 And, you know, if somebody wants to paint AlphaBow as 15 being -- as they're being a risk or a safety risk, I 16 suppose you might want to characterize them as gas 17 wells, but the reality is that not one of these wells 18 will flow to surface without being pumped. 19 Q And I don't know how technical our panel is. Can you 20 explain what you mean by that and what that causes? 21 A Yeah. I mean, if you're not pumping the well, if it's 22 just a standing well -- for example, if it's an oil 23 well, and it's just standing and it can't flow to 24 surface by itself, it's hard to see how it poses a risk 25 to the public of somehow endangering them of H2S. 26 So, I mean, I just feel that these wells being</p> | <p style="text-align: right;">64</p> <p>1 characterized as sour gas wells is inappropriate and 2 incorrect. 3 Q One of the concerns that was raised by the AER was 4 groundwater monitoring and the timeliness of it. You 5 actually responded to that process in your dialogue 6 with the AER; is that right? 7 A I did. 8 Q Can you explain what, if any, issue there was and what 9 your view of it is? 10 A Well, when I started to be at AlphaBow full-time and I 11 started to talk to the staff about the March order, I 12 gathered all the information that was available, and 13 when it comes to groundwater monitoring, most of the 14 circumstances where AlphaBow does groundwater 15 monitoring, with the exception of one plant site, there 16 is no deadline. It's just an ongoing program. And 17 that one site is our Hastings Coulée plant and because 18 the Hastings Coulée plant has an emission annual 19 reporting requirement, we also do groundwater 20 monitoring on an annual basis. 21 And I think one of our environmental staff was 22 concerned that we were potentially falling behind, but 23 the company was focusing its -- its human resources and 24 its financial resources on the 9.8 million ARO spend 25 and perhaps put a few things on the back burner, but we 26 weren't really behind. And so the 2022 requirement for</p> |

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| <p style="text-align: right;">65</p> <p>1 groundwater monitoring from the Hastings Coulee plant 2 was submitted on April 13th of 2023. And -- 3 Q Did it demonstrate any problem? 4 A No. All five of the sites, including the one that 5 requires an annual report, have long histories of 6 containment and diminishing contamination. And 7 subsequent to the March order, additional data has been 8 obtained on all five sites, and that statement that -- 9 that they're all managed, that they're all diminishing, 10 and that they all have a long history, that was 11 invalidated. And so none of these groundwater 12 monitoring circumstances posed a severe concern and the 13 ongoing programs have been maintained. 14 Q So thank you, Mr. Ironside. 15 You've talked about environmental safety. I'd 16 like to talk for a moment about environmental 17 performance by AlphaBow and its actual safety record. 18 So if you could address the environmental performance 19 that you reviewed with the AER. 20 A So this is one of my -- my personal kind of things that 21 I feel very strongly about when it comes to AlphaBow, 22 and -- and I think AlphaBow should be judged on its 23 actual emission performance. So in the five-year 24 period that we're talking about, in November 2018, I 25 was personally involved in -- in restructuring a deal 26 relating to CO2 capture and then restarting CO2 capture</p> | <p style="text-align: right;">66</p> <p>1 and the CO2 capture captures between 450 and five -- 2 and 650 tons a day. 3 Q 500 -- or 450 to 600 -- 4 A The range is between 450 and -- and 650. 5 Q Tons per day? 6 A Tons per day. It averages and has averaged, since it 7 was originally brought on stream in 2006, 550 tons a 8 day when operating, and that is about 185,000 tons of 9 CO2 a year. 10 Now, I will submit that this is the only CO2 11 facility in the province that captures a significant 12 amount of CO2 that is unsubsidized. And I will qualify 13 that statement by saying that the Shell Quest project, 14 which also captures CO2 and -- and puts it into a 15 saline aquifer, receives double carbon credits. That's 16 how it's subsidized. 17 And the enhanced oil, EOR, project is subsidized 18 because it's connected to its CO2 source by an Alberta 19 carbon trunk line that the Government of Alberta spent 20 \$470 million on. So AlphaBow's CO2 capture has never 21 had the benefit of a subsidy like that, and it is the 22 only significant CO2 capture project in the province. 23 And beyond that, I'm particularly upset that we had to 24 shut it down. 25 Q In that regard, one of the cases that we are going to 26 make in argument is that the AER has never either</p> |
| <p style="text-align: right;">67</p> <p>1 properly inquired or understood the carbon capture 2 process that AlphaBow was involved in. You've been 3 working on that since 2018? 4 A Yeah. I -- one of the first -- one of the first things 5 that I did as COO of AlphaBow was recognized, to some 6 degree, the potential of this. And when it was 7 originally constructed, the -- the supply arrangement 8 with the CO2 provider wasn't the best, so it was one of 9 the -- one of my first significant accomplishments that 10 AlphaBow was to renegotiate that. 11 Q And explain briefly how the CO2 capture works, that is, 12 what is it related to that AlphaBow does, and how does 13 it, in fact, sequester or store the carbon dioxide? If 14 you can do that briefly. I know it's a big job. 15 A Well, I don't know how -- how detailed you want to get 16 or how technical, so I'm just going to say that there 17 are very few circumstances where you can get a pure CO2 18 stream or a nearly pure CO2 stream. And this CO2 19 stream comes off the back end of an ethylene glycol 20 manufacturer. So ethylene glycol is the liquid that 21 you put in your radiator in your car. 22 Q Antifreeze, basically? 23 A Antifreeze. 24 Q Yes. 25 A And it is -- it is manufactured -- there's a 26 significant plant that -- originally built by Dow.</p> | <p style="text-align: right;">68</p> <p>1 It's currently owned by Dow and MEGlobal, operated by 2 MEGlobal and Prentiss. And we capture the CO2. We 3 remove the water vapour. There's about approximately 4 700 -- 7,500 barrels a day of water vapour and about 5 550 tons a day on average of CO2 that we receive from 6 that plant, and we remove the water vapour. 7 When the -- when the facility is operating, 8 there's no longer a massive cloud above the facility, a 9 massive water vapour plume. And MEGlobal, it's not -- 10 it's -- I wouldn't consider it pollution. It's water 11 vapour, and it's CO2. And -- and, to my way of 12 thinking, that -- neither of those are carcinogens, 13 but -- but still the CO2 is going up when it doesn't 14 have to. 15 And I -- and I want to relate this to the rest of 16 AlphaBow's emissions as a company. 17 Q I think -- 18 A I think it's significant. 19 Q If I can stop you there for a moment. There was a 20 specific request made by you, was there not, that 21 AlphaBow at a minimum be permitted to continue to 22 operate the CO2 plant; is that right? 23 A When we were being advised of the -- the June order -- 24 Q Yes. 25 A -- absolutely, we tried to -- we tried to address the 26 environmental issues and suggest that, at the very</p> |

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| <p style="text-align: right;">69</p> <p>1 least, we couldn't see why AlphaBow couldn't continue 2 to operate this facility. 3 Q And we'll get into the safety issue associated with 4 that shortly, but what's happened to the 550 tons 5 ballpark a day of CO2 since the shutdown? 6 A The water vapour cloud and the 550 tons a day of CO2 7 are going -- continually visible above MEGlobal's plant 8 today. 9 Q So they're being vented to the atmosphere? 10 A Yeah. There was a -- you know, there was a suggestion 11 that perhaps MEGlobal might have other options, but we 12 told the AER very clearly there was no other facility 13 that could capture this CO2. The only option for 14 MEGlobal if you didn't want to put the CO2 into the -- 15 into the environment was to operate AlphaBow's 16 facility. 17 Q We'll probably get into how the CO2 arrangement changes 18 the economics of AlphaBow after lunch, but let's -- you 19 mentioned that you were going to do a comparison of 20 other emissions? 21 A Yeah. So company-wide under the TIER program, 22 AlphaBow -- AlphaBow basically accounts for its 23 emissions for the Prentiss CO2 facility and for its EOR 24 operations under an EOR protocol, so that's separate. 25 Q If I can interrupt you there. Is the Panel familiar 26 with the TIER program? If you aren't, we'll need --</p> | <p style="text-align: right;">70</p> <p>1 THE CHAIR: I would suggest that you would 2 assume that we're not necessarily familiar with any 3 technical program. 4 MR. STAPON: All right. And I wonder -- 5 THE CHAIR: And so also acronyms. EOR? 6 MR. STAPON: Yes. 7 A MR. IRONSIDE: Enhanced oil recovery. 8 Q MR. STAPON: Right. 9 A Okay. I'm sorry. I will -- I will try to minimize my 10 use of acronyms -- acronyms. The program is the 11 Alberta Government's emissions management program. I 12 don't know what "TIER" stands for off the top of my 13 head, but it's been in place for a few years now, and 14 when it was brought in, the level of emissions at which 15 companies had to report was reduced. 16 So any company that emits a hundred thousand tons 17 a year across its whole operation of CO2 equivalent has 18 to report to the Alberta Government under the TIER 19 program. If you -- you know, you are -- you are -- you 20 have to pay a carbon tax depending on how you perform 21 under that program. If you performed really well and 22 beyond industry average, you can potentially achieve a 23 credit. 24 But the point I want to make is that company-wide, 25 excluding AlphaBow's CO2 capture and EOR operation, 26 which we account for all the emissions under the</p> |
| <p style="text-align: right;">71</p> <p>1 protocol that we achieve credits for that, so it's 2 separate from TIER, but company-wide, beyond that 3 outside of that CO2 capture EOR project, we reported in 4 2022, 65,169 tons of CO2 equivalent emissions. And 5 this is a very important number because when we capture 6 185 tons a year of CO2, this means that we're capturing 7 pretty much three times what we're emitting elsewhere. 8 And I submit that AlphaBow, to the best of my 9 knowledge, is the only true net zero emitter in the 10 province of Alberta. I believe that at Shell Quest 11 they're capturing about a third of their emissions, and 12 I believe that -- to the best of my knowledge, any 13 other company that is talking about being net zero is 14 talking about being net zero at some point in the 15 future. Like, we will be net zero at 2030. We will be 16 net zero at 2050. But AlphaBow is considerably there. 17 We capture considerably more CO2 when we're operating 18 our CO2 capture than we emit. 19 THE CHAIR: Ms. Ross. 20 MS. ROSS: Thank you, Chair Chiasson. 21 We've let this go on for quite some time, but at 22 this point, I would have to say that Mr. Ironside is 23 giving expert evidence, and he hasn't been qualified as 24 an expert. We haven't been given an opportunity to 25 provide our own CO2 expert, you know, and I also fail 26 to see the full --</p> | <p style="text-align: right;">72</p> <p>1 THE COURT REPORTER: Sorry. I can't hear you. 2 "And I also fail to see" ... 3 MS. ROSS: The full relevance of his 4 testimony. 5 THE COURT REPORTER: Thank you. 6 MR. STAPON: With respect, it's not 7 surprising the AER doesn't see the full relevance of 8 this. They were told about it four times over the 9 course of May, and they did no due diligence. AlphaBow 10 said it had a recovery plan, and you're hearing about 11 it. It's something that the AER did not even bother to 12 inquire about. 13 MS. ROSS: That doesn't change that it's 14 expert evidence that he's giving. 15 MR. STAPON: With respect, this is the 16 business manager who is planning this particular 17 process. He's going to tell this Panel how this 18 company cannot only survive but thrive and pay its 19 bills when the AER in its enforcement process did not 20 even bother to inquire, despite the fact that there was 21 argument on the letters -- we have a much different 22 view of our survivability than you do. The AER didn't 23 care. It's a significant component in this case. 24 THE CHAIR: In relation to expert 25 witnesses, I had a portion in the opening comments 26 which is standard, and I often skip over because --</p> |

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1 because I didn't think it was relevant given the list
 2 of witnesses. I will refer to it now.
 3 In relation to that standardly in the AER process,
 4 we do not qualify expert witnesses in our hearings;
 5 however, having said that, it is open to each party to
 6 argue what weight we should give to a witness's
 7 evidence based on that witness's qualification or other
 8 relevant factors.
 9 So, Ms. Ross, it will be open to you to make
 10 argument before us in relation to the weight that you
 11 should give us vis-à-vis Mr. Ironside's evidence and
 12 his qualifications. And we will be interested to be
 13 hearing more in relation to the relevance.
 14 MR. STAPON: Thank you, commissioner.
 15 Q MR. STAPON: I'd like you to comment on any
 16 issue that you dealt with the AER concerning the
 17 timeliness of reporting emissions, Mr. Ironside.
 18 A MR. IRONSIDE: So, again, I'm asking this
 19 Panel to judge us on our actual environmental
 20 performance and not on timely emissions reporting, and
 21 I want to tell you that all of the different
 22 regulations with regard to emissions, whether they're
 23 fugitive methane emissions, methane emissions, whether
 24 it's the new TIER -- TIER legislation, over the last
 25 several years, there has been a lot of change. And one
 26 of the real difficulties that the entire industry is

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1 that's something that the AER must consider in
 2 connection with the ability to operate.
 3 A MR. IRONSIDE: So, again, I would ask that
 4 the Panel evaluate the company on its actual safety
 5 performance over the last five years. We have a
 6 five-year history of no serious work-related incidents.
 7 Q If I could stop you there. How many employees would
 8 AlphaBow have had and consultants would AlphaBow have
 9 had ballpark on average over the last five years of
 10 operations and involving about 8,000 licences?
 11 A I would estimate that we have -- on average, have had
 12 about 45 field staff and contractors.
 13 Q So any lost time incident or injury?
 14 A We've had a -- we've had two circumstances that are of
 15 concern in five years. We had one near miss pipeline
 16 incident, which was one of our noncompliances. And
 17 we've had one Workmen's Compensation Board claim for an
 18 individual that was off work for two months with a
 19 broken ankle, so ...
 20 Q I'd like you to talk briefly about the pipeline
 21 incident if you could.
 22 A So the pipeline incident, we thought there might be a
 23 leak, and there was some excavation going on.
 24 AlphaBow's operator had hired a contractor. The
 25 contractor had all of the requisite qualifications and
 26 tickets. They went through the proper, normal routine

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1 having is finding experts. There is severe competition
 2 for qualified consultants for this reporting. And a
 3 company like AlphaBow would -- for the reporting
 4 requirements under all of this changing regulation,
 5 would seek to hire a consultant and seek to meet the
 6 deadlines, and there's severe competition and
 7 availability -- and not enough availability of this
 8 expertise. So I -- I know industry-wide that companies
 9 are struggling to meet these reporting deadlines, and I
 10 know that the new requirements for -- for fugitive
 11 methane emissions are -- there's a lot of requirements
 12 that are a burden and a cost. And I know that one of
 13 the things that AlphaBow is being -- have received
 14 numerous noncompliances for relates to this.
 15 Q Just for timeliness.
 16 A Just for timeliness. It's not -- so my request is that
 17 we be judged on our actual environmental performance,
 18 not on our timeliness of -- of meeting reporting
 19 requirements because we -- we do meet them, but just
 20 like many, many companies, we're struggling to meet
 21 them on time.
 22 MR. STAPON: I think we've got enough time
 23 to address safety before lunch.
 24 Q MR. STAPON: That is, we've talked about
 25 the environmental performance, environmental safety.
 26 Let's talk about physical safety because, of course,

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1 process of doing a safe work permit. They have
 2 discussed the potential issues and hazards. AlphaBow's
 3 representative turned the circumstance over to the
 4 contractor, and as I said, the contractor's
 5 representative had all the proper tickets and all the
 6 proper expertise to be performing the excavation.
 7 Upon return to the site, the AlphaBow
 8 representative or AL -- AlphaBow representative
 9 observed that there were some markings on the pipeline.
 10 He asked -- he -- he -- he -- he asked and determined
 11 that the excavation had -- had a scuff the side of the
 12 pipeline, and they shut the project down. So that was
 13 a near miss.
 14 Q Okay.
 15 A Yeah.
 16 Q And so you had one rolled ankle with 50 employees over
 17 five years and 8,000 sites or 8,000 licences.
 18 A Yeah.
 19 Q Sorry. Go ahead.
 20 A Well, and the only other serious safety concern was we
 21 had one employee with a company vehicle collide with a
 22 deer. So in five years those are the three
 23 circumstances that we've had. I did mention -- I'm
 24 going to address H2S.
 25 Q All right.
 26 A So the company gathers all of the solution gas in the

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1 Provost area to a facility called Hastings Coulée. And
 2 that Hastings Coulée for operational reasons, there's a
 3 low pressure flare stack. In the five years, there has
 4 never been, to my knowledge, a release of H2S from all
 5 of those wells that we discussed that are oil wells.
 6 The circumstance is that if you -- for operational
 7 reasons at that facility, you needed to blow the sour
 8 side or do some work on the sour equipment, that you
 9 would go through the flare stack and that the H2S would
 10 be incinerated and become SO2. So in five years, we
 11 have not had any H2S releases. And I've already
 12 clarified that there -- the AER states that we have 577
 13 sour gas wells, but these are oil wells.
 14 Q Just in that regard, there is some material which we'll
 15 probably review with the AER witnesses suggesting that
 16 there might be a safety issue operating the pipeline
 17 which connects the CO2 gathering system under
 18 Highway 2. I wonder if you could address the Panel on
 19 that subject before we break for lunch.
 20 A Yes, please.
 21 So on the high pressure downstream side of the
 22 CO2, the CO2 is dry. And that's important because it
 23 means there's no element of corrosion.
 24 Q Element of corrosion. Why would you be concerned? Is
 25 that for the pipe?
 26 A Yeah. I mean if there -- what I'm addressing is --

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1 in pressure up or down.
 2 Q And in connection with -- and they shut off if there's
 3 a problem, do they?
 4 A Yes.
 5 Q And in connection with the pipeline under Highway 2,
 6 the one that carries CO2, let's assume that it could
 7 possibly have breached despite the fact that it never
 8 has in 18 years of operation. What would it release?
 9 A All that's in the pipeline is virtually pure CO2 in
 10 liquid form. And so the -- if the pipeline failed, the
 11 CO2 would vapourize into gas, and it would release
 12 gaseous CO2.
 13 Q And to your knowledge, although CO2 is a greenhouse
 14 gas, is it a noxious gas? That is, does it pose risk
 15 to human health on its own?
 16 A Not -- not unless you're in a confined space.
 17 Q Thank you.
 18 MR. STAPON: With that, commissioner, it's
 19 probably time for lunch?
 20 THE CHAIR: One final clarification. We
 21 heard various times reference to "ARO".
 22 Q MR. STAPON: Yes. Would you define for the
 23 Panel what you mean by "ARO"?
 24 A MR. IRONSIDE: Yes, please. It's an acronym
 25 that stands for asset retirement obligation. So it is
 26 intended to encompass the full liability of a company

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1 what I'm about to state is that there have been no
 2 pipeline failures on the CO2 injection system with --
 3 Q Over how many years of operation?
 4 A Since 2006. And I need to clarify that because I'm
 5 talking about pipelines that are made of metal.
 6 Because the -- the pipeline that goes under the highway
 7 that was potentially AER's concern -- the pipeline
 8 going under Highway 2 is steel, but there has since
 9 2006 been one -- one pipeline failure. It was a
 10 Fiber -- Fiberspar pipe, and there was a failure at a
 11 joint of the pipe. And the pipeline system's extremely
 12 safe. It has -- all the different segments of the
 13 pipeline have high pressure, low pressure shutdown
 14 valves. That circumstance where that pipeline failed
 15 was buried pipeline. It sort of created a cloud of
 16 dirt in the -- in the middle of a field, and there
 17 was -- it was over in about two minutes. The -- the
 18 valves at each end of the pipe closed, and the CO2 that
 19 might have been no more than 5 or 10 tons of CO2 in an
 20 operation that captures 550 tons a day could have been
 21 released.
 22 Q Mr. Ironside, I've done a lot of pipeline failure
 23 litigation over the course of the years, but this Panel
 24 may not be aware. Are these automatic valves that shut
 25 off in the event of loss of pressure?
 26 A They -- they're valves that sense a significant change

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1 related to abandoning all of its sites and reclaiming
 2 all of its sites.
 3 Q Indeed regulated by the Alberta Energy Regulator.
 4 THE CHAIR: Thank you.
 5 So we are at 12 noon. We will reconvene at 12:45,
 6 and the intention will be, then, that we will look to
 7 follow the plan. So when we reconvene, we anticipate
 8 two hours before the next break. And we will remind
 9 everyone of that when we reconvene.
 10 For everyone who is observing, we encourage you to
 11 take -- even if you plan to return afterwards, take
 12 your materials with you, whatever you have with you.
 13 Please take them. We can't guarantee that everything
 14 is secure in the main hearing room. And we will be
 15 back again at 12:45.
 16 (WITNESSES STAND DOWN)
 17 _____
 18 PROCEEDINGS ADJOURNED UNTIL 12:45 PM
 19 _____
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| 81 | <p>1 Proceedings taken at Govier Hall, Calgary, Alberta.</p> <p>2 _____</p> <p>3 November 27, 2023 Afternoon Session</p> <p>4</p> <p>5 C.L.F. Chiasson Hearing Commissioner</p> <p>6 M.A. Barker Hearing Commissioner</p> <p>7 S.F. Mackenzie Hearing Commissioner</p> <p>8</p> <p>9 A. Huxley Counsel for the Panel</p> <p>10 A. Doebele Counsel for the Panel</p> <p>11 C. Ross AER Counsel - CLM Branch</p> <p>12 M. Lavelle AER Counsel - CLM Branch</p> <p>13 D. Parsons AER Staff</p> <p>14 T. Wheaton AER Staff</p> <p>15 E. Arruda AER Staff</p> <p>16 A. Stanislavski AER Staff</p> <p>17</p> <p>18 G. Stapon For AlphaBow Energy Ltd.</p> <p>19 K. Cameron</p> <p>20</p> <p>21 R.M. Johanson, CSR(A) Official Court Reporter</p> <p>22 A. Porco, CSR(A) Official Court Reporter</p> <p>23 _____</p> <p>24 (PROCEEDINGS COMMENCED AT 12:57 PM)</p> <p>25 RICK IRONSIDE, BEN LI, Re-Sworn</p> <p>26 WYMAN PEDERSON, KIM SERGINSON, AMY ZHANG, Re-Affirmed</p> | 82 |
| 83 | <p>1 A MR. IRONSIDE: Sorry?</p> <p>2 THE COURT REPORTER: Thank you. That's much</p> <p>3 better. Can you answer that again.</p> <p>4 A MR. IRONSIDE: We gave an undertaking for</p> <p>5 the -- to provide the AER letter that we received on</p> <p>6 July 24th.</p> <p>7 Q MR. STAPON: And the asset retirement</p> <p>8 Orphan Well Association comparison --</p> <p>9 A MR. IRONSIDE: Again --</p> <p>10 Q -- where is that from?</p> <p>11 A Sorry. Again, the numbers that I quoted that were</p> <p>12 AlphaBow abandonments were May 12th, page 1, and the</p> <p>13 OWA annual report. I think -- I believe it's</p> <p>14 Exhibit 53.</p> <p>15 Q That's our understanding as well. That's part of the</p> <p>16 submissions before this Panel.</p> <p>17 In connection with the environmental safety, where</p> <p>18 can that be address -- or where was that addressed?</p> <p>19 A Again, page 1 on the May 12 letter discusses the</p> <p>20 incidents.</p> <p>21 Q And how --</p> <p>22 A And -- and the groundwater -- we mentioned groundwater</p> <p>23 contamination, and that's on page 4 of that same</p> <p>24 letter.</p> <p>25 Q Thank you.</p> <p>26 And in connection with the environmental</p> | 84 |

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| <p style="text-align: right;">85</p> <p>1 In connection with the issue of safety, there was 2 some concerns raised by the AER in connection with your 3 emergency preparedness plan, or the ERP. Can you speak 4 to that.</p> <p>5 A Again, on my May 12th letter but on page 9 of my 6 May 12th letter, we list all of the types of things 7 that we do on a routine basis for safety, and I will 8 review that for you. I'm going to say that this is -- 9 we do all of these -- this is -- we do these things, 10 but it's included but not limited to.</p> <p>11 So the company has, for its -- where it has H2S, 12 the company has a site-specific emergency response plan 13 that is renewed annually, and that's for our Hastings 14 Coulee Provost area where we gather solution gas that 15 has H2S. The company for the rest of its operations 16 has a corporate-wide and annually reviewed or annually 17 submitted to the AER emergency response plan, ERP, and 18 that for AlphaBow is divided into four regions: 19 central and south, north and west 5, Hannah and area, 20 and Provost west. In each of those four regions, we 21 would do an annual tabletop exercise.</p> <p>22 The company has routine -- and this is prior to 23 the March order. The company has always had routine 24 senior management and Calgary operations staff field 25 visits, and all of these senior management and Calgary 26 operations staff are required to have what they call</p> | <p style="text-align: right;">86</p> <p>1 "ICS training". This is another acronym. Incident 2 command -- I don't know what the 'S' stands for, but 3 it's training and -- and handling emergencies.</p> <p>4 The company has a corporate training currency 5 checklist for the training for our field staff. We 6 have -- when we get an AER inspection, we have a 7 compliance and inspection resolution tracking system 8 for all inspections.</p> <p>9 Q I wonder if you'd explain that for a moment. What does 10 that involve? So if there's an AER issue that's 11 determined, what occurs within AlphaBow?</p> <p>12 A So if an inspector of the Alberta Energy Regulator 13 inspects a site and -- and finds anything that's 14 unsatisfactory, we would -- we would record that 15 inspection -- even -- even the inspections that are 16 satisfactory are recorded and tracked, and with this 17 tracking, we set a time for resolution, a time for 18 response, and -- and ensure that each and every 19 noncompliance is responded to in a reasonable time and 20 hopefully resolved.</p> <p>21 Q And, I'm sorry, Mr. Ironside. I interrupted you as you 22 were reviewing the ERP program, how it is operated, how 23 it's implemented, how it's stored within AlphaBow and 24 at AlphaBow sites.</p> <p>25 A Yeah. So I -- I didn't -- I didn't mention that we 26 have at -- at most of the sites probably a hard copy,</p> |
| <p style="text-align: right;">87</p> <p>1 but for sure we have electric -- we have a -- an 2 electronic copy on all of the -- on all of the 3 computers, and it's available over the internet, and we 4 have a field kind of operating system, so the corporate 5 emergency response plan is available to all of our 6 operators essentially online.</p> <p>7 We also have a, where appropriate, H2S monitoring 8 and detection. We have a corporate operations manual 9 for pipelines and procedures. We have a -- a 10 pressure -- pressure equipment integrity management 11 system, and that relates to all of our pressurized 12 facilities and -- and -- and pipelines. And we have -- 13 prior to the -- prior to the June order, we had a 14 qualified environmental professional on staff, a 15 specific person designated to deal with all of our 16 environmental reclamations and issues.</p> <p>17 And for our field staff, we have a 97 point 18 checklist. Now, not all 97 points apply to every 19 inspection, but it's a checklist that addresses just 20 about every type of facility or wellsite or pipeline 21 that we have and -- and the appropriate things that 22 need to be checked. And I think that's a reasonable 23 summary of our normal operating procedures.</p> <p>24 In this response to RCAM, we were -- or to the 25 March order, we were required to address specific 26 issues that -- if there was noncompliances that we</p> | <p style="text-align: right;">88</p> <p>1 would -- changes we would make, and we addressed those 2 as well.</p> <p>3 Q We'll get to it in a bit more specifics later on in the 4 process, but were there alleged noncompliances that you 5 disagreed with from time to time?</p> <p>6 A There were a few -- few noncompliances that we 7 disagreed with, and, you know, when we provided our 8 information that we weren't actually noncompliant, I 9 don't believe that -- you know, that that was ever 10 corrected. So the extent that's -- that it was alleged 11 that we were not -- noncompliant, then according to the 12 AER records, we were noncompliant.</p> <p>13 Q Mr. Ironside, with respect to the ERP, are you aware if 14 there was ever a failure of the ERP process within 15 AlphaBow's operations?</p> <p>16 A Yeah. We received a -- a noncompliance because there 17 was not a hard copy of the ERP at one of our sites, but 18 there was an -- a copy of the ERP available at site for 19 the operator on the -- on the computer operating 20 system.</p> <p>21 Q And in connection with the ERP as it was actually put 22 into place over the course of the years, are you ever 23 aware of even one failure that the ERP process didn't 24 work?</p> <p>25 A I'm not. I -- I -- as I said, I've already reviewed 26 our incidents, and every incident has been responded to</p> |

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1 appropriately and rapidly.

2 Q Has there ever been any suggestion that the content of

3 your ERP process, that is, your actual manuals or

4 otherwise, are deficient in any way, shape, or form?

5 A I believe there was one suggestion that it wasn't

6 submitted to the AER on time, but other than that, I'm

7 not aware of any specific issue that anybody has ever

8 raised with the content.

9 Q So that you may have been delinquent in terms of the

10 timeliness of submission of your report, but no one has

11 ever said the ERP program has problems?

12 A Correct. I mean, we -- we update the ERP annually

13 because staff changes, because, you know, certain

14 service providers might change, or there may just be

15 changes, so that's -- so we update it. But I think one

16 year we were -- we didn't submit it on time.

17 Q And an ERP program is only as good as the training that

18 staff get in connection with how to manage it. Has

19 there ever been any suggestion that AlphaBow is

20 deficient in how it trains or educates its -- its field

21 staff with respect to the ERP?

22 A Not to my knowledge.

23 Q I'd like to turn to your review of the field

24 inspections process that form part of the AER's

25 suggestion that AlphaBow was sufficiently noncompliant

26 that it shouldn't be permitted to operate. And we'll

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1 there were two inspections that were emissions-related,

2 and that's an -- related to AER Directive 60,

3 controllers for vent gas design. As -- as with, you

4 know, the changing requirements for methane emissions

5 level controllers --

6 THE CHAIR: Okay. Excuse me,

7 Mr. Ironside, could you give us -- give our staff the

8 exhibit number, the page number so they can bring it

9 up --

10 A MR. IRONSIDE: Yeah.

11 THE CHAIR: -- for us to follow along --

12 A MR. IRONSIDE: Sure.

13 THE CHAIR: -- please.

14 A MR. IRONSIDE: That is that same exhibit I've

15 been speaking to all along. It's page 1 of my May 12th

16 letter, Item Number 2.

17 MS. DOEBELE: Mr. Ironside, I'll just help

18 you out. It's Exhibit 9.01, PDF 239, and it's page 1

19 in that letter. You can let us know if that's the --

20 is that correct, Mr. Ironside?

21 A MR. IRONSIDE: Yes.

22 So halfway down that page, Item 2, under the --

23 where it says "Safety and Environmental" and then you

24 see those indentations (a) through (g), that's what I'm

25 speaking to.

26 So two inspections of the -- of the 14

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1 just address the ones that you, in fact, reviewed for

2 the purpose of responding to the RCAM order, and then

3 we'll turn it over to the actual field personnel who

4 can actually testify as to what was going on in the

5 field.

6 So did you, in fact, review and consider the field

7 inspections that were, in fact, undertaken over the

8 course of time by the AER as part of your review of the

9 RCAM process?

10 A I did. I focused on the more recent ones that -- so

11 for the period January to March, it was indicated that

12 we had a 42 percent unsatisfactory, and -- and I -- I

13 reviewed each and every one of those in detail.

14 Q And when you reviewed them, what did you determine?

15 A So back to my -- page 1 of my May 12th letter.

16 Q Yes.

17 A I did a review of the 24 inspections, and I summarized

18 what they were, and I made some comments in that

19 letter. So 14 out of 24 were unsatisfactory, and I

20 wanted to highlight the nature of the -- the

21 unsatisfactories. So --

22 Q So that the Panel has an understanding of the types of

23 issues that were being suggested as being noncompliant

24 for the purpose of permitting AlphaBow to continue its

25 operations, what are we talking about?

26 A So the 14 unsatisfactory -- I summarized them. So

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1 noncompliance were emission-related for vent -- for

2 vent gas controller design. As I suggested, that's

3 recent requirements that level controllers for -- for

4 doing things like dumping liquids from separators and

5 stuff. They've -- they've changed the requirements,

6 and so we were noncompliant for emissions related to

7 not having the most modern vent gas controllers.

8 There were three that were signage related, and

9 I -- and I allow that and agree that signage-related

10 concerns are a safety issue, so I consider that a

11 safety issue, but there were three that were signage

12 related. You know, sometimes these signs fade, and --

13 and sometimes people use them for target practice, and

14 we have to keep them up -- up -- up to speed, and --

15 and we're making every effort to do so.

16 One was related to the proper removing of a valve

17 handle and locking of wellhead. So when you suspend a

18 well, you're supposed to remove the valve handles and

19 lock the wellhead, and we were given a noncompliance

20 for not doing that properly.

21 In one circumstance inside a -- a dike, there --

22 we got a noncompliance for the liner inside the dike

23 being exposed and not having clay on top to protect it.

24 In one circumstance, we were given a noncompliance

25 for having a compressor oil drain go to a polyethylene

26 container that did not have secondary containment. And

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1 I want to comment that a compressor oil drain doesn't
 2 drain a lot of oil necessarily, and the volume of oil
 3 would be small, but I guess we're supposed to have
 4 secondary containment. And that would have been inside
 5 a compressor station, which also provides an additional
 6 level of containment, but it's a noncompliance.
 7 In one -- in one -- one concern, the
 8 discontinuance of a practice whereby operators used to
 9 use zip tie shutdowns on Cata-Dyne heaters to make them
 10 easier to light. Our Calgary operations staff were
 11 unaware that -- in this specific area that this
 12 practice was still being used. When we learned that
 13 this was being done, we -- we put out a company-wide
 14 essentially bulletin that this practice was
 15 unacceptable and -- and that this -- this mechanism
 16 of -- of -- of using zip ties on Cata-Dyne heaters was
 17 not allowed.
 18 In the 14 -- of the remaining 14 -- the 5 that are
 19 remaining unsatisfactory inspections, 2 of which we
 20 dispute, are predominantly measurement and production
 21 reporting related, and because I say 2 of them we
 22 dispute, I'm going to tell you what one of them
 23 specifically is.
 24 So there was a circumstance where a third party
 25 that calibrates meters determined that the housing for
 26 an orifice meter was leaking internally, and he

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1 A Well, I'm going to speak to the word "significant". So
 2 I'm going to tell you something that happened that was
 3 significant 'cause I want to speak to that. So prior
 4 to AlphaBow owning assets in Provost, Husky owned the
 5 assets, and, you know, the -- the production is -- the
 6 saline water is fairly corrosive, so Husky went to
 7 great effort to deal with corrosion. So they
 8 replaced -- most of the steel pipelines were Fiberspar
 9 or poly pipelines. And they also replaced most of the
 10 wellheads with flange wellheads instead of threaded
 11 wellheads and -- and stuff like that to deal with the
 12 risk of corrosion.
 13 Despite Husky's efforts, in one circumstance where
 14 they were backfilling a pipeline, they damaged a
 15 Fiberspar pipe body, and we had a -- a saline leak of
 16 saline water, and it was responded to very quickly, but
 17 the -- the size of the leak was somewhat significant.
 18 I -- I don't know off the top of my head the volume,
 19 but -- but significant. Our estimate to clean that up
 20 is in the order of -- a cost of in the order of 3 to
 21 \$400,000. And, you know, I've already stated in my
 22 evidence that we've had 37 incidents; 27 of them have
 23 been resolved already, and we're resolving them all
 24 within two years. And so in my own opinion, I don't
 25 think the materiality of the -- the -- the -- the
 26 things that we talked about and -- and even, you know,

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1 followed the proper protocol, which was that he noted
 2 it, and the proper protocol in that circumstance is
 3 that the next time that system is depressured, that --
 4 that orifice plate is to be removed, checked, and --
 5 and the problem remedied. That's the written proper
 6 procedure for what a -- a meter tech who's -- who's
 7 calibrating meters is supposed to do. We were given a
 8 noncompliance for that, and we submitted that we'd
 9 followed the proper procedures. But, again, as I said,
 10 it seems that whenever we -- we were given a
 11 noncompliance that we don't believe is correct, it
 12 doesn't make much difference. It still remains on the
 13 system -- AER system as a noncompliance.
 14 And so the reason too I reviewed and brought all
 15 these inspections, I mean, these are -- I mean, to a
 16 very large degree, the Alberta Energy -- Energy
 17 Regulator is saying that AlphaBow's -- deserves to be
 18 shut down because 14 of 24 inspections done in January
 19 to March of 2023 were noncompliant, and we've just
 20 reviewed the noncompliances, and I don't really believe
 21 that it's a -- a very strong basis for -- for wanting
 22 to shut AlphaBow down, but that's just my own opinion.
 23 Q MR. STAPON: You've spoken about
 24 environmental risk and safety risk. Did either -- any
 25 of those, in your view, those noncompliances pose any
 26 significant environmental or safety risk?

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1 when you have a level controller that emits -- I don't
 2 know -- a puff of methane -- when it dumps some water,
 3 we emit a puff of methane. And so, you know, we --
 4 we're -- we're deserving of being sanctioned because
 5 we -- we emit a puff of methane, but then, you know,
 6 it's okay to turn around and release 550 tons a day
 7 when somebody else decides it's okay, but we're not
 8 allowed to do that.
 9 Q Mr. Ironside, in connection with the overall response
 10 to the alleged noncompliances or concerns raised by the
 11 AER, did AlphaBow, in fact, indicate as noncompliances
 12 came up what remedial steps it would take to address
 13 them?
 14 A So in the -- in the March order, AlphaBow responded to
 15 each and every concern that was raised, and we were --
 16 we were tasked to provide plans for addressing these
 17 concerns in the future, and each and every one that was
 18 not asset retirement obligation related, we committed
 19 to have addressed by June 30th, and the ones that were
 20 going to take longer, like mineral expiries, we --
 21 to -- to get wells compliant with mineral expiries or
 22 Directive 13, we gave a plan.
 23 Q And I will take you to some of those, time permitting,
 24 but for the moment, I'm going to ask that we pull up in
 25 these proceedings Exhibit 47 and go to Tab 5. That is
 26 part of our initial submissions to the Panel in these

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1 proceedings. And that Exhibit 5, while we're pulling
 2 it up, is the response to the "RCAM Order Whereas
 3 Table". It's Exhibit 5 -- or Tab 5.
 4 MS. PARSONS: Could you specify a page
 5 number, please.
 6 MR. STAPON: If you look at the bookmark,
 7 I'm understanding that you should be able to pull it
 8 up. I don't know that it has a specific page number,
 9 but it is a tab document.
 10 Q MR. STAPON: So, Mr. Ironside, can you see
 11 this document?
 12 A MR. IRONSIDE: I can.
 13 Q It consists of three-and-a-half pages of response, that
 14 is, it outlines the RCAM suggestion, and it puts in the
 15 AlphaBow response. Is that right?
 16 A Yes. Yes.
 17 Q Did you prepare this document working with our
 18 Ms. Cameron?
 19 A I did.
 20 Q And you stand by its contents?
 21 A I do.
 22 Q And obviously you've got your May 12th letter, which
 23 addresses the RCAM issues primarily. We'll take you
 24 through some other points, but is this a summary
 25 process in connection with your response to the RCAM?
 26 A Yes, it is.

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1 dropped from 64 percent to about 54 percent.
 2 Q Okay.
 3 A And in the next period, which was January to March of
 4 2023, we had the 24 inspections I was referring to
 5 earlier, and, of those, nearly 70 percent were
 6 targeted, and our compliance dropped to 42 percent.
 7 In the next period, April 1st to August 27th of
 8 this year, we had 23 inspections. The targeted portion
 9 of those was down to about 40 percent, and our
 10 compliance went up to about 70 percent.
 11 Q Now, if I could stop you there, Mr. Ironside. The --
 12 when did you, in fact, start to work full-time again
 13 for AlphaBow?
 14 A April 1st.
 15 Q So fundamentally commencing with the period that you've
 16 just identified; that is the last period?
 17 A Yes.
 18 Q And what happened next?
 19 A Well, we were asked to give to the AER, because of the
 20 June order, a monthly update, and we commented in our
 21 monthly update in August that -- we pointed out that
 22 our -- those -- that during that period of time, during
 23 those 23 inspections, our compliance had ridden --
 24 risen to 70 percent. And within a very short time,
 25 within a period of nine days, the AER did another
 26 22 inspections. So essentially raced out after we told

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1 Q Thank you.
 2 And on that basis, I'd like to talk for a moment
 3 about field inspections. Do you know what the
 4 difference between an Alberta Energy Regulator, or AER,
 5 ordinary inspection versus a targeted inspection is?
 6 A I'm not sure I know what the difference is in terms of
 7 how they're initiated or how the AER chooses to do
 8 them, but I -- but I have looked at how our inspection
 9 results vary when you're comparing what I would call
 10 "routine inspections" versus "targeted inspections",
 11 because the ones that the AER determines are targeted,
 12 they say "targeted" right on them.
 13 Q All right. And when you analyze what the outcomes of
 14 the routine inspections versus the targeted inspections
 15 are by the AER, what advice can you give this Panel in
 16 connection with that comparison?
 17 A Sure. Let me do that. So I did a fairly detailed look
 18 at this, and so I'm going to tell you that in the
 19 period January to December of 2021, we had
 20 53 inspections, and only about 30 percent of them were
 21 targeted. And during that period, our compliance rate
 22 was about 64 percent.
 23 Then as we move to the next time period, January
 24 to December 2022, we had in total 79 inspections. The
 25 targeted ones increased from about fifty -- about
 26 30 percent to over 50 percent, and our compliance

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1 them this, did 22 inspections, of which 60 percent were
 2 targeted, and -- and compliance was -- of that was just
 3 under 40 percent.
 4 Q So you're still working to see if you can actually take
 5 back over your operations. You've got some -- you're
 6 still operating in this period of time after the order;
 7 is that right?
 8 A Yes.
 9 Q There's a stay in place, and you're working?
 10 A Yes.
 11 Q And you get up to 70 percent compliance, you tell the
 12 AER, Hey, we're up to 70 percent, and what do they do?
 13 A They didn't like that, obviously, because they
 14 immediately went out and did 22 inspections in nine
 15 days, of which 60 percent were targeted.
 16 Q Thank you.
 17 And we'll turn for a moment before I return,
 18 Mr. Ironside, to the balance of your presentation, to
 19 Ms. Cameron, who's going to address our field
 20 personnel, also members of this Panel -- prior field
 21 personnel, more properly; they're no longer working for
 22 AlphaBow as a result of the shut-in -- to determine
 23 what the practices were, in fact, in the field during
 24 the relevant time frames.
 25 Q MS. CAMERON: Good afternoon, Mr. Serginson
 26 and Mr. Pederson.

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| <p>1 Copies of your résumés have been provided to the</p> <p>2 Panels. They're at Exhibit 57. However, I'm going to</p> <p>3 ask for you each to provide a brief overview of your</p> <p>4 oil and gas experience, starting with you Mr. Pederson.</p> <p>5 A MR. PEDERSON: So I started the -- in the</p> <p>6 energy -- or, I guess, in 1991, I started at Home</p> <p>7 Oil -- in Hardisty, Alberta. It was a butane frack</p> <p>8 battery. In the fall of '92, I moved on from Home Oil</p> <p>9 and started operating for Renaissance Energy. In about</p> <p>10 2000 is when Husky merged or took over Renaissance, so</p> <p>11 I carried on with them. In 2003, I got a senior</p> <p>12 operator job with Husky, so I looked after probably 15</p> <p>13 guys and -- and three or four plants. That carried on</p> <p>14 until Husky sold a few of the properties to AlphaBow</p> <p>15 as -- so I came over, as Rick had said before, from the</p> <p>16 Husky acquisition. And then I carried on with the</p> <p>17 senior operator job with AlphaBow until March of 2023,</p> <p>18 and at that time, I got -- I was one of the two field</p> <p>19 foremens for AlphaBow.</p> <p>20 Q And just before we move to Mr. Serginson, can you</p> <p>21 advise as to what percentage of AlphaBow's assets fell</p> <p>22 under your purview?</p> <p>23 A Would be closer probably just about 50 percent.</p> <p>24 Q Now, Mr. Serginson, can you please provide a brief</p> <p>25 overview of your oil and gas experience?</p> <p>26 A MR. SERGINSON: Started in the oil and gas</p> | <p>1 industry approximately '85, just as a helper on a crew</p> <p>2 truck, and over the years grew experience through</p> <p>3 different personnel; namely, my father to which I began</p> <p>4 operating full-time in the early '90s through a</p> <p>5 multitude of oil companies from AEC, Talisman Energy,</p> <p>6 and everybody in between. And moved from northern BC</p> <p>7 to Central Alberta in 2011 and started working for</p> <p>8 Glencoe Resources as a field/plant operator with a</p> <p>9 handful of other fellas that were working there as</p> <p>10 well, and I've been there through the process of every</p> <p>11 entity that's taken on the same property, ending up</p> <p>12 with AlphaBow, dealing with CO2 capture facility and</p> <p>13 the CO2 flood system with enhanced oil recovery, and</p> <p>14 that's about it.</p> <p>15 Q And -- sorry -- I may have missed it, but what's your</p> <p>16 current -- or what was your title with AlphaBow at the</p> <p>17 time?</p> <p>18 A Oh, I started as a -- just a field operator and I</p> <p>19 progressed as senior operator, so there was a couple</p> <p>20 other operators that were below me, and then anybody</p> <p>21 new that came on, I would mentor through training to</p> <p>22 get them up to feeling comfortable enough to be on</p> <p>23 their own.</p> <p>24 Q Mr. Serginson, with respect to the training provided</p> <p>25 for new employees, can you expand upon what that</p> <p>26 included?</p> |
| 103 | 104 |
| <p>1 A We had safe operating procedures company-wide and then</p> <p>2 site-specific operating procedures that every new hire</p> <p>3 would have to read up on to acknowledge they understood</p> <p>4 the process. They would sign off that they read it,</p> <p>5 and then as each task or these procedures would come</p> <p>6 up, I would walk them through start to finish of the</p> <p>7 procedure to make sure they actually knew what they</p> <p>8 were reading and understood and were able to complete</p> <p>9 the task. Then I would sign off on it again, and then</p> <p>10 the foremen or whomever was higher up at the time would</p> <p>11 sign off on it that it was completed, and then that</p> <p>12 would get reviewed again in, I think, six months, make</p> <p>13 sure they still understood it.</p> <p>14 Q And -- sorry -- what was involved in that review at the</p> <p>15 six-month stage?</p> <p>16 A We would go through the task again one on one to ensure</p> <p>17 they did, indeed, understand and were able to complete</p> <p>18 the task.</p> <p>19 Q Mr. Pederson, I understand you were involved with</p> <p>20 different assets for AlphaBow. Within your portfolio,</p> <p>21 were there similar training processes or anything</p> <p>22 additional?</p> <p>23 A MR. PEDERSON: No. It's very similar. A lot</p> <p>24 of the training is one on one. When you go out, you</p> <p>25 know, you take them out with you, you show them tasks</p> <p>26 and what had to be done. It was -- it's more of a</p> | <p>1 mentoring thing than on paper.</p> <p>2 Q And during your time with AlphaBow, can you advise as</p> <p>3 to the approximate number of field staff you had</p> <p>4 working with you, Mr. Pederson?</p> <p>5 A I would think it would be close to 30 operators that</p> <p>6 worked for me. I had two senior operators, and the</p> <p>7 rest would have been junior operators.</p> <p>8 Q During your time with AlphaBow, did either you,</p> <p>9 Mr. Pederson, or you, Mr. Serginson Mr. Serginson, have</p> <p>10 any concerns about the ability of AlphaBow to operate</p> <p>11 safely?</p> <p>12 A No, I never had any problems with safety.</p> <p>13 A MR. SERGINSON: No, me either.</p> <p>14 Q Were there any environmental concerns identified during</p> <p>15 your time with AlphaBow Energy that you had any</p> <p>16 concerns about?</p> <p>17 A MR. PEDERSON: No. We had environmental</p> <p>18 concerns, but we were -- we would try our best to take</p> <p>19 care of them in an appropriate manner and time frame.</p> <p>20 A MR. SERGINSON: Yeah. It was about the same.</p> <p>21 If something arose, we would take care of it, and</p> <p>22 everybody was on board with taking care of it, but no.</p> <p>23 Q I'd like to refer now to Exhibit 8.01, page 3. You'll</p> <p>24 see a numbered list on this -- oh. We seem to have</p> <p>25 lost it. Perfect.</p> <p>26 You'll see an itemized list, and I'd like to refer</p> |

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| 105 | <p>1 you to Number 1 on the list. So it states: (as read)</p> <p>2 Between January 1st to July 15th, 2022, the</p> <p>3 AER conducted 36 inspections of -- of</p> <p>4 AlphaBow sites on which 22 were satisfactory</p> <p>5 for a field compliance rating of 61 percent,</p> <p>6 which is below the industry average of 75 to</p> <p>7 77 percent.</p> <p>8 What steps -- first of all, were you guys aware of</p> <p>9 these concerns that the AER had regarding AlphaBow's</p> <p>10 compliance rate?</p> <p>11 A Pretty sure it was brought up in town hall meetings</p> <p>12 that we needed to increase our compliance rating for</p> <p>13 field inspections.</p> <p>14 Q And what steps specifically were taken to improve the</p> <p>15 field compliance rating?</p> <p>16 A Get out and do more field inspections to make sure that</p> <p>17 everything was up to date.</p> <p>18 Q And -- and can you expand upon what did that involve?</p> <p>19 So what specifically did you do?</p> <p>20 A MR. PEDERSON: Well, I know at one time</p> <p>21 signage was a problem, so I know we had operators</p> <p>22 driving out to every well, looking at signs, ordering</p> <p>23 new ones, trying to get it up to -- up to snuff. And I</p> <p>24 know we were -- we had big underground tanks that we</p> <p>25 were looking into the -- to make sure that they were</p> <p>26 all -- we were doing up a big spreadsheet to make sure</p> | 106 | <p>1 we could find -- you know, find out where every one</p> <p>2 was, put them on the spreadsheet to make sure they had</p> <p>3 their three-year leak test.</p> <p>4 Q And what was the status of that review?</p> <p>5 A Well, it -- it was quite good. We -- we -- that</p> <p>6 would -- that happened just before the -- well, kind of</p> <p>7 towards the end of June, and then it kind of came to</p> <p>8 an -- to an end. We never got it -- you know, we never</p> <p>9 seen it through right to the end.</p> <p>10 Q And -- sorry -- when you mention June, June of this</p> <p>11 year?</p> <p>12 A Yes. Sorry. June of this year.</p> <p>13 Q Now, if you turn to Exhibit 9.01, page 18. In March of</p> <p>14 this year, the AER found that AlphaBow's compliance</p> <p>15 rate had further declined. Sorry. If you just scroll</p> <p>16 down. So you'll see it's the second -- second</p> <p>17 paragraph from the bottom where it notes: (as read)</p> <p>18 Further decline rate of 42 percent</p> <p>19 satisfactory.</p> <p>20 So between July of 2022, which is when the 61 percent</p> <p>21 rating was, and March of 2023, were you guys doing</p> <p>22 anything different in the field that you can think of</p> <p>23 that would have resulted in a further declining field</p> <p>24 inspection rate?</p> <p>25 A No. No. We don't -- we</p> <p>26 don't -- our goal is always to get it up, so we</p> |
| 107 | <p>1 wouldn't have done anything to try to -- you know,</p> <p>2 different that would have made it go down. I'm not</p> <p>3 sure why -- why it would go down.</p> <p>4 Q And why was it a goal to get your field inspection</p> <p>5 rating up?</p> <p>6 A Well, it's always, you know, as field operators, we</p> <p>7 feel like we are somewhat judged by our AER inspection</p> <p>8 compliance rating. You know, if you're a senior</p> <p>9 operator and yours is at 70 percent and the guy next</p> <p>10 door is at 40 percent, it -- you know, you want to be</p> <p>11 the -- you want to have yours the highest it can be,</p> <p>12 right? It looks better in the eyes of everybody.</p> <p>13 Q And do either of you have any information as to the</p> <p>14 frequency in which the sites you were looking after</p> <p>15 were being inspected by the AER as compared to other</p> <p>16 operators?</p> <p>17 A MR. SERGINSON: Seem like there'd be more</p> <p>18 frequent visits from the AER over the past year, year</p> <p>19 and a half.</p> <p>20 Q And -- and what made you feel that there were more</p> <p>21 frequent inspections?</p> <p>22 A They were on our site more often than they used to be.</p> <p>23 Q And do either of you have any knowledge in terms of how</p> <p>24 the AER conducts their inspections in terms of</p> <p>25 determining whether or not an inspection outcome is</p> <p>26 satisfactory versus unsatisfactory?</p> | 108 | <p>1 A MR. PEDERSON: Well, yeah. They -- when</p> <p>2 they -- when they come out, they check -- whenever they</p> <p>3 come out to check, they check multiple things, and</p> <p>4 if -- if one thing is unsatisfactory, then you get an</p> <p>5 unsat. Whether they check 5 things or 50 things, if</p> <p>6 one thing is wrong, then you get a -- just one</p> <p>7 unsatisfactory inspection for the whole thing.</p> <p>8 Q Now, from Mr. Stapon's introduction of both of you, I</p> <p>9 understand neither of you are currently working for</p> <p>10 AlphaBow. If AlphaBow was able to resume their</p> <p>11 operations, would either of you come back to work for</p> <p>12 AlphaBow?</p> <p>13 A Yeah, I would.</p> <p>14 A MR. SERGINSON: Yes, I would as well.</p> <p>15 Q So there's one last area I want to cover before I turn</p> <p>16 things back over to Mr. Stapon.</p> <p>17 After the issuance of the AER's March 2023 order,</p> <p>18 did you notice anything different in terms of</p> <p>19 operations at the field?</p> <p>20 A Not myself, no.</p> <p>21 A MR. PEDERSON: I know that -- well, one</p> <p>22 thing. We -- you know, the phone never stopped ringing</p> <p>23 'cause once it went -- once that March order went</p> <p>24 public, you know, all contractors, landowners were, you</p> <p>25 know, phoning on us about, you know, payment or various</p> <p>26 things like that.</p> |

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| <p style="text-align: right;">109</p> <p>1 Q And specific to your contractors following the March 2 order, what specifically were they calling you for in 3 regards to payment? 4 A Well, they're -- most of them, from what I understand, 5 was on a 90-day payment, and once they seen the March 6 order that potentially AlphaBow was getting shut-in, 7 well, then everybody started to worry about getting 8 that 90 days up to, you know, getting all of their 9 money because they thought the payments would stop. 10 Q Thank you. 11 I'll turn it back to Mr. Stapon. 12 MR. STAPON: Thank you, Ms. Cameron. 13 Q MR. STAPON: Gentlemen, just one more 14 question in that regard. Who are you working for now, 15 both of you? 16 A MR. PEDERSON: We both work for Veracity 17 Energy. 18 Q Okay. Thank you. 19 Now, I'd like to talk, Mr. Ironside, about your 20 analysis in connection with your pitch to the AER 21 saying that, Look, AlphaBow should stay in business. 22 About the various stakeholder positions that you were 23 advocating. 24 A MR. IRONSIDE: So, again, in my May 12th 25 letter on page 11 -- I -- I'm sorry. I should have 26 memorized the exhibit number by now.</p> | <p style="text-align: right;">110</p> <p>1 Q 9. 2 A Right. 3 I would ask that, again, the Panel judge AlphaBow 4 on what it has done for all stakeholders. 5 So in the five-year period that we've been 6 referring to, April 8, 2018, to March 2023, AlphaBow 7 has paid municipalities \$9.3 million, landowners 8 \$24.3 million, royalties \$32.9 to the benefit of the 9 province and some -- and some freeholder royalties, and 10 we've paid staff and service providers \$87.9 million in 11 that five-year period. So please judge us on that. 12 Now, we were required to tell AER what we hadn't 13 done, and so -- 14 Q And when was that, that you were required to tell the 15 AER what you hadn't done? 16 A We were required to tell the AER as part of the March 17 order what -- what amounts we owed and to whom. And -- 18 and specifically what amounts we owed to the 19 municipalities and what amounts we owed to landowners. 20 And so as at -- outstanding as at May 12th -- 21 or -- or the accounting in response to the March order 22 that was completed as at May 12th, but as at the end of 23 March, we were current on royalties, current with our 24 payments to public lands, current with our payments to 25 the AER and the Orphan Well Association, and with 26 vendors, we were either current subject to a payment</p> |
| <p style="text-align: right;">111</p> <p>1 plan or we had a dispute. 2 We did report with this letter that we owed the 3 municipalities 15 million, not including penalties, and 4 we owed landowners \$29 million. 5 Q And can I ask you, Mr. Ironside, whether there was 6 processes in place to potentially address or reduce, 7 for example, the municipality liability? 8 A Yes. We -- we had payment plans in place with certain 9 municipalities at the time and discussions with -- 10 working towards payment plans with other 11 municipalities. 12 Q And from your review of the operations of AlphaBow, did 13 you actually come to figure out how you'd gotten behind 14 or how AlphaBow had gotten behind with respect to 15 landowners and municipalities? 16 A Well, think I previously stated that we were current 17 prior to the COVID pandemic and that we saw a 18 substantial revenue loss when oil prices went to 19 next -- next to zero in 2020, and so the arrears of 20 these matters started during COVID. 21 Q And, Mr. Ironside, as I understand it, working with 22 Mr. Ben Li and with the accounting staff of AlphaBow, 23 you started to put together a recovery plan. Is that 24 true? 25 A Yes. We described our recovery plan to some degree in 26 Exhibit 9.</p> | <p style="text-align: right;">112</p> <p>1 Q And, in fact, on the second page of Exhibit 9, your 2 May 12th letter, there's advice: "Significant 3 additional income pending"; is that right? 4 A Yes. There's advice and -- let me see -- on ... 5 Q There's also other letters that I'll take you to, but 6 that's -- this is sort of the start. 7 A Yes, that's correct. 8 Q And we're going to address in some detail at least one 9 aspect of that recovery plan, and that is the CO2 work 10 that you were undertaking and doing. But what response 11 were you getting from the AER in connection with your 12 advice that, Look, there's -- there's a way out of 13 this? 14 A So the first indication of any response that I am aware 15 of from the AER to our suggestion and indication that 16 we have a plan was counsel, Mr. Patrick Fitzpatrick for 17 the energy regulator told the Court of Appeal of 18 Alberta in Calgary, AlphaBow's plan is a hope, not a 19 plan. And that was the first I heard of any sentiment 20 about our plan from the AER. 21 Q And in connection with that comment, did you believe 22 that there was a plan? 23 A Absolutely. My view is that AlphaBow's plan with a 24 hope is a much better outcome for all stakeholders than 25 the AER's plan. 26 Q I'll take you to a number of other correspondences over</p> |

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1 the month of May and later where you refer to that plan
 2 again, but did the AER ever bother to follow up with
 3 you to say, What are you talking about? How can this
 4 work or otherwise?
 5 A No. We -- we were never asked for clarification as to
 6 how we believed that this plan would allow us to meet
 7 our obligations. Again, I believe the response was
 8 that the AER had discredited our plan. They didn't
 9 believe -- they didn't believe in it, and they thought
 10 it was a hope, not a plan, and -- but I'm pretty sure
 11 we can demonstrate otherwise.
 12 Q And did you invite the AER to assess your operations,
 13 or did you say to -- words to the effect of, Look, we
 14 have a different view of our future prospects than you
 15 do?
 16 A I think I used those very words in my June 2nd letter,
 17 I think.
 18 Q We'll come to that, but let's talk now about the basics
 19 of the recovery plan starting with respect to future
 20 CO2 capture and the revenue associated with that. And
 21 I wonder if you had previously indicated that there was
 22 a TIER program that was in place for the Government of
 23 Alberta and that your costs were, from AlphaBow's
 24 perspective, ballpark luck to capture a ton of CO2?
 25 A Our costs to capture a ton of CO2 is -- some are
 26 approaching, I think, 25, \$30.

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1 Q Yes.
 2 A It's just that none of us were aware when the
 3 announcement was made. But at some point, Alberta
 4 announced that it was going to follow the prescribed
 5 federal CO2 carbon tax pricing for, as far as I
 6 understand it, industrial emitters so that the carbon
 7 credit for -- under TIER or for carbon credits in
 8 Alberta was going to go to \$170 by 2030, and the
 9 current pricing at the time was 50.
 10 Q And prior to attending this meeting on March 8th of
 11 2023, did AlphaBow have any assurances whatsoever as to
 12 what the value of a carbon credit would be on an annual
 13 basis going forward, or was that just announced sort of
 14 ad hoc by the government from time to time?
 15 A In previous years, the Government of Alberta would wait
 16 until sometime just prior to April of that year and
 17 then announce what the carbon price would be April 1st
 18 going forward, and so in the previous year -- two
 19 years, they had waited till just in front of April and
 20 said it would be 40 and then -- and then 50.
 21 Q 40 and 50 for which years?
 22 A So 50 would have been for 2022.
 23 Q Right.
 24 A And -- and 40 would have been for 2021.
 25 Q So what was the scaling range that was confirmed by the
 26 Alberta government in connection with carbon capture

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1 Q Okay. And the revenue prior to March of 2023 that you
 2 could get from the TIER program was ballpark how much?
 3 A So we -- we have an arrangement with the supplier of
 4 the CO2 where we -- we share a little -- a certain
 5 amount of -- of what we receive is -- in terms of
 6 carbon taxes.
 7 Q Yes.
 8 A So at -- at sort of the prevalent CO2 carbon tax in the
 9 last couple of years prior to 2023, which was 40 and
 10 \$50, I would characterize it as essentially we had a
 11 very low cost of CO2 or free CO2.
 12 Q Okay. And we're going to hear that there was a meeting
 13 that occurred between the AER and AlphaBow on or about
 14 March 7, 2023. You had been working on the CO2 end of
 15 AlphaBow's business prior to that, had you?
 16 A Yes. From -- from June of 2022, I was assisting
 17 AlphaBow in all things CO2 with its strategies and
 18 plans.
 19 Q What, if anything, happened on March 8th, 2023, the day
 20 after that meeting?
 21 A So a group of AlphaBow's team, including myself,
 22 attended a workshop at the University of Calgary. It
 23 was called the Alberta CCUS, carbon capture underground
 24 storage, workshop. And that was the first time that we
 25 became aware that -- and I'm sure it was announced
 26 before that workshop.

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1 credits between 2023 and, say, 2030?
 2 A So for 2023, the CO2 credit pricing went to \$65. For
 3 2024 -- it goes up \$15 a year. 2024 to 80, 2025 to 95,
 4 2026 to 110, and so on to 2030, it gets to 170.
 5 Q And in connection with AlphaBow, you mentioned what
 6 your cost of capture was. Did AlphaBow's cost of
 7 capture in connection with future carbon credits change
 8 at all anything like that meteoric rise?
 9 A No. Essentially our power costs -- we -- in -- in
 10 2022, 2023, our power costs had been a little higher,
 11 so maybe we're turning closer to the higher end of what
 12 I stated, closer to the \$30, but most of this increase
 13 is essentially of benefit to AlphaBow and the CO2
 14 provider.
 15 Q And in that -- in that regard, did you and AlphaBow do
 16 a model in connection with what you could realistically
 17 expect from your existing operations only, that is,
 18 your carbon sequestration, which you had approved and
 19 in place on a go-forward basis given the increasing
 20 credits available from the government?
 21 A Yes. We did a model where we modelled the CO2 revenue
 22 from the carbon credits.
 23 Q And what did you learn when -- pardon me. When you get
 24 a carbon credit, how long is it good for?
 25 A So you're entitled when you get -- when -- so -- so
 26 there's a process to get a credit, including

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1 verification. But when you verify a carbon credit,
 2 you're entitled to keep it and -- and basically sell it
 3 to someone anytime for a period of up to seven years.
 4 Q And, of course, the price that it's -- you would get
 5 for that credit goes up over the course of time, does
 6 it?
 7 A Yes. So -- so to the extent that you could afford to
 8 keep a credit and sell it at a higher price, you're
 9 certainly entitled to do that.
 10 Q And the modelling that you did in connection with the
 11 impact of these carbon credits to AlphaBow, did you, in
 12 fact, consider keeping the revenue in the bank, or did
 13 you just say, Here's what we can get on an annual basis
 14 given the then price?
 15 A Well, of course, we have charted what the revenue would
 16 be, and I came to some conclusions from that, but I'll
 17 just sort of describe what the revenue stream
 18 specifically just -- this is just the revenue stream
 19 just from the 550 tons a day. And -- and -- and I want
 20 to be clear. Since 2006, AlphaBow has injected in the
 21 order of 3 million tons, and by my own estimate in the
 22 existing reservoirs that we have dedicated to this
 23 project, we have an additional 5 million tons. So this
 24 is a long-term circumstance.
 25 So we're -- we would suggest that the revenue in
 26 2024 could be around \$7 million, the next year around

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1 156 million.
 2 Q So that operated out over 13 years, you could keep up
 3 with your mandatory spend from CO2 revenue on a net
 4 basis alone; is that right?
 5 A Just the CO2 revenue, according to the schedule, going
 6 to \$170 itself from the -- AlphaBow's share of it from
 7 the 550 tons.
 8 Q What happens after 13 years when you have notionally
 9 extinguished all of your liability by way of an ARO?
 10 A So the reason I chose the numbers I did is because
 11 that's our current inactive well liability.
 12 Q Yes.
 13 A It doesn't include the company's asset retirement
 14 estimate for active wells, but -- but these are -- the
 15 AlphaBow's projects, certainly the oil projects, both
 16 in Provost and this enhanced store recovery, they're
 17 long-life projects. And they -- they did have, you
 18 know, a life well beyond what we're talking about here
 19 in, say, three years of the mandatory spend in 13, so
 20 that's 16 years in total. But in 16 years, the revenue
 21 is sufficient to clean up all of our inactive sites.
 22 Q So from CO2 revenue alone, if AlphaBow was permitted to
 23 continue to operate, it could take care of all of its
 24 asset retirement liability based on this analysis?
 25 A The math is simple. 550 tons a day times 80 percent
 26 conversion to credits times \$170. We don't get a

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1 8 and a half, the next year around 10, the next year
 2 around 11, and rising to just over \$15 million a year
 3 when the price gets to the \$170.
 4 And I would suggest that we also looked at, in
 5 comparison, our mandatory spend required by the AER in
 6 terms of our asset retirement obligations. So
 7 AlphaBow's mandatory spend that it's supposed to spend,
 8 which is based on a certain percentage of its inactive
 9 sites, is in the order of \$5-and-a-half million a year.
 10 So --
 11 Q Is that -- is that increased over time?
 12 A No. It -- over the last two or three years, it's been
 13 right in that range.
 14 Q All right.
 15 A And it's based on a percentage of the remaining
 16 inactive sites. And so, you know, for the -- if you
 17 took the CO2 revenue for the years 2024, 2025, and
 18 2026, the CO2 revenue exceeds our mandatory spend. And
 19 then from the years 2027 onward, the CO2 revenue would
 20 exceed our mandatory and our supplemental spend to the
 21 point that if we -- if we -- for a period of 13 years,
 22 if we spent about \$11-and-a-half million, we would have
 23 spent a total of 166.5 million. All that is more than
 24 funded by the CO2 credits, and all that -- that would
 25 total 166.5 million, which exceeds our current inactive
 26 well liability, according to the AER, of about

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1 hundred percent of that; about 30 percent is our
 2 operating cost. But, as I said, when you get to the
 3 \$170, AlphaBow's share of the revenue would be about
 4 15-and-a-half million a year.
 5 Q And did you have that credit before, that is, were you
 6 available -- or could you use that credit previously?
 7 A AlphaBow has been converting CO2 injection to credits
 8 since the credits started back in about 2007 at \$10.
 9 So, yes, it -- it has always been available to us. It
 10 may have only covered a portion of the expense at a
 11 point in time, and it will always be available to us so
 12 long as we operate. This -- this facility is a very
 13 nice facility. It can operate for the next 50 years.
 14 Q So how did AlphaBow plan to unlock these CO2 credits
 15 for the purpose of its continued operations? And
 16 that's independent of any net revenue -- revenue that
 17 it got from actual production; is that right?
 18 A Yes, that's correct.
 19 Q So how did it plan to do that?
 20 A Well, in my letter, I noted that there were sort of --
 21 there was another sort of potential source of CO2
 22 revenue.
 23 Q Yes.
 24 A So I think I stated there are two circumstances
 25 pertaining to over 425,000 tons whereby AlphaBow was
 26 experiencing delay in -- in monetizing CO2 off-site

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| <p style="text-align: right;">121</p> <p>1 credits. I want to be clear that that's a completely 2 separate circumstance. 3 Q I understand that. I'm not sure that the Panel may. 4 So the -- your credits that you've just talked about as 5 managing almost entirely the asset retirement 6 obligations, that's from future carbon capture; is that 7 right? 8 A From the day that we're allowed to restart the facility 9 and continue to run it, that is a future forecast of 10 potential revenue that I've just discussed. 11 Q All right. And there's another source of potential 12 revenue. I wonder if you could just briefly, (a), 13 value it, and, (b), indicate what would need to be 14 done. We can't spend too long on it. It's another 15 application, but ... 16 A So historically there -- there are some credits that we 17 are -- that we are not being allowed to monetize -- or 18 potential -- credits or potential credits. And, you 19 know, we have a view that we need to obtain a couple of 20 approvals, which are reasonable approvals, and I -- and 21 I -- and I don't know how much detail I -- I need to go 22 into about that. But we have injected approximately 23 425,000 tons for which credits have never been 24 serialized or cannot be monetized, and we have a plan 25 on how we can get approvals that would validate and 26 serialize those types of volumes. And the value of</p> | <p style="text-align: right;">122</p> <p>1 that 425,000 tons at the 2023 price of \$65 would be 2 approaching 30 million. Of course, over time, that 3 would go up. 4 Q And I understand that you actually made an application 5 to the AER to permit that to occur but that there were 6 some changes in legislation or process which required 7 that you resubmit; is that correct? 8 A Yes. So there was an application made in respect of 9 some of our enhanced oil recovery schemes that there's 10 a requirement at some point in the future when these 11 schemes are abandoned that the reservoir pressure where 12 we inject the CO2 would be reduced to six thousand -- 13 or -- I'm sorry -- 8,000 kPa, which is related to the 14 virgin pressure of the reservoir. And we had 15 applied -- put in an application to amend that 16 approval, and the circumstance was we were requesting 17 to have that abandonment pressure increased to 18 14,000 kPa. 19 Now, that 14,000 kPa, I -- I can't explain this 20 without being a little bit technical. A geologist 21 would look at a 14,000 kPa reservoir for -- for a 22 reservoir at 1,450 metres of depth as being a normal 23 pressure. That would be that it would be the same as 24 a -- roughly a water gradient would be. So -- so we 25 were -- we had made a -- an application to be able to 26 abandon one reservoir -- one of our three reservoirs at</p> |
| <p style="text-align: right;">123</p> <p>1 14,000 kPa, and that application -- we had put that in 2 in two -- in -- in the summer of 2022. The AER 3 returned that application saying it wasn't complete, 4 and as we understand it, the AER published a revision 5 to their Directive 56 that had a -- a lot more 6 requirements related to CO2 sequestration, measurement, 7 monitoring, and verification. 8 And when we had submitted that application, it was 9 complete. It addressed all of the requirements of the 10 then in-place Directive 56, but it didn't address any 11 of the requirements for the new Directive 56 released 12 in the fall of 2022 that required additional 13 information, again, related to -- to CO2 sequestration 14 and related to measurement, monitoring, and 15 verification requirements. 16 Q So, Mr. Ironside, you describe the AlphaBow recovery 17 plan as a plan with a hope. And is the hope that you 18 were referring to the additional 25 to 30 million or 19 \$35 million that you may get if that application 20 succeeds? 21 A I -- I never referred to our plan as a hope. No. All 22 I said was AlphaBow's plan with a hope. 23 Q With a hope. That's -- with the hope is the hope. 24 A With the hope -- is a better plan than the AER's plan. 25 I'm not the one that said it was a hope -- 26 Q I understand.</p> | <p style="text-align: right;">124</p> <p>1 A -- not a plan. But -- but as far as I'm concerned, 2 it's a very good plan, it's very achievable, and it's 3 in the best interest of all stakeholders of this -- of 4 this province. 5 Q And just so that the Panel understands, when you 6 sequester carbon dioxide in an existing reservoir, you 7 usually get additional oil production as a result of 8 that carbon flood? 9 A I -- I'm going to differentiate between sequestering -- 10 Q Okay. 11 A -- and injecting CO2 into an EOR -- enhanced oil 12 recovery reservoir. And I'm -- I'm -- I'm going to 13 just use some laymen's kind of rules of thumb. 14 Q Please do. 15 A Okay. So most reservoir engineers divide -- and I'm 16 going to talk about oil reservoirs. Most reservoir 17 engineers divide oil recovery into kind of three 18 phases. 19 The first phase they call "primary recovery". And 20 primary recovery, a reasonable expectation might be to 21 get 15 to 20 percent of the oil that's in place, and 22 the mechanism of primary recovery is to use the 23 reservoir's own energy and essentially deplete it. So 24 if you drill a well into an oil reservoir and you 25 produce it under primary recovery, it will flow, then 26 you'll pump it, at then some point you'll have depleted</p> |

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| 125 | <p>1 the reservoir pressure, and you're going to get about 2 15 to 20 percent of the oil. 3 The next stage reservoir engineers would refer to 4 is "secondary recovery". In secondary recovery, you 5 would do something to enhance the reservoir's 6 own energy like inject water. So secondary recovery, 7 commonly called "water flood". But it could also be 8 injecting some sort of a gas to -- to enhance the 9 pressure. The typical expectation is the second third 10 of the oil you might get. So you may get recovery 11 factors from 30 to 40 percent from secondary recovery 12 or water flood. 13 What enhanced oil recovery is, then it's kind of 14 the third third of oil that you might get, and it is 15 using something like CO2 or a polymer or something 16 that's going to allow you to get oil that you wouldn't 17 otherwise get. 18 The mechanism that CO2 has is you have to get 19 above what they call a "miscible pressure", and in our 20 pools, one of the reasons we have to operate above the 21 8,000 kPa supposed abandonment pressure is because the 22 miscible pressure is 13 MPa. So we have to inject CO2 23 into the reservoir at above that pressure, and then the 24 CO2 and oil are miscible, which means that they will 25 imbibe; they will combine; the oil expands. And 26 with -- when the CO2 imbibes with it, it reduces the</p> | 126 | <p>1 surface tension, and essentially it releases because 2 that surface tension -- it unlocks oil that is 3 otherwise attached to the rock that won't move. 4 So that's what CO2 really does in an -- in an 5 enhanced oil recovery, and it will give you an 6 additional third of the -- of the oil. So CO2 in and 7 of itself has a significant value because it -- it -- 8 it can unlock oil in a reservoir. 9 I -- I think that's hopefully a pretty good 10 description of why the CO2 -- what the CO2 does in a 11 reservoir. 12 Q Thank you. 13 And I just wanted to -- 14 THE CHAIR: Mr. Stapon -- 15 MR. STAPON: Yes. 16 THE CHAIR: -- you appear to have lost one 17 of your witnesses. Do you need a break? 18 MR. STAPON: He's just gone to the 19 bathroom. I don't know that we necessarily need a 20 break, but we could certainly take one if anyone else 21 in the room needs a bio break. 22 THE CHAIR: No. As we indicated, our plan 23 was for a break at 3. 24 MR. STAPON: Okay. You did plan for a 25 break at 3. I guess it's time for a break then. Oh. 26 2:15. Pardon me. All right.</p> |
| 127 | <p>1 THE CHAIR: Sorry. Going forward, if your 2 witnesses do need a break, please indicate it to us 3 beforehand. 4 A MR. SERGINSON: I'm sorry. 5 MR. STAPON: I will ask that the witnesses 6 please indicate to the Panel if there would be a 7 request for a break. 8 Q MR. STAPON: Turning, Mr. Ironside, to the 9 sort of collateral benefits of this AlphaBow business 10 plan. If, in fact, you continue to sequester the 11 'C' -- or CO2 at 550 tons a day -- you've spoken about 12 the revenue that is associated with that. You've also 13 spoken about a potential recovery of an additional set 14 of funds. And if you inject that CO2 by way of a CO2 15 flood, is there also additional oil production? 16 A MR. IRONSIDE: Yes. Over time, considerable 17 oil production. 18 Q Thank you. 19 Was CO2 the only hope that you modelled with 20 Mr. Li and his accounting staff in connection with 21 AlphaBow's future, having regard to what looked like a 22 very attractive revenue scheme? Did you look at 23 anything else that might bring additional cash to the 24 company so that it could address all of its 25 obligations? 26 A Yes. You know, prior to the new pricing, you know,</p> | 128 | <p>1 we -- we didn't really know (INDISCERNIBLE - 2 OVERLAPPING SPEAKERS) how significant that potential 3 was. 4 Q New pricing -- 5 THE COURT REPORTER: I'm sorry. I need to 6 interrupt. I didn't understand. You guys spoke at the 7 same time. Can you please repeat. 8 Q MR. STAPON: I will repeat my question. 9 New pricing is new carbon pricing; correct? 10 Because, of course, there could be new oil pricing as 11 well? 12 A MR. IRONSIDE: Yeah. Prior to the Alberta 13 government's adopting and us learning of the Alberta 14 government adopting the new CO2 pricing, we -- we 15 didn't realize the materiality, and we certainly 16 couldn't have made a plan or banked on it because we 17 just didn't know that -- that Alberta was going to take 18 the price to \$170. 19 Q Okay. So what, if anything else, did you look at to 20 try and determine or develop a recovery plan for 21 AlphaBow? 22 A We looked -- you know, we've had, over time, several 23 parties interested in doing transactions where they may 24 invest a certain amount into a couple of our oil 25 projects, and then they would get a share of -- share 26 of the production from their investment, and it would</p> |

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| 129 | <p>1 be -- the -- these types of deals can be done, and they</p> <p>2 can be accretive to AlphaBow. And we had mentioned two</p> <p>3 of them in the May 12th letter, one -- one for each of</p> <p>4 our light oil project, enhanced oil recovery project</p> <p>5 in the -- in the -- in the Chigwell area and one in our</p> <p>6 Provost area.</p> <p>7 Q And can you recall, Mr. Ironside, where in your letter</p> <p>8 materials you referred to those prospects to the</p> <p>9 attention of the AER?</p> <p>10 A Yes. On page 2 of Exhibit 9, Item 5, under the heading</p> <p>11 "Accretive Facility and Production Deals".</p> <p>12 Q And that's under, once again, your May 12th letter; is</p> <p>13 that right?</p> <p>14 A Yes, that's correct.</p> <p>15 Q Okay. You've now had the opportunity to see the AER's</p> <p>16 review of AlphaBow's reserves. And I'm wondering if,</p> <p>17 for the benefit of the Panel, you could have a</p> <p>18 discussion about what a crossover point is, at least as</p> <p>19 you understand it, from the perspective of the Alberta</p> <p>20 Energy Regulator?</p> <p>21 A Yes. Can -- can we bring up the AER's crossover chart?</p> <p>22 MR. STAPON: I wonder if we can bring up</p> <p>23 Exhibit 8, page 44.</p> <p>24 Q MR. STAPON: So, Mr. Ironside, for the</p> <p>25 benefit of the Panel who may not have production</p> <p>26 engineering experience, can you indicate what this is?</p> | 130 |
| 131 | <p>1 you need to understand the operating costs, you need to</p> <p>2 understand the associated revenues, and you need to</p> <p>3 understand pricing. And, you know, it's also a</p> <p>4 requirement of doing a reserve report under -- for</p> <p>5 public companies under what they call "National</p> <p>6 Instrument NI-51101", which is a -- a federal</p> <p>7 requirement for reporting for reserves for public</p> <p>8 companies. You need to understand that access to</p> <p>9 capital is not a -- a factor in determining the value</p> <p>10 of reserves. So you're allowed every year when you do</p> <p>11 your reserve report to incorporate a reasonable</p> <p>12 development plan for your reserves in terms of valuing</p> <p>13 it.</p> <p>14 And this specific analysis that the AER did is</p> <p>15 flawed in -- for three reasons. It's flawed in three</p> <p>16 ways.</p> <p>17 Q And I wonder if you can take the Panel through that</p> <p>18 slowly and, once again, just indicate what this</p> <p>19 crossover point does. Is it in connection with the</p> <p>20 abandonment liability versus the anticipated revenue?</p> <p>21 A Yes. Again, to repeat, the crossover analysis is -- is</p> <p>22 intended by definition to determine the point in the</p> <p>23 future at which the company's remaining revenue from</p> <p>24 proved developed producing reserves becomes less than</p> <p>25 the remaining obligation to require -- to -- to</p> <p>26 remediate, abandon, and reclaim inactive sites?</p> | 132 |
| 131 | <p>1 Q Right. So taking a look at this, this is the AER's</p> <p>2 calculation of crossover, and you say that -- after</p> <p>3 having seen it internally, that they got it wrong?</p> <p>4 A They made three mistakes. The first mistake they made</p> <p>5 is they used an outdated 2020 reserve report that was</p> <p>6 not updated for recent production increases, so it</p> <p>7 was -- it was projecting a -- an oil rate in 2023 of</p> <p>8 1,100 barrels per day when the actual oil rate</p> <p>9 was 1,400 barrels per day, so that's the first mistake.</p> <p>10 Q Oh. So 300 barrels per day off or that it failed to</p> <p>11 recognize the production value of 300 barrels a day?</p> <p>12 A It failed to recognize the efforts of AlphaBow to -- to</p> <p>13 keep its production up in -- in -- in fixing wells and</p> <p>14 whatnot, and AlphaBow was producing 1,400 barrels a day</p> <p>15 instead of 1,100, which is what the report had forecast</p> <p>16 for 2023.</p> <p>17 Q Thank you. Okay. That's round 1, the first mistake.</p> <p>18 A Yes. It put zero value in for the CO2 capture pricing</p> <p>19 that we just talked about. So, I mean, at the time</p> <p>20 that that reserve report was done, the reserve engineer</p> <p>21 wouldn't even have known that the -- the then CO2</p> <p>22 pricing was going to \$40. They wouldn't have known it</p> <p>23 was going to \$50, and it certainly wouldn't have known</p> <p>24 it was going to 170.</p> <p>25 So the AER made no effort and did nothing in this</p> <p>26 analysis to calculate the value of that CO2 revenue,</p> | 132 |

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| 133 | <p>1 and, in fact, because the CO2 revenue is flat, if not 2 increasing over time, whereas oil and gas revenue 3 declines over time, there is no crossover. There will 4 never be a crossover unless somebody says, We're not 5 going to have a CO2 tax anymore. And -- and -- and 6 this idea that we can -- we can capture the CO2 and be 7 paid for doing it stops, because so long as we can 8 capture 550 tons a day of CO2 and be paid for it 9 according to the schedule that the Government of 10 Alberta has adopted, there will never be a crossover. 11 Q So we'll get to the third point next, and then I'll 12 talk generally about this analysis. What was the third 13 error that you say that they made? 14 A Well, I -- I already mentioned it. According to the 15 federal National Instrument that governs reserve 16 reporting for public companies that trade on the 17 Toronto Stock Exchange called NI51-101: (as read) 18 Reserve reporting requirements dictate that 19 access to capital is not supposed to be a 20 factor in valuation, and therefore the 21 outdated report does not have an appropriate 22 development plan in coming years. 23 Q So the 2021 reserve report actually showed declines 24 between 2021 and 2023; correct? 25 A I -- I think it's a 2020 report. 26 Q Or '20 report.</p> | 134 | |
| 135 | <p>1 and its posing a risk to the public or to the 2 environment. And can you comment to the Panel 3 regarding your views as to the accuracy of that AER 4 internal assessment which resulted in the shut-in. 5 A Well, I think this crossover is a very critical plank 6 in the AER's risk assessment, and it's completely 7 wrong. So the idea that AlphaBow doesn't have the 8 wherewithal over time, and, I mean, I think -- you've 9 asked me for my opinion. I think the hard years in 10 front of AlphaBow are the next two or three. 11 Q What about AlphaBow supposedly posing a risk to the 12 public or the environment based on your experience as 13 being associated with the company for almost five years 14 of its operation? 15 A Well, you know what? I -- I take you back to my 16 requests. I say judge AlphaBow on its actual ARO 17 accomplishments, judge AlphaBow on its five-year 18 incident response and remediation history, judge 19 AlphaBow on its actual emission performance, judge 20 AlphaBow on its five-year actual safety performance, 21 judge AlphaBow on all it has actually done for 22 stakeholders, judge AlphaBow with this new information 23 and accurate determination of its future financial 24 capacity, and judge AlphaBow on its unencumbered 25 recovery plan. I am completely convinced that the 26 company can survive and -- and remediate all its sites</p> | <p>1 A Yes. 2 Q And, in fact, production increased? 3 A In fact, production was just about 30 percent higher. 4 Q What does that do to a crossover line standalone? How 5 far does that move it out? 6 A If I was to remove the element of the CO2 revenue -- 7 Q Yes. 8 A -- in a typical long-life oil operation, every year, 9 you would go back to your reserve engineer, and they 10 would update their report, and they would adjust their 11 declines, and you would have a development plan, and 12 you would at least get credit for the fact that you 13 were fixing some wells and get credit for the 14 maintenance that you had done, and you would keep 15 extending this out. 16 Q And, Mr. Ironside, we know from the internal AER 17 documents that this was a material consideration in 18 connection with assessing AlphaBow's risk as a going 19 concern operator. Was this analysis ever shared with 20 you for discussion to say, Gee, you know, here's what 21 we're thinking you really look like, AlphaBow? 22 A This was never shown to me prior to the issuance of the 23 March or the June order. 24 Q I'd like to return, then, to where we initially 25 started, and that is your understanding of what the 26 AER's view of AlphaBow was with respect to its solvency</p> | 136 |

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| <p style="text-align: right;">137</p> <p>1 learning curve with respect to AlphaBow and its 2 operations at this stage? 3 A This is the order we got from AER on July 2022. I'm 4 just in the -- by the learning curve of the -- assess 5 of the -- what we -- where we are -- we -- where -- 6 where are we, which team, how's our team, and what we 7 can do to meet the other requirement from the AER on 8 the environmental site. 9 Q And in that regard, I'm going to ask that we move a 10 little further into Exhibit 8. These are notes of 11 meetings that occurred with the AER, and it's at 12 page 29. It's page 9 of the minutes. 13 A Thank you. 14 Q There's advice there. Do you see that, July 13, 2022? 15 A Yes. 16 Q And there was a meeting that occurred at the AER with 17 AlphaBow at that time; is that right? 18 A Yes. 19 MS. DOEBELE: Mr. Stapon, apologies for 20 interrupting you. For the benefit of the court 21 reporter, if you could speak into the mic. Thank you. 22 MR. STAPON: It's very hard to do because 23 there's no place to put the books, but I'll try. 24 MS. DOEBELE: I appreciate that. Thank you 25 for your reference. 26 Q MR. STAPON: So were you present at this</p> | <p style="text-align: right;">138</p> <p>1 meeting? 2 A MR. LI: Yes, I did. 3 Q Okay. And did you explain to the AER at that time what 4 your new position was and what your mandate was? 5 A Yes, I did. 6 Q Okay. And you were asked about the current state of 7 liabilities of AlphaBow; is that right? 8 A Yes. 9 Q And did you understand why the AER was doing that? 10 A Yeah, I understand. AER, they do have the concern 11 about if AlphaBow could be -- fulfill their obligation 12 on 2022 ARO -- mandatory spending calculated about 13 \$4.8 million -- 14 THE COURT REPORTER: Sorry, sir. "Mandated 15 spending of"? 16 A MR. LI: Mandatory -- mandatory 17 spending \$4.8 million for 2022. 18 Q MR. STAPON: And you were -- in fact, there 19 was inquiries about the outstanding debts of the 20 business. Do you see that a little further down? 21 A Yes. 22 Q And there's advice in connection with you have twenty 23 million four hundred and twenty thousand three hundred 24 and five dollars in outstanding property taxes? 25 A That number they include as the penalty. 26 Q I'm sorry. That number included what?</p> |
| <p style="text-align: right;">139</p> <p>1 A Included the penalty from the tax. 2 Q Okay. So taxes plus penalties? 3 A Yes. 4 Q And did you advise the AER what you were trying to do 5 in connection with those outstanding taxes? 6 A I didn't talk a lot during that meeting. 7 Q Okay. There's advice that said -- says: (as read) 8 Jay stated AB [and that's AlphaBow Energy] is 9 trying to keep current -- current taxes 10 current and working on repaying it. 11 Do you see that? 12 A Yes. 13 Q What were you discussing at that stage? What was the 14 plan at that stage in connection with at least paying 15 something to the municipalities? 16 A Yeah. At that -- at that stage, we were paying the 17 most tax for our active site. That means if the site 18 still be active of production, and we're going to pay 19 the tax over -- we're going to pay the property tax for 20 that. 21 Q And there's advice next that says: (as read) 22 J noted that Alberta Energy -- or AlphaBow 23 Energy would prefer to be more equitable in 24 paying back rentals but must prioritize due 25 to regular direction from -- [and should be] 26 the AER.</p> | <p style="text-align: right;">140</p> <p>1 Was the AER suggesting, Look, you should be paying us 2 first? You've got your asset retirement liabilities. 3 You really should be paying us first. 4 A The AER always want the company putting them in the 5 prior -- Priority Number 1 for dealing with the 6 requirement on the environmental and the ARO 7 obligation. 8 Q And was there some discussion with the AER in 9 connection with AlphaBow perhaps drilling further wells 10 or further developments against properties in order to 11 get more income to catch up? 12 A Yes. At that time, we do talk to the couple group of 13 the people and try to bring the external financing, and 14 through the farm-in and the farmout to increase the 15 production of the -- in the green glade and Chigwell 16 and increase the revenue for the AlphaBow. 17 Q And there's advice that there's -- (as read) 18 Tyler is struggling to see how AlphaBow 19 Energy could plan to drill a new well given 20 current financial constraints. 21 Who is Tyler? 22 A Tyler is a director of the compliance enforce 23 department. 24 Q And what's his last name? 25 A Tyler. 26 Q Callicott?</p> |

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| 141 | <p>1 A Callicott, yeah. Sorry.</p> <p>2 Q Okay. So Mr. Callicott is saying to you, Well, we know</p> <p>3 you're trying to improve revenue, but how are you going</p> <p>4 to do that when you're already behind? What's your</p> <p>5 response to that?</p> <p>6 A Okay. This actually is two things because the</p> <p>7 financing we talk about is come from the outside --</p> <p>8 THE COURT REPORTER: Sorry. The financing what?</p> <p>9 A MR. LI: Oh. The \$30 million</p> <p>10 investment we're talking about is came from outside --</p> <p>11 outside investor. So it's actually we be doing very</p> <p>12 well for the -- for the company because AlphaBow don't</p> <p>13 need for the results from the compliance and the --</p> <p>14 from the compliance and the ARO obligation to choose a</p> <p>15 new well at the same time once the well be drilled and</p> <p>16 AlphaBow can get extra revenue and to taking care of</p> <p>17 more environmental liability.</p> <p>18 Q MR. STAPON: All right. So the concept at</p> <p>19 that time was, Look, you could bring in a new investor</p> <p>20 that would invest in new production; is that right.</p> <p>21 A Yes.</p> <p>22 Q And was that being permitted by the AER?</p> <p>23 A We -- we proposed our plan to AER, and then in the July</p> <p>24 of 2022, the AER issue the order to limit our liability</p> <p>25 to apply the new licence.</p> <p>26 Q Well, let's hold on for a minute and go to page 28,</p> | 142 |
| 143 | <p>1 MR. STAPON: Yes.</p> <p>2 THE CHAIR: Where is it?</p> <p>3 MR. STAPON: It's in the -- it's in the</p> <p>4 July 28th, 2002 -- or '22 letter, which is same</p> <p>5 exhibit, page 2.</p> <p>6 THE CHAIR: About the offer to provide</p> <p>7 2 million in security? Is that on our record?</p> <p>8 A MR. LI: The \$2 million security is</p> <p>9 just for -- for my -- I would just say for example.</p> <p>10 THE CHAIR: So it was not a specific</p> <p>11 suggestion to the AER?</p> <p>12 A MR. LI: Yeah, we would suggest it at</p> <p>13 the time. So instead to not a lot of about drilling</p> <p>14 the new well, how about they let us to go ahead with</p> <p>15 the drilling and that before the licence get approval,</p> <p>16 we put in security in the AER for the future ARO</p> <p>17 liability.</p> <p>18 THE CHAIR: And is that on this</p> <p>19 proceeding's records somewhere?</p> <p>20 A MR. LI: That was discussed during that</p> <p>21 meeting on the July 21st.</p> <p>22 Q MR. STAPON: The issue is, Mr. Li, is it in</p> <p>23 these minutes? We'll undertake a careful review of</p> <p>24 them, but, Mr. Li, did that discussion occur, whether</p> <p>25 or not it's in the minutes? And we'll look at the --</p> <p>26 we've got to move this forward.</p> | 144 |

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| 145 | <p>1 A Sorry. Can you please pull down a little bit.</p> <p>2 Q So the commissioner has asked whether or not there is a</p> <p>3 record of that discussion, and we can look for that</p> <p>4 later, but my question to you is: Did the discussion</p> <p>5 occur, whether or not there's a record of it?</p> <p>6 A It does occur.</p> <p>7 Q And at the July 21st, 2022, meeting, there was actually</p> <p>8 discussion about the order that the AER was considering</p> <p>9 issuing; is that right?</p> <p>10 A Yes.</p> <p>11 Q And if we go back to page number 2, we'll see that</p> <p>12 order. And this is a letter dated July 28, 2022, after</p> <p>13 the meeting and the order is issued; is that right?</p> <p>14 A Yes.</p> <p>15 Q And you'll see in the second page on the second</p> <p>16 paragraph that Mr. Callicott indicates that: (as read)</p> <p>17 There was a written submission by AlphaBow,</p> <p>18 and the director acknowledges the commitments</p> <p>19 made to reduce its liabilities to achieve</p> <p>20 compliance with regulatory requirements over</p> <p>21 time.</p> <p>22 Do you see that?</p> <p>23 A Yes.</p> <p>24 Q And he also says: (as read)</p> <p>25 While this is a good starting point, these</p> <p>26 commitments and insurance fall short of</p> | 146 | <p>1 demonstrating that AlphaBow does not pose an</p> <p>2 unreasonable risk.</p> <p>3 Do you see that?</p> <p>4 A Yes.</p> <p>5 Q What did you understand that unreasonable risk to be?</p> <p>6 Financial, operational, what?</p> <p>7 A My understanding -- sorry. Give me one minute.</p> <p>8 This -- he probably talk about financial risks.</p> <p>9 Q If you go over to page 3 of that document, this is the</p> <p>10 director, Mr. Callicott, indicating what factors he</p> <p>11 considered. Do you see that?</p> <p>12 A Yes.</p> <p>13 Q You said that he considered 36 inspections of AlphaBow</p> <p>14 sites. You see that?</p> <p>15 A Yes.</p> <p>16 Q And a compliance level was 61 percent, and that was one</p> <p>17 of the factors that he considered; is that right?</p> <p>18 A Yes.</p> <p>19 Q And do you know how many other industry players were at</p> <p>20 that about same level of compliance?</p> <p>21 A I don't have firsthand information, but according to</p> <p>22 AER, there's almost 75 percent.</p> <p>23 Q Okay. And you'll see that in Item 3, the "Assessed</p> <p>24 Capability". (as read)</p> <p>25 The licensee would meet its regulatory and</p> <p>26 liability obligations throughout the energy</p> |
| 147 | <p>1 development life cycle.</p> <p>2 What did you understand that to be?</p> <p>3 A Licence life cycle management.</p> <p>4 Q Okay. And you'll see that there, the AER is saying:</p> <p>5 (as read)</p> <p>6 AlphaBow presents a high risk of financial</p> <p>7 distress.</p> <p>8 Right?</p> <p>9 A Yes, I saw it.</p> <p>10 Q And in that regard, one of the reasons that you tried</p> <p>11 to get out of financial distress was to show the AER,</p> <p>12 Look, let's bring in a partner, and we'll put up some</p> <p>13 security for any new wells we drill; is that right?</p> <p>14 A Yes. That's what it would be.</p> <p>15 Q And then in Item 4, it says: (as read)</p> <p>16 Although AlphaBow's written submissions</p> <p>17 stated that they'll work to meet their total</p> <p>18 mandatory closure targets for 2022, this</p> <p>19 seemly contradicts of -- those oral</p> <p>20 statements of meetings with the director</p> <p>21 May 19 and July 13 that it would not -- be</p> <p>22 unable to meet its total mandatory closure</p> <p>23 target for 2022.</p> <p>24 So in your later July meeting, did you say that you</p> <p>25 would meet the targets?</p> <p>26 A Yes. In the May -- in the meeting of the May 19, 2022,</p> | 148 | <p>1 under the July 13, 2022, I didn't commit to AER we were</p> <p>2 going to fulfill our obligation for 2022 mandatory</p> <p>3 spending \$4.8 million because at that time, I'm still</p> <p>4 in the progress [sic] to try to figure out how to pull</p> <p>5 the resource to -- to do that.</p> <p>6 Q All right.</p> <p>7 A By --</p> <p>8 Q Sorry. Go ahead.</p> <p>9 A By the late of the July meeting, I'm pretty confident</p> <p>10 we can get it done. That's why we made a commitment to</p> <p>11 AER saying we're going to do it.</p> <p>12 Q All right. So there's an order that's issued by</p> <p>13 Mr. Callicott. He says its decision, and he determines</p> <p>14 that AlphaBow poses an unreasonable risk. And was</p> <p>15 there any discussion with AlphaBow in connection with,</p> <p>16 for example, the first matters that he's talked about</p> <p>17 regarding field compliance and what AlphaBow was doing</p> <p>18 to try and improve that ratio or otherwise, or was the</p> <p>19 discussion primarily finances?</p> <p>20 A On the meeting with -- every time we meeting, we did</p> <p>21 talk about the noncompliance issue.</p> <p>22 Q Okay.</p> <p>23 A Yeah.</p> <p>24 Q So if you take a look at the next page, that is,</p> <p>25 page number 4, there's advice: (as read)</p> <p>26 AlphaBow is prohibited from acquiring new</p> |

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| 149 | <p>1 wells or facility licences through either</p> <p>2 transfers or applications.</p> <p>3 See that?</p> <p>4 A Yes.</p> <p>5 Q Okay. But otherwise AlphaBow was permitted to carry on</p> <p>6 operations; is that right?</p> <p>7 A Yes.</p> <p>8 Q Okay. And there was expected actions, and one of the</p> <p>9 actions you will see is to address outstanding</p> <p>10 noncompliances. Do you see that?</p> <p>11 A Yes.</p> <p>12 Q And did AlphaBow take steps to do that?</p> <p>13 A Yes, we do.</p> <p>14 Q What did you do?</p> <p>15 A So beside we have a --</p> <p>16 THE COURT REPORTER: Sorry. Start again. "So"</p> <p>17 what?</p> <p>18 A MR. LI: Beside -- beside the AlphaBow</p> <p>19 hold a biweek [sic] compliance meeting in response to</p> <p>20 AER's decision on July 28. AlphaBow hired the two</p> <p>21 compliance expert -- expert include the former AER</p> <p>22 director of the compliance, Erin Maczuga.</p> <p>23 Q MR. STAPON: So you actually hired a prior</p> <p>24 AER employee who was director of compliance to assist</p> <p>25 you in getting into shape; is that right?</p> <p>26 A Yes, we did.</p> | 150 | <p>1 Q What else did you do?</p> <p>2 A We also bring up -- bring -- brought Rick Ironsides</p> <p>3 back part-time to assisting us with the sale to -- with</p> <p>4 sail to project. We take steps to enhance compliance</p> <p>5 culture, and we directed -- we directed a field staff</p> <p>6 to make -- to make further improvements. And for</p> <p>7 myself, I did about twice field visit every month.</p> <p>8 Q So you personally actually went out to the field; is</p> <p>9 that right?</p> <p>10 A Yes. Every two weeks.</p> <p>11 Q And what was the purpose of that?</p> <p>12 A I just want to -- to talk to the field people and to</p> <p>13 say something, you know, if anything as a -- as a</p> <p>14 Calgary office we can do to help them to improve the</p> <p>15 field -- field compliance.</p> <p>16 Q All right.</p> <p>17 A And we also hired an ARO supervisor.</p> <p>18 Q And what is an ARO supervisor?</p> <p>19 A We hired supervisor -- ARO supervisor. His name is</p> <p>20 Jeff Ji.</p> <p>21 Q Spell it.</p> <p>22 A Jeff, J-E-F-F [sic]. Jeff Ji -- to manage our 2022</p> <p>23 abandonment project.</p> <p>24 Q So you actually hired a specialist to address the</p> <p>25 abandonment obligations that were ongoing?</p> <p>26 A Yes. And we met our 2022 mandatory spending target.</p> |
| 151 | <p>1 Actually, our 2022 mandatory money spending is \$4.88</p> <p>2 million. We overspent. We reached -- we totally</p> <p>3 spend about \$6.04 million for 2022.</p> <p>4 Q We'll get to that, but one of the things that you were</p> <p>5 also supposed to do is to demonstrate that AlphaBow was</p> <p>6 capable of responding to information requests within</p> <p>7 deadlines. What --</p> <p>8 A We -- we -- we talked -- this went to Mr. Callicott a</p> <p>9 little bit later because on this order, they kind of</p> <p>10 want us to -- to provide the monthly report the -- the</p> <p>11 first day of every month.</p> <p>12 Q Okay.</p> <p>13 A It's really difficult for us because we need some time</p> <p>14 to collect the data from the field operator from their</p> <p>15 department.</p> <p>16 Q So you've got 50 -- 45 or 50 operators. You've got</p> <p>17 8,000 licences. How long does it take you to get the</p> <p>18 data together to report?</p> <p>19 A Normally should take about 10 -- 10 or 15 days to get</p> <p>20 all the data to make sure it's right. It's not even</p> <p>21 gather the data. Sometime we also need to verify.</p> <p>22 Q So you've got to get the data, you've got to verify it,</p> <p>23 and you've got to put it into a report form?</p> <p>24 A Yes.</p> <p>25 Q Okay. In connection with your updates monthly, they</p> <p>26 want you to talk about compliance status and your</p> | 152 | <p>1 outstanding noncompliances, the progress you're making.</p> <p>2 Do you do that?</p> <p>3 A On our monthly report, we did include that part.</p> <p>4 Q Okay. They want to talk to you about operational</p> <p>5 status. Do you see that?</p> <p>6 A Yes.</p> <p>7 Q And that is your reactivations, the ratio of active to</p> <p>8 service to inactive. Are you providing that</p> <p>9 information as well?</p> <p>10 A We did provide it.</p> <p>11 Q Okay. They want you to provide interim financial</p> <p>12 statements quarterly to demonstrate improvements in</p> <p>13 financial health. Do you see that?</p> <p>14 A Yes.</p> <p>15 Q Were you able to do that?</p> <p>16 A We did provide quarterly financial statement, but</p> <p>17 sometime we -- we -- we is running late.</p> <p>18 Q Okay. We'll get into the timing of what is occurring</p> <p>19 with respect to your financing perhaps after -- well --</p> <p>20 we'll be about two minutes more in connection with this</p> <p>21 arrangement.</p> <p>22 So you got this order, and you recognized that it</p> <p>23 was going to prohibit you from doing one of the things</p> <p>24 that you wanted to do to raise money; is that right?</p> <p>25 A Yes.</p> <p>26 Q You couldn't drill any new wells even with security up,</p> |

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| 153 | 154 |
| <p>1 and you couldn't sell anything; correct?</p> <p>2 A Yes.</p> <p>3 Q What did that do to your planning sort of</p> <p>4 two-and-a-half or three months into the job?</p> <p>5 A It's -- really makes things difficult, because my very</p> <p>6 first time I -- I come to the AlphaBow, the first thing</p> <p>7 I do is to do the assess where we are, what can we do.</p> <p>8 We know AER have the requirement on the ARO liability</p> <p>9 program. We know we have a -- a field compliance need</p> <p>10 be taking care of. We know we have the property tax</p> <p>11 need be updated. We -- landowner need to get paid.</p> <p>12 But everything need -- it's not -- you need -- they</p> <p>13 need some cash. That's why my main goal is to increase</p> <p>14 the production. Actually, within six months after</p> <p>15 arrive -- I joined AlphaBow, we did increase production</p> <p>16 by 20 percent, but that's not enough. That's why we</p> <p>17 talk to some of the outside investor, try to bring this</p> <p>18 20, \$30 million in to increase another 1,000 or 2,000</p> <p>19 barrel a day for AlphaBow. Now we have a mineral</p> <p>20 resource to taking care of the compliance issue, to</p> <p>21 taking care of the ARO liability. So this July order</p> <p>22 is kind of the, you know, in our hand -- how do you</p> <p>23 say -- you know, it's -- our hand is being cuffed.</p> <p>24 Q Handcuffed?</p> <p>25 A Handcuffed.</p> <p>26 Q Okay.</p> | <p>1 A Right? So -- but even then, we still try to work with</p> <p>2 AER.</p> <p>3 Q So just before our break, then, you get this order, you</p> <p>4 start going into the field, you hire a specific asset</p> <p>5 retirement obligation specialist, and you hire somebody</p> <p>6 who used to be with the AER to work with you on</p> <p>7 compliance. Did you feel you were doing enough at that</p> <p>8 stage?</p> <p>9 A We try our best. Probably never be enough.</p> <p>10 Q Okay. Thank you.</p> <p>11 MR. STAPON: Commissioners, I think it's</p> <p>12 time for the break. I wonder if you might indicate</p> <p>13 when we should be returning.</p> <p>14 THE CHAIR: We will take a 15-minute</p> <p>15 break. We will return at 3:15. Thank you.</p> <p>16 (ADJOURNMENT)</p> <p>17 THE CHAIR: Okay. So it appears we have</p> <p>18 everyone back. We are back now. Our plan is, as per</p> <p>19 the schedule, we will continue now for another two</p> <p>20 hours and then take a break at 20 past 5. And, again,</p> <p>21 we are still looking to wrap up around 6:30.</p> <p>22 MR. STAPON: Thank you, Commissioner.</p> <p>23 Q MR. STAPON: Mr. Li, prior to the break, we</p> <p>24 were taking a look at the meeting which occurred and</p> <p>25 the order which issued -- or Mr. -- Mr. Callicott</p> <p>26 issued on July 28, 2022. I'd like you to turn to</p> |
| 155 | 156 |
| <p>1 Exhibit 8, and it's Tab 14, but I don't think it has</p> <p>2 individual document numbers printed on it. This is the</p> <p>3 AlphaBow Energy Ltd. AER directive licence eligibility</p> <p>4 report, August 2022. Can you tell me if this document</p> <p>5 was filed by AlphaBow?</p> <p>6 A MR. LI: Yes, it did.</p> <p>7 Q The AER was requesting that this sort of material be</p> <p>8 filed monthly. Were you a bit late in getting it in?</p> <p>9 A Yes, we did send the report in August of 2022, right</p> <p>10 after the July order.</p> <p>11 Q And I'd like you to look at Tab Number 16 in the same</p> <p>12 set of materials. This is a late report filed with the</p> <p>13 AER in September of 2022. Do you see that?</p> <p>14 A Yes.</p> <p>15 Q Okay. Then if we go back to the meeting notes, you</p> <p>16 were going to be having quarterly meetings with the</p> <p>17 AER, were you?</p> <p>18 A Yes, we did.</p> <p>19 Q And we've got a meeting which is referenced as having</p> <p>20 occurred on November 22nd, 2022. This is page number 6</p> <p>21 in Exhibit 8. I wonder if we can pull that up. You</p> <p>22 have it available, Mr. Li?</p> <p>23 A Yes. I have the meeting notes from November 22nd.</p> <p>24 Q And this was not a special meeting. It was a regular</p> <p>25 quarterly update meeting; is that right?</p> <p>26 A Yes.</p> | <p>1 Q And you -- there's advice that Jay Kleinsasser -- who</p> <p>2 is Mr. Jay Kleinsasser?</p> <p>3 A Jay was the VP of operation for AlphaBow.</p> <p>4 Q All right.</p> <p>5 THE COURT REPORTER: For which? Oh, for AlphaBow?</p> <p>6 A Yes.</p> <p>7 Q MR. STAPON: It's page 6 that you should be</p> <p>8 looking at. Actually, it's got two numbers on it. It</p> <p>9 may be page 26. These are the minutes of the meeting.</p> <p>10 Yes. It's now up.</p> <p>11 And you'll see that it was regularly quarterly</p> <p>12 update meeting? Mr. Li?</p> <p>13 A Yes.</p> <p>14 Q And there's advice that there was an overview given by</p> <p>15 Jay Kleinsasser, and you indicated that he was your VP</p> <p>16 ops; is that right?</p> <p>17 A Yes.</p> <p>18 Q What experience did Mr. Kleinsasser have in connection</p> <p>19 with AlphaBow operations at this point in time? How</p> <p>20 long had he been with the organization?</p> <p>21 A Jay was teamed with, if my memory correctly, since</p> <p>22 about 2018, and he have 24 years oil and gas</p> <p>23 experience.</p> <p>24 Q Okay. And he indicates that following the meeting,</p> <p>25 AlphaBow Energy is focused on two areas, being</p> <p>26 operations and liability. What did you understand that</p> |

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| <p style="text-align: right;">157</p> <p>1 issue of liability to mean? Was that the issue of its 2 ARO obligations? 3 A Yes, it is. 4 Q Okay. And you'll see that operationally, production 5 has gone up from 3,500 barrels a day to 4,500 barrels a 6 day and was holding at that. Do you see that? 7 A Yes. 8 Q And that's not the rate that the AER used when it 9 looked at the crossover point that's been addressed by 10 Mr. Ironside; is that right? 11 A It's a little different. That one we use the oil rate, 12 yes. 13 Q Okay. And the advice is that you were planning to add 14 incremental production until March, hoping to reach 15 between 4,700 and 5,000 BOE, which is the top amount 16 that you could hit without drilling. Do you see that? 17 A Yes. 18 Q And you were actually prohibited from drilling by 19 virtue of the order that had been issued on July 28th; 20 right? 21 A Yeah. 5,000 is the maximum you can get without 22 drilling. 23 Q Okay. 24 A With drilling, we could probably double -- double the 25 production. 26 Q And the advice to the board was that -- or the</p> | <p style="text-align: right;">158</p> <p>1 Regulator was that previously there had been many DO60 2 issues regarding fugitive emissions; is that right? 3 A Yes. 4 Q And that you were working on getting those addressed 5 and you'd completed your reporting? 6 A We did. 7 Q And the further advice is that you're working on your 8 compliance, and you've cut the number of noncompliant 9 wells by a number of -- or another 10 percent above the 10 slides, and he said you would make significant 11 progress. Was that your view as well? 12 A Yes. 13 Q Okay. And that you'd completed \$1.2 million in closure 14 work. You see that? 15 A Yes. 16 Q Was that accurate? 17 A Actually, this \$1.2 million should be the number by -- 18 obviously by the end of September. 19 Q Yes. 20 A Because normally we got this invoice from the contract 21 after they got job done to take them probably couple 22 weeks to send emails to us. 23 Q Yes. 24 A So this \$1.2 million at that time is -- the invoice was 25 received is not actually amount of work being done. 26 Q Okay. And if you go over to page number 27 in</p> |
| <p style="text-align: right;">159</p> <p>1 Exhibit 8, you'll see that there's a -- you're going to 2 submit a corrected Schedule 1, indicating your position 3 with the company; is that right? 4 A Sorry. Give me one minute. I'm just -- where are we? 5 Q You've got to submit -- 6 A Oh, yeah. 7 Q -- practice station and ID? 8 A Okay. Yeah. 9 Q Okay. And you've -- there's an indication that there's 10 been re-acquired mineral rights for 20 wells, and 11 you've sold about 10 wells. Do you see that? 12 A Yes. 13 Q What's that all about? 14 A This about the mineral rights expired well, so we 15 have -- in -- by November -- sorry -- by -- by the end 16 of the 2022, we have around a little bit over 17 200 mineral right -- mineral right expired well. So we 18 started dealing with it. 19 Q And AER staff Lonny -- do you know Lonny's last name? 20 A Lonny -- Lonny Olsen. 21 Q And he indicates that: (as read) 22 Lyndsay requires well-by-well information and 23 Jason will follow up and give them to you. 24 Is that right? 25 A Yes. 26 Q And there's advice from liability from Jeff Ji, J-I.</p> | <p style="text-align: right;">160</p> <p>1 Who is Jeff Ji? 2 A Jeff -- Jeff is the new ARO supervisor hired by 3 AlphaBow. 4 Q So you've mentioned that he was actually hired to 5 superintend or supervise ARO, and he indicated that you 6 had abandoned 565 wells and 310 pipelines since 2020. 7 Do you see that? 8 A Yes. 9 Q And that you had spent 22 million in SRP and ABE funds? 10 A Yes. 11 Q And that you'd completed 1,146 Phase 1 ESA since 2020? 12 A Yes. 13 Q And that you had reduced deemed liability and increased 14 asset value LMR expected to be back to 1.0. And what 15 was your understanding then of what the LMR was all 16 about? 17 A LMR is actually -- it's the -- the issue that's between 18 the deemed assets and deemed liability. So in 2022, 19 April, the day I came -- I join AlphaBow, AlphaBow's 20 ARO is 0.85. By the March 2023, before the AER issued 21 the order, our ARO already increased from 0.85 to 0.93. 22 It's pretty big increase. 23 COMMISSIONER BARKER: Excuse me, Mr. Li. What is 24 the -- on the minutes here, what is "SRP" and -- it 25 says: (as read) 26 Spent \$22 million in SRP and ABE funds.</p> |

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1 I take it that's AlphaBow funds. What's "SRP"?

2 A MR. LI: SRP is some federal government

3 to -- it's a program set up by federal government.

4 It's basically say the federal government to give the

5 fund to oil and gas company, lend them to the ARO --

6 ARO liability management. That means you can spend the

7 money -- you got the money from the government, and you

8 can do your abandonment.

9 COMMISSIONER BARKER: Do you know what "SRP" stands

10 for, by chance?

11 A SRP is --

12 MR. STAPON: It's the site rehabilitation

13 program, Commissioner.

14 COMMISSIONER BARKER: Okay. Thank you.

15 And then next line down you've got "completed

16 1,146 Phase 1 ESA". What's "ESA"?

17 A MR. LI: It's a environmental --

18 A MR. IRONSIDE: Environmental site assessment.

19 A MR. LI: Site assessment.

20 COMMISSIONER BARKER: Thank you.

21 Q MR. STAPON: So this is your ARO specialist

22 telling the AER what you've done, and it says -- he

23 says: (as read)

24 ABE has not submitted pipeline abandonment

25 spending yet.

26 Were you planning to do that?

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1 A Yes. Yes.

2 Q Okay.

3 A I forgot what's the name of the department.

4 Q And you remember what the ABC closure plan was?

5 There's lots of acronyms.

6 A It's area base closure plan -- program.

7 Q And you indicated to the AER that you would email them

8 a detailed plan?

9 A Yes.

10 Q And Lonny indicates next that, Look, deadlines are

11 important, and not meeting them may lead to additional

12 regulatory action. Do you see that?

13 A Yes.

14 Q And what deadlines did you understand him to be

15 referring to?

16 A At this time, I was thinking about it -- probably be

17 through that -- the one is deadline for some report

18 AER's request, like, the monthly report as I mentioned

19 before. In the July or the twenty -- in the July 2022

20 order, AER's request this report be submitted before

21 the first day of the -- each month. But it's not

22 practical since we need time to collect data and verify

23 data. Second report, the deadline -- I'm just assuming

24 Lonny -- he's probably mentioned about some -- the

25 inspection for the report.

26 Q Okay. And there's a bullet point here a little bit

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1 A MR. LI: Yes.

2 Q And he also says: (as read)

3 The current well abandonment for 2022 is 21

4 wells -- 25 wells downhole, abandoning, or

5 requiring cut and cap.

6 What does that mean to you -- your knowledge?

7 A That's means in 2022, at that time, that's about

8 25 wells the downhole abandonment has already been

9 done, but the cut and the cap haven't been finished

10 yet. We got that done a little bit earlier after the

11 2023.

12 Q Okay. And then there's some further advice, "Mandatory

13 Spending, 2022 and 2023", a little bit further down.

14 Do you see that?

15 A Yes.

16 Q And you -- is -- it indicates you will include 60 wells

17 with mineral lease expiries. You're budgeting 2 to

18 \$2-and-a-half million either with 2022 mandatory spend

19 or the 2021 voluntary spend. Do you see that?

20 A Yes.

21 Q So when your ARO specialist says, Here's our plan, you

22 get some questions. Who is Victoria?

23 A Victoria is a -- a manager of -- sorry. I kind of

24 forgot what's -- let me get back to you.

25 Q It's all right. It's somebody with the AER, though; is

26 that right?

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1 further down, and you may need the assistance of

2 Mr. Ironside here, which says: (as read)

3 With the failure to meet ABC spending, no

4 longer receiving three-year Crown lease

5 deferments, then is going to centralize

6 compliance. All should be directed to Ben

7 Li.

8 And he's posted some lands. Did you know what the

9 three-year Crown lease deferment was all about and the

10 ABC spending was all about?

11 A I know little bit about that.

12 Q What -- what was your state of knowledge at that time,

13 and what did you understand to have occurred?

14 A As I understand, it's a -- because ABC program is kind

15 of a voluntary program, so it's not a mandatory

16 spending program. So when a company committed to the

17 ABC, you got the benefit for, like, three years -- if

18 you have the mineral right expiry well, you've got

19 three years grace time to deal with it.

20 THE COURT REPORTER: Sorry. What time?

21 A MR. LI: Grace.

22 UNIDENTIFIED SPEAKER: Grace.

23 A MR. LI: A holiday obviously. Sorry.

24 Holiday.

25 Q MR. STAPON: And did AlphaBow believe that

26 it had met that holiday or not?

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| 165 | 166 |
| <p>1 A We believe that time after we finished the ABC program 2 we are still in that holiday period. 3 Q But you didn't meet it. Why is that? 4 A We didn't meet it. 5 Q Did you forget to file something or file under the 6 wrong program? I'll move on. 7 A Well, no. Sorry. We -- we -- at that time, 8 November 2022 -- 9 Q Yes. 10 A -- we -- we committed we're going to finish the ABC 11 program. 12 Q So you promised you were going to do it, and if you did 13 it, you understood you were going to get a holiday? 14 A Yes. 15 Q And did you spend the money? 16 A We did. 17 Q Did you get the holiday? 18 A No. 19 Q Why not? 20 A It's -- it's because some policy change, I guess, from 21 the AER. 22 Q And maybe Mr. Ironside can help here. Are you aware 23 why the holiday was not granted? 24 A MR. IRONSIDE: Well -- so the ABC program 25 related to 2021, and AlphaBow absolutely did believe 26 that it -- by completing the 2021 program, that it</p> | <p>1 would qualify, but Manual 23 that was just published -- 2 I forget the date, but just published either late '22 3 or early '23, stated that if you don't -- if you have a 4 year that you don't do -- and -- and it's not called 5 "voluntary spend". It's called "supplemental spend" 6 now. But if you don't do your supplemental spend -- 7 Q Yes. 8 A -- then you lose that. So essentially AlphaBow 9 completed its ABC commitment for 2021 by the end of 10 March 2023, but because it didn't do a supplemental 11 spend in 2022, then at the end of 2022, according to 12 the new manual, it loses that extension. 13 Q And that was the new manual? 14 A That was the new manual -- the new Manual 23. 15 Q Okay. If we go over to page number 28, you'll see that 16 there's advice from Kara, and she asks whether ABE is 17 looking for a new CFO or will the new finance manager 18 fill the role. And AlphaBow had a VP of finance for a 19 period of time; is that right, Mr. Li? 20 A MR. LI: Yes. 21 Q Who was that? 22 A Sarah Li. 23 Q Spell that for the record. 24 A S-A-R-A-H. 25 Q And last name? 26 A Li, L-I.</p> |
| 167 | 168 |
| <p>1 Q L-I. Thank you. 2 And Ms. Li was your VP of finance, was she? 3 A Yeah, she was our VP finance. 4 Q And did she leave to go back to China? 5 A She resigned in August. She told me her father was in 6 hospital. 7 Q In China? 8 A In China. 9 Q And she had to go visit him? 10 A She -- yes, she have to go back. 11 Q So what did you do after Ms. Li resigned? 12 A We actually get in touch with some headhunter which 13 looking for either new 'C' -- CFO or controller for the 14 company. 15 Q If you look to your left, we'll see the solution in 16 short order, but you -- she wasn't hired yet; correct? 17 A Yes. 18 Q All right. And you indicated to the -- to Kara that 19 you were, in fact, looking, and Kara indicates that 20 she'd asked Sarah Li for a long-term cash forecast and 21 that it would be needed for at least two years. Do you 22 see that? 23 A Yes. 24 Q And were you able to do long-term forecasts or cash 25 forecasts at this point in time given your sort of new 26 operations in the business and Mr. -- or Ms. Li's</p> | <p>1 departure? 2 A It's tough for us. 3 Q Okay. She also indicated that she needed Quarter 3 4 financial statements, and we have advice from Ryan: 5 (as read) 6 Will ABE meet its 2022 mandatory target 7 spend? 8 And Jay says, "It'll be close". Do you see that? 9 A Yes. 10 Q When Jay said you were going to be close, what reaction 11 did you get from the ABE -- or from the Alberta Energy 12 Regulator, if anything? Did they say that's not 13 acceptable, or, if you don't do it, we're going to 14 penalize you further? What happened? 15 A They didn't say anything. 16 Q Sorry? 17 A No, they didn't say -- they didn't say anything. 18 Q Didn't say anything? 19 A No. 20 Q Thank you. 21 And then there's advice regarding actions 22 required, and, for the benefit of the Panel, can you 23 tell me how these minutes work, that is, who takes the 24 minutes? 25 A The AER takes the minutes. 26 Q And after the minutes are typed up, are they sent to</p> |

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| <p style="text-align: right;">169</p> <p>1 you?</p> <p>2 A Most of the time, they send it to us for review.</p> <p>3 Q Okay. And in connection with the actions required, it</p> <p>4 says: (as read)</p> <p>5 AlphaBow committed to providing an electronic</p> <p>6 copy of the materials.</p> <p>7 Do you see that?</p> <p>8 A Yes.</p> <p>9 Q What is "the materials" that you were talking about?</p> <p>10 A It's my understanding it's probably be the monthly</p> <p>11 report.</p> <p>12 Q Okay.</p> <p>13 THE COURT REPORTER: The which report?</p> <p>14 A MR. LI: Monthly report. And the track</p> <p>15 of the compliance issue.</p> <p>16 Q MR. STAPON: So I just showed you the</p> <p>17 report which you gave, and you indicated that you would</p> <p>18 start -- pardon me. It was indicated that you were</p> <p>19 required to produce electronic copies of the materials.</p> <p>20 And did you, in fact, do that?</p> <p>21 A I believe all the material we provide, it all</p> <p>22 electronic.</p> <p>23 Q Okay. And just by way of example, we can flip through</p> <p>24 some of the tabs. There's Tab Number 7 in Exhibit 8.</p> <p>25 There's Tab Number 8 in Exhibit 8. There's</p> <p>26 Tab Number 9 in Exhibit 8, Tab Number 10 in Exhibit 8,</p> | <p style="text-align: right;">170</p> <p>1 11, and so on. Is that the type of materials that were</p> <p>2 being provided?</p> <p>3 A What's this -- this is -- this is not our --</p> <p>4 Q So these are AER documents?</p> <p>5 A Yeah. Yeah.</p> <p>6 Q Were you, in fact, filing electronically, though?</p> <p>7 A For example, the one -- the one you just showing on</p> <p>8 the -- August the 2022 --</p> <p>9 Q Yes.</p> <p>10 A -- and the September 2022 --</p> <p>11 Q Yes.</p> <p>12 A -- that's the monthly report we was provided to AER.</p> <p>13 Q Yes.</p> <p>14 A It's all sent by the email.</p> <p>15 Q Ah. Electronically. Okay.</p> <p>16 A Electronic copy.</p> <p>17 Q Okay. And the advice is: (as read)</p> <p>18 AlphaBow has not submitted its monthly update</p> <p>19 as required under the terms of its limited</p> <p>20 eligibility. The update was due</p> <p>21 November 30th, 2022.</p> <p>22 How often were you providing these updates? Monthly?</p> <p>23 A The month -- compliance update is monthly.</p> <p>24 Q And were you able to get it done at the end of each</p> <p>25 month for the full month?</p> <p>26 A No. Yeah. That, as I say, is not practical, so ...</p> |
| <p style="text-align: right;">171</p> <p>1 Q All right. So if we skip back in Exhibit 8 to the</p> <p>2 minutes of the meeting of March 7th, 2023 -- and those</p> <p>3 start at page 24. Let's take a look at that. Had</p> <p>4 there been any meeting requested by the AER prior to</p> <p>5 this quarterly meeting? We've looked at November. Is</p> <p>6 this the next quarterly meeting?</p> <p>7 A Yes.</p> <p>8 Q Okay. And this was a regular quarterly update meeting?</p> <p>9 You see that?</p> <p>10 A Yes.</p> <p>11 Q And do you recall who was present at this meeting?</p> <p>12 A AlphaBow side is Jay, me, Jeff, and Amy.</p> <p>13 Q And who? Sorry.</p> <p>14 A Amy.</p> <p>15 Q Okay. And you provided a PowerPoint presentation, and</p> <p>16 you -- an identified issue spreadsheet. What are</p> <p>17 those?</p> <p>18 A Yes. We -- we did provide the PowerPoint presentation</p> <p>19 on the ARO -- on the 2022 abandonment well and the 2021</p> <p>20 ABC project.</p> <p>21 Q All right. So you wanted to update the AER about what</p> <p>22 you were spending and what you had done?</p> <p>23 A Yes.</p> <p>24 Q Okay. And there's an identified issue spreadsheet.</p> <p>25 What is that?</p> <p>26 A Jay provide AER with noncompliance issue -- remaining</p> | <p style="text-align: right;">172</p> <p>1 noncompliance issue spreadsheet.</p> <p>2 Q And let's go through those. You were actually</p> <p>3 reporting where you were not yet up to speed; is that</p> <p>4 right?</p> <p>5 A Sorry. Say it again.</p> <p>6 Q Well, noncompliance issues. What are -- what is that?</p> <p>7 A It's every time we -- once we received the non --</p> <p>8 noncompliance report from AER, we were putting the -- a</p> <p>9 tracking spreadsheet, and that's used for the internal</p> <p>10 and to -- to follow up this -- to track and to follow</p> <p>11 up this noncompliance issue.</p> <p>12 Q So, Mr. Li, when you got a noncompliance, how was</p> <p>13 AlphaBow addressing that noncompliance or those</p> <p>14 noncompliances? What was the process?</p> <p>15 A Our compliance office actually makes some spreadsheet</p> <p>16 and to track every noncompliance issue and with the</p> <p>17 detail who's -- who's responsible and the deadline of</p> <p>18 the follow-up and what action had been taken, what</p> <p>19 needed to be done for next step. This is our tracking</p> <p>20 issue spreadsheet.</p> <p>21 Q So you're not ignoring them; you're saying, Here's the</p> <p>22 noncompliance, here's what happened, and here's what</p> <p>23 we're doing?</p> <p>24 A Yes.</p> <p>25 Q Let's run through these.</p> <p>26 There's advice that D60 initiative is falling</p> |

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| 173 | <p>1 short of the 137 sites due to issues with the</p> <p>2 scheduling services. What's that all about?</p> <p>3 A MR. IRONSIDE: I can comment.</p> <p>4 Q Please do.</p> <p>5 A So Directive 60 is related to emissions. And under</p> <p>6 Directive 60, this probably relates to the methane --</p> <p>7 fugitive methane issues and methane reports. And it</p> <p>8 was very, very difficult and -- and remains very, very</p> <p>9 difficult to get service providers that do the -- that</p> <p>10 can -- that can actually scan for the fugitive methane.</p> <p>11 So I believe that what was going on here is it was</p> <p>12 difficult to get the service provider that can scan for</p> <p>13 the emissions.</p> <p>14 Q And was advised in connection with what you've, in</p> <p>15 fact, done, Mr. Li? That is, in 2023, you're aiming</p> <p>16 for 243 site visits; you'd completed 55 already?</p> <p>17 A MR. LI: Yes.</p> <p>18 Q And you were completing casing vent flow surveys. What</p> <p>19 are those?</p> <p>20 A It's just a, you know -- the key thing -- some -- some</p> <p>21 of the well probably have -- you know, have some of</p> <p>22 the --</p> <p>23 THE COURT REPORTER: Excuse me. Sorry, sir.</p> <p>24 A MR. LI: Sorry.</p> <p>25 THE COURT REPORTER: I lost track there. Can you</p> <p>26 start again? "Some of the"?</p> | 174 |
| 175 | <p>1 the D17 relates to.</p> <p>2 Q Okay. And that you reported that the EPAP, E-P-A-P,</p> <p>3 audit has been completed. Do you know what "EPAP"</p> <p>4 stands for?</p> <p>5 A MR. LI: I don't know.</p> <p>6 Q Okay.</p> <p>7 Mr. Ironside, do you know? I'm not sure I do</p> <p>8 either.</p> <p>9 A MR. IRONSIDE: I don't know exactly what the</p> <p>10 acronym stands for, but I know that it relates to the</p> <p>11 matters of measurement and production accounting</p> <p>12 reporting, and, you know, the EPAP is a -- is a process</p> <p>13 that companies go through to double-check their</p> <p>14 measurement and their accounting reporting of</p> <p>15 production.</p> <p>16 Q And there's advice down at the bottom, the bullet</p> <p>17 point: (as read)</p> <p>18 Serious SCVF. And then two out of the three</p> <p>19 have been dealt with, and the landowner</p> <p>20 wasn't allowing access.</p> <p>21 And I understand, Mr. Ironside, that you, in fact,</p> <p>22 addressed this later on in your May analysis; is that</p> <p>23 right.</p> <p>24 A No. In -- in the -- in the latest correspondence we</p> <p>25 had with the AER, when -- when we were requested to do</p> <p>26 inspection, I addressed this because we received a --</p> | 176 |

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| <p style="text-align: right;">177</p> <p>1 black bullet point. It says: (as read) 2 Lonny: As mentioned in a previous meeting, 3 the AER stated that there was a pattern of 4 noncompliance with suspended sites and the 5 need for ABE to be more proactive. 6 And the response is: (as read) 7 At the last meeting, the response was bad and 8 slow. In the last six months we've been very 9 diligent and thinks everything has been met 10 in a timely fashion. Operations work has 11 been responsive and completed. 12 Did the AR -- or did the Alberta Regulator or Energy 13 Regulator state that that was accurate or inaccurate, 14 or did they accept that advice, as far as you know? 15 A MR. LI: They didn't -- they didn't say 16 anything to -- at that time. 17 Q Okay. 18 A So to me, they accept it. 19 Q And Darren from the AER says that he's seeing a 20 significant delay in release remediation. And then Jay 21 indicates that: (as read) 22 At the end of 2022, [you] had resource 23 constraints, services and environmental. 24 Ideally need to know what remediation issues 25 there are to proceed. Delays are also due to 26 weather.</p> | <p style="text-align: right;">178</p> <p>1 Did the AER indicate what issues it was being concerned 2 about? 3 A AER didn't imagine the detail in that meeting, but I 4 believe it was related to some skill set. 5 Q So you remember back in July of 2022, on the 28th of 6 July, Mr. Callicott basically suspended your 7 eligibility. He limited AlphaBow from doing a lot of 8 things. Do you see that? 9 A Yes. 10 Q And then there's advice. Tyler says: (as read) 11 The expectations to regain eligibility 12 include an improvement in ABE's overall field 13 compliance rate. The AER is not seeing 14 improvement. Quarterly financial statements 15 have not been submitted, and [he's] not 16 receiving monthly written updates. ABE needs 17 reminders. 18 So what did you take away from that suggestion by 19 Mr. Callicott in connection with what you were doing 20 and what you had to do to regain eligibility status? 21 A To my will, I was thinking Mr. Callicott is -- want to 22 talk to us, say because we did mention to AER we really 23 want to -- to regain our eligibility to the -- to allow 24 us to drill the new well. In that meeting, 25 Mr. Callicott say, If you want to -- to regain your 26 eligibility, you need -- that's Callicott saying you</p> |
| <p style="text-align: right;">179</p> <p>1 got to need -- you got need to be done. Improve the 2 field compliance rate and submit financial statement on 3 time and submit your monthly update on time. 4 Q So Mr. Callicott's telling you here that if you do 5 these things, he's going to lift restrictions. Does he 6 say, And by the way, if things don't change, I'm going 7 to issue an order? 8 A He never mentioned. 9 Q And Jay responds to Tyler's suggestions, and you'll see 10 here that there is some highlighted material with lines 11 stroked through it. Can you tell me what this is all 12 about, that is, why do these minutes appear in this 13 fashion? Are these comments which were added by ABE 14 after it got the materials? 15 A It's not to be added. That's the one being crossed 16 over that didn't -- submitted January, February, and 17 that's been crossed -- 18 THE COURT REPORTER: I'm sorry. I have to 19 interrupt you again. Can you start over? 20 A MR. LI: Sure. That say -- that word 21 say didn't submit in January -- January and February 22 update. 23 Q MR. STAPON: So if I can stop you there. 24 That was what the original minutes said? 25 A Yes. And the -- the AlphaBow crossed it because this 26 is not exactly happen during that meeting.</p> | <p style="text-align: right;">180</p> <p>1 Q So the advice is: (as read) 2 Jan update submitted mid month due to 3 year-end and time-off constraints. [And 4 there's a request] Please confirm it was 5 received. 6 Who added those words? 7 A This is Jay. 8 Q That's Jay? 9 A Yes. 10 Q Okay. And it says that: (as read) 11 Included and dated in mid-January. And the 12 February update was not sent in. There was 13 not a lot accomplished between January 4 and 14 Feb 1. Can't provide an update by the 1st of 15 the month. Can provide updates on the 1st 16 but prefer to submit about the 10th to get 17 all month-end data captured. 18 Do you see that? 19 A Yes. 20 Q Did you receive any advice from the AER that, Look. 21 You know, if you can't capture all your data by the end 22 of the month, you can do it by the 10th of the 23 following month, or did they say, That's not 24 acceptable. We're insisting on month-end reporting at 25 the end of the month. What was the response to that 26 advice?</p> |

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| <p style="text-align: right;">181</p> <p>1 A There's no response at that time. 2 Q Okay. And there's advice that: (as read) 3 Amy can speak to field or speak to the 4 financial statements. 5 Is that right? 6 A Yes. 7 Q And we'll get to her before we move past this. 8 (as read) 9 Regarding field compliance, ABE is doing what 10 we can. Inspections seem more onerous than 11 for other operators. 12 Do you see that? 13 A Yes. 14 Q And there's a suggestion that this is nitpicking 15 issues, such as inadequate tags. And there's further 16 advice that: (as read) 17 The last inspection showed staining. 18 Normally, the first inspection in the spring 19 this isn't an issue. 20 And, Mr. Ironside, I wonder if you could address this 21 particular matter, because I understand you did later. 22 A MR. IRONSIDE: So -- sorry. So the tags 23 relate to identifying inspection points on compressors. 24 I went back and looked at that inspection and -- and so 25 that's what the tag comment related to. 26 And I'm pretty sure we were given a noncompliance</p> | <p style="text-align: right;">182</p> <p>1 for -- for not having those tags on a compressor. 2 With regard to staining, normally the first 3 inspection in the springtime, I think that that's a 4 normal practice that after -- you know, after spring 5 breakup, if you do have some kind of stains that show 6 up there, say, transported by -- by the melt or 7 whatever, that you would get around to it fairly 8 quickly to cleaning them up on your -- on your facility 9 sites, but I -- I think this is an appropriate comment 10 that normally these things happen in the spring, and 11 normally the AER doesn't make an issue of them that -- 12 that they get cleaned up. It's a seasonal thing. 13 Q Okay. We've got Mr. Callicott again saying -- or 14 asking, does ABE have the manpower and resources to 15 acquire and maintain operations and you respond. What 16 is your response, Mr. Li? 17 A MR. LI: I respond: (as read) 18 Have been spending most of the time on ABC 19 and abandonment program. And we been working 20 on the field operation next. The money is 21 not a problem. Have lots of capital 22 opportunities. 23 Q When you say money is not a problem, what were you 24 intending to convey there, or what did you convey? 25 A What we commit is money is not a problem for operation 26 and the compliance.</p> |
| <p style="text-align: right;">183</p> <p>1 Q Okay. So you -- were you saying that you had enough 2 money to pay for compliance, or what were you saying? 3 A Oh, yeah. That's what I say. We have the money to -- 4 to taking care of operation and the compliance issue. 5 Q Okay. And there's advice from Jay that there's been a 6 period of manpower transition; is that right? 7 A Yes. 8 Q And: (as read) 9 We've lost a lot of staff and capability in 10 the last six or seven months. 11 What was that all about? 12 A We have hired -- I cannot remember obviously -- the 13 seven to nine staff at that time in the past six to 14 seven months. We added. Not lost. 15 Q Okay. And he indicated that you'd been short for about 16 five months, but that you were now up to speed? 17 A Yes. 18 Q And why was it that you're up to speed, or how was it 19 that you're up to speed? 20 A You know, as we said, they -- we -- we increased our -- 21 let's put it that way. So our production increased, 22 our -- our revenue increased and we -- at that time, 23 half of 2022 ARO liability abandonment is pretty much 24 done. That's where we put more resource behind the -- 25 the -- behind the operator to taking care of the field 26 operation and compliance.</p> | <p style="text-align: right;">184</p> <p>1 Q And there's a bullet point: (as read) 2 Amy, who is new to the role, is behind the 3 financial statements. She's trying to catch 4 up on all regulatory filings. 5 What's that all about? 6 A You're asking me? 7 Q Yes. 8 A Oh. We hired -- we hired Amy as a financial manager at 9 that time. 10 Q Well, you actually brought her to the meeting, did you 11 not? 12 A We did. 13 Q Okay. And she indicated that she was a bit behind on 14 financial statements, and she was catching up on the 15 regulatory filings? 16 A Yes. 17 Q Okay. And here indicated that: (as read) 18 She received June financial statements but 19 not a particular schedule. 20 Is that right? 21 A Yes. 22 Q And Amy indicated that she was catching up on 23 December 22 and that she would submit Schedule 3 for 24 June; is that right? 25 A Yes. 26 Q Okay. And there's a further request that ABE needed to</p> |

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| <p style="text-align: right;">185</p> <p>1 submit September interim financial statements as well; 2 is that right? 3 A Yes. 4 Q Okay. When were those going to be due? 5 A September is -- is normally due by the end of the 2022. 6 Q Okay. Lonny indicates or asks whether or not there's 7 any updates regarding payments to municipalities and 8 landowners. And what is your response in that regard? 9 A My response is settling with the special area. 10 Q So if I can stop you there. What do you mean "settling 11 with special areas"? Please explain. 12 A Special areas is a municipal county on the east of 13 Calgary. So we made agreement with them under monthly 14 payment plan. 15 Q Okay. And you say that: (as read) 16 There's a rough agreement with Flagstaff. 17 What's all -- what's that all about? 18 A At that time, we was in the negotiation with Flagstaff 19 County. 20 Q Okay. 21 A We already reach agreement on the -- because it's a 22 major point, but the agreement hadn't been finalized 23 yet. 24 Q You indicate that you made payments to Provost and 25 Ponoka. What's that all about? 26 A Provost and Ponoka, that's the key county for</p> | <p style="text-align: right;">186</p> <p>1 production of AlphaBow, so we made a payment to these 2 two county to -- yeah, to update the other municipal 3 tax for 2022. 4 Q And Jay indicates that you: (as read) 5 Paid full taxes last year and some 6 incremental for most counties. 7 What's that all about? Please explain to the Panel 8 what you had done in that regard. 9 A That means for the 2022, for the -- for -- for the -- 10 for some key county, that means that our -- most of the 11 production is located on the area; we update our 12 payment for -- property tax payment for 2022. 13 Q Okay. And there was a request for payments up to date 14 for production sites or for producing sites, and you 15 respond. What do you respond? 16 A Yes, for the producing assets. And then they usually 17 deal with other counties. 18 Q All right. So are you -- are you talking about the 19 same thing there, or that -- is that something 20 different from what we've just discussed? 21 A Yes, for the producing assets, really, the same thing 22 as I just mentioned. And I negotiated deal with other 23 counties. This is a county. It's not a key -- it's 24 not a key county for us on the production side. But we 25 still try to reach the settlement -- a payment plan 26 with them to taking care of the municipal tax.</p> |
| <p style="text-align: right;">187</p> <p>1 Q Okay. Then we get into the PowerPoint presentation 2 that you're putting together with respect to your asset 3 retirement obligations. Who runs that for you? 4 A Jeff Ji. 5 Q Okay. That's your asset retirement specialist? 6 A Yes. 7 Q And there's advice right through the presentation. Did 8 he do that, or did everyone in the room do it? What 9 happened? 10 A He -- Jeff drives through the presentation. At the 11 same time, answers the question from AER staff. 12 Q Okay. And there's advice: (as read) 13 Transfer of wells in-house is the transfer of 14 stranded well for Bitcoin mining. 15 What's that all about? 16 A We have some well where we lost the mineral rights -- 17 the mineral rights expired. So we have two choice. 18 Either we abandon or we -- we get the mineral right 19 back. 20 Q Okay. 21 A There's some Bitcoin company -- they come to us and say 22 they want to get the mineral right -- the -- the 23 mineral right back. And they use this well as -- to 24 producing the gas and do the Bitcoin mining. 25 Q So the -- by the way, Bitcoin mining -- what occurs, as 26 I understand it -- correct me if I'm wrong -- is that</p> | <p style="text-align: right;">188</p> <p>1 they take production gas, they run a generator, the 2 generator, in fact, does the electricity to run the 3 computers which do the Bitcoin mining. Is that -- 4 A Yes. 5 Q Okay. So what happens, then, when you transfer the 6 well to the Bitcoin miner? What happens to the 7 abandonment liability? 8 A Once we transfer the well to the Bitcoin mining 9 company -- so before the transfer, AER will evaluate 10 the situation. A lot of time AER will request the 11 Bitcoin mining company to put a security to taking care 12 of the future ARO liability. 13 Q And if you go over to the next page -- that's 14 number 26 -- in connection with this, you'll see that 15 there's advice from Ryan asking you -- if you can 16 explain the discrepancy between the number of pipeline 17 abandonments in the presentation and the presentation 18 in November. Do you see that? 19 A (INDISCERNIBLE) 20 THE COURT REPORTER: Sorry. Sorry. I didn't 21 understand that. 22 A MR. LI: Okay. Sorry. I'm just 23 reading. 24 Yeah. I saw it. 25 Q MR. STAPON: So Ryan is saying, Look, there 26 seems to be a discrepancy between what you're telling</p> |

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| <p style="text-align: right;">189</p> <p>1 us then and now. What is AlphaBow's response?</p> <p>2 A Sorry. Are we talking about this first -- the pipeline</p> <p>3 issue or the well difference?</p> <p>4 Q Well, the number of pipeline abandonments, and he's</p> <p>5 asking why there's a difference.</p> <p>6 A We did presentation on November 2022 on how many</p> <p>7 pipeline we're going to abandon in SR -- SRP program.</p> <p>8 By -- by March of -- March 7 of 2023, some pipeline is</p> <p>9 not being -- supposed to be abandoned, but for some</p> <p>10 kind of reason, it's not being abandon. That's why</p> <p>11 there's number difference there.</p> <p>12 Q And did you explain the differences?</p> <p>13 A Jeff did.</p> <p>14 Q Okay. And what was the explanation?</p> <p>15 A It's -- for example, that's -- some pipeline we was</p> <p>16 original in the SRP schedule supposed to be abandoned,</p> <p>17 and we also gather the funding from the federal</p> <p>18 government. But later, AlphaBow chooses not abandon</p> <p>19 because we think in that area still have a potential to</p> <p>20 reactive [sic] more well to use this pipeline to</p> <p>21 generate more income.</p> <p>22 Q Okay.</p> <p>23 A That's how we not take SRP --</p> <p>24 THE COURT REPORTER: Sorry. Say that again.</p> <p>25 "That's how we" --</p> <p>26 A MR. LI: Oh. That's why we decided not</p> | <p style="text-align: right;">190</p> <p>1 use the SRP funding to abandon, even though we got</p> <p>2 approve.</p> <p>3 Q MR. STAPON: And there's discussion with</p> <p>4 Ryan again regarding your plans concerning landowner</p> <p>5 issues. Do you see that?</p> <p>6 A Yes.</p> <p>7 Q What was that all about, and what was your response?</p> <p>8 A What we -- before we go into the wellsite of facility</p> <p>9 to do the abandon work, we need to send a notice to the</p> <p>10 landowner to get access to it. Because AlphaBow owed</p> <p>11 some landowner the -- for the services rental -- so</p> <p>12 some landowner will block access to the site. So</p> <p>13 that's the problem for us.</p> <p>14 Q And you state that you're trying to negotiate those.</p> <p>15 What do you mean by that?</p> <p>16 A We were hiring some people to talk to them one by one,</p> <p>17 and some of them say until they get paid they will not</p> <p>18 let AlphaBow to access the site to do the cleanup, but</p> <p>19 we did work very hard to get this done.</p> <p>20 Q Okay. And what was the response of the Alberta Energy</p> <p>21 Regulator to those difficulties?</p> <p>22 A No response.</p> <p>23 Q Okay. Ryan also asked you what your plans were</p> <p>24 regarding those landowner issues, and did you say what</p> <p>25 your plans were?</p> <p>26 A For the landowner issues, the only thing we can do is</p> |
| <p style="text-align: right;">191</p> <p>1 talk to -- to them very patiently and explain our</p> <p>2 situation. Even we hired the -- Jeff, and we have</p> <p>3 another lady, Ivy, the -- all the call at the time.</p> <p>4 Even myself, I got, like, 20, 30 landowner. I call</p> <p>5 them, talk to them by myself to try to convince them to</p> <p>6 let us to have access to the site to clean up the well</p> <p>7 for them. It take a lot of time, a lot of work.</p> <p>8 Q Okay. Now, Jeff next goes back to the presentation,</p> <p>9 "Showing an increasing LMR". Does that mean that the</p> <p>10 LMR ratio was getting better or worse?</p> <p>11 A It's getting better. As I said before, LMR is an issue</p> <p>12 between the deemed assets and the deemed liability. So</p> <p>13 we was April 2022. We was 0.85 percent. In that</p> <p>14 meeting, March 7, 2023, we increased to 0.93. And</p> <p>15 during that meeting, we also mention to the ASA we</p> <p>16 believe we need another 12 or 15 months probably going</p> <p>17 to reach the magic number 1. That's means our deemed</p> <p>18 liability and deemed assets is kind of equal.</p> <p>19 Q All right. And then we've got Kara indicating that she</p> <p>20 believes there's no corporate governance without a CFO</p> <p>21 or a financial executive, and she asks whether or not</p> <p>22 ABE's shareholders are concerned about the level --</p> <p>23 level of oversight. Do you respond?</p> <p>24 A We was trying to rescue -- recruit a new VP finance.</p> <p>25 Right now we're hired Amy. We're very satisfied with</p> <p>26 what she'd done, and so we stopped hiring.</p> | <p style="text-align: right;">192</p> <p>1 Q Okay. So you were satisfied with Amy's work. We've</p> <p>2 already indicated or seen earlier in the notes that</p> <p>3 there's advice that she's catching up on December 22,</p> <p>4 and there's also a request that she files the past</p> <p>5 September statements. She says she's doing regulatory</p> <p>6 filings as well. Can she keep up?</p> <p>7 A We believe she can do that.</p> <p>8 Q And we'll ask her whether she thinks she could as well</p> <p>9 when we get to her. So Amy's there, and then there's</p> <p>10 advice that Amy indicates that they're trying -- you're</p> <p>11 trying to hire some new roles; is that right?</p> <p>12 A Yes.</p> <p>13 Q One of the things that Kara asks you is whether or not</p> <p>14 you'd actually considered ever getting audited</p> <p>15 financial statements.</p> <p>16 A They didn't ask during that meeting.</p> <p>17 Q Well, no. She asks whether you'd consider getting</p> <p>18 them. There's a difference between --</p> <p>19 A Oh.</p> <p>20 Q (as read)</p> <p>21 Has ABE considered audited financial</p> <p>22 statements for governance?</p> <p>23 Do you see that?</p> <p>24 A So what's your question about it?</p> <p>25 Q Well, did you think that ABE actually required audited</p> <p>26 financial statements?</p> |

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| 193 | <p>1 A It's -- actually it's very tough for us to have the 2 audited financial statement at this time. One of 3 the -- one of the reason is about -- is about money, 4 because 'A' -- ABE haven't have the audited financial 5 statements for years. So I'm not expertise on the 6 accounting side, but I understand a little bit. If you 7 want to have audited financial statement, you have a 8 lot of people work. Everything need backup. A lot of 9 things over there.</p> <p>10 If the company have -- like, every year they have 11 audited financial statement, probably take -- costs 12 them like \$100,000 every year. But for us, we haven't 13 have it for long time, so we need to go back and 14 prepare everything. That's easily cost us, like, 500, 15 \$600,000 and a lot of time to prepare.</p> <p>16 So on the money side, we more prefer to use this 17 money to spend on the compliance issue, and on the 18 timing side -- Amy's new -- new to the company. She 19 tried to catch up every requirement by the AER, so it's 20 difficult -- it's tough for us to go get a third party 21 to audit the whole thing for last couple years. That's 22 why we were not prefer to go that way.</p> <p>23 Q And was there any request by your shareholders to say, 24 Look, I'd like to see audited financial statements or 25 otherwise?</p> <p>26 A There's no request. I -- I believe most of the private</p> | 194 | <p>1 oil and gas company in Alberta, they don't have audited 2 financial statements.</p> <p>3 Q We'll check with the AER regarding its knowledge in 4 that regard as well.</p> <p>5 But, Mr. Li, you also have some discussion in 6 connection with the ownership arrangements of AlphaBow. 7 And what do you tell the AER in connection with your 8 new ownership arrangement?</p> <p>9 A New ownership arrangement.</p> <p>10 Q There's a note that says -- it's under the bullet point 11 with Kara, and three bullet points below that, it says: 12 (as read)</p> <p>13 Ben, ownership change in 2020. 14 Do you have that?</p> <p>15 A Oh, yeah. Yeah.</p> <p>16 Q So what were you telling the AER at that time?</p> <p>17 A We told the AER, says -- because we have some -- we 18 have some impression AER has always thought that the -- 19 the AlphaBow is the same company as Sequoia.</p> <p>20 Q Okay.</p> <p>21 A So I told ASA at that time --</p> <p>22 Q If I can stop you for a moment. Did Sequoia walk away 23 from its obligations?</p> <p>24 A Yes.</p> <p>25 Q Thank you.</p> <p>26 Please continue.</p> |
| 195 | <p>1 A So I don't know a lot of history of Sequoia. As I 2 said, I'm -- I was not involved in oil and gas before 3 2022, but I did know the new owner of the AlphaBow to 4 purchase this company in late of the 2020.</p> <p>5 Q Yes.</p> <p>6 A Okay? From the pre-owner. And at that time, Quan Li 7 was appoint as the CEO, replace Marshall. So that was 8 sent to shareholder to replace Quan Li to dealing with 9 the financial distress issue.</p> <p>10 Q So what were you trying to explain to the AER there?</p> <p>11 A I was trying to explain to AER, say, you know, This is 12 the new owner for the company. We try our best to 13 catch up everything. Okay? Financial -- financially 14 we are still struggling. Okay?</p> <p>15 Q Yes.</p> <p>16 A But it's not impact -- not the cost issue of operation 17 and the compliance side. We also tried our very best 18 to meet this requirement of the mandatory spending that 19 we did. So we also -- we also -- in -- in that 20 meeting, AER also have a concern about it; say 2022, 21 how come your income is -- is -- because 2022, the 22 oil and -- the oil and gas price is pretty good. They 23 was concerned about, say, How come your revenue not 24 increased that much? Okay? I'm not sure that in their 25 mind they may sort of thought, How come the revenue not 26 increased? Maybe some fraud is there? I'm not sure</p> | 196 | <p>1 about that. But I did tell them, Is it because in the 2 late of the 2021, the company did hedge for the oil and 3 the gas.</p> <p>4 Q So what sort of hedges did the company put on?</p> <p>5 A The company pretty hedge about 75 percent of the oil. 6 The hedge on \$70. So the hedge come off on the end of 7 the September for the oil. And also the company hedge 8 the gas is around three -- a little bit over \$3, and as 9 the gas price -- the gas -- the hedge come off in 10 October 2022.</p> <p>11 Q All right.</p> <p>12 A So that's why AlphaBow obviously lost around 13 \$15 million on hedge.</p> <p>14 Q And so --</p> <p>15 A On hedge on the market price.</p> <p>16 Q When you were -- under your watch as CEO, did you hedge 17 at all?</p> <p>18 A I did some hedge on the gas for the winter of the 2022. 19 My average price, it's about over \$6.</p> <p>20 Q So you hedged at 6. What was the prior hedge at?</p> <p>21 A A little bit over 3.</p> <p>22 Q Okay.</p> <p>23 A So we did pretty good on the wintertime.</p> <p>24 Q Did you hedge in oil or not?</p> <p>25 A I didn't hedge on the oil.</p> <p>26 Q Okay. And Kara asked whether there was any pressure</p> |

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| 197 | <p>1 from the shareholder to obtain an audit, and you</p> <p>2 indicated that there was no pressure.</p> <p>3 You were given a reminder -- pardon me. There's a</p> <p>4 reminder in this note. Can you tell me whether there</p> <p>5 was any discussion about these reminders during the</p> <p>6 course of the meeting, or were these notes added after</p> <p>7 the fact?</p> <p>8 A This reminder hadn't got discussed during the meeting.</p> <p>9 Q So there -- there was no discussion during the meeting</p> <p>10 about these issues; this was just a note from the AER</p> <p>11 regarding a reminder?</p> <p>12 A Yes.</p> <p>13 Q Let's take a look at them. It says: (as read)</p> <p>14 All regulatory deadlines are firm. Failure</p> <p>15 to meet the deadline could result in</p> <p>16 regulatory action.</p> <p>17 Do you see that?</p> <p>18 A Yes.</p> <p>19 Q It says that: (as read)</p> <p>20 LMR is no longer the main assessment piece.</p> <p>21 Directive 88 holistic assessment is of</p> <p>22 greater importance as LMR above 1.0 does not</p> <p>23 mean AER views AlphaBow as lower risk.</p> <p>24 Was there any discussion about that during the meeting?</p> <p>25 A Not to my memory.</p> <p>26 Q There's a further reminder that all closure spending</p> | 198 | <p>1 must be reported in OneStop before March 31st, 2023.</p> <p>2 Do you see that?</p> <p>3 A Yes.</p> <p>4 Q And SRP funding should be reported but does not count</p> <p>5 towards the mandatory spending target. Do you see</p> <p>6 that?</p> <p>7 A Yes.</p> <p>8 Q Was there any discussion about that, or was this just a</p> <p>9 reminder in the notes?</p> <p>10 A This last two is -- it's the -- it's something we</p> <p>11 already know about.</p> <p>12 Q And so this is a long meeting. It's March 7th. It's</p> <p>13 an ordinary quarterly meeting. Is there any suggestion</p> <p>14 whatsoever that AlphaBow was at risk of being asked to</p> <p>15 put up \$15 million or -- or is subject to an RCAM</p> <p>16 order?</p> <p>17 A No. It never have any indication that we asked for</p> <p>18 \$15 million security deposit.</p> <p>19 Q What was your view of how the meeting went after you</p> <p>20 attended it, if it was good or bad or positive,</p> <p>21 negative? What was it?</p> <p>22 A Actually, I was pretty happy at that time. I thought</p> <p>23 we were doing good and AER is happy, so ...</p> <p>24 Q And had you met your mandatory spending?</p> <p>25 A We did.</p> <p>26 Q Did you meet discretionary spending? Did you spend</p> |
| 199 | <p>1 more than you had to for closure work?</p> <p>2 A For 2022 our mandatory spending package is</p> <p>3 \$4.88 million.</p> <p>4 Q Yes.</p> <p>5 A We overspend it, and we spend \$6 million.</p> <p>6 Q So you actually spent more than you were obligated to</p> <p>7 spend?</p> <p>8 A Yes.</p> <p>9 Q Was there discussion about whether you would be able to</p> <p>10 meet your 2023 spend?</p> <p>11 A We did thought 2023 is no problem. We're going to meet</p> <p>12 our target.</p> <p>13 Q You're having discussion with the AER about, Look,</p> <p>14 we're getting close to our LMR 1. Was that something</p> <p>15 that you were hopeful of achieving?</p> <p>16 A Yes.</p> <p>17 Q Did you view that to be positive or negative?</p> <p>18 A We think it is positive.</p> <p>19 Q And did the AER ever tell you that, Look, we're going</p> <p>20 to do a holistic assessment of you, very different from</p> <p>21 this prospect, and we're thinking of doing it this</p> <p>22 month?</p> <p>23 A They never told me.</p> <p>24 Q You had a discussion with Mr. Callicott, saying, Look,</p> <p>25 if you want to get out of restrictions in connection</p> <p>26 with what you need to do or what you can do, here 's</p> | 200 | <p>1 what you need to do, and that is, to regain</p> <p>2 eligibility, you've got to have increasing field -- or</p> <p>3 field compliance, you should submit quarterly financial</p> <p>4 statements, and you should submit monthly updates. Did</p> <p>5 you believe that to be a positive or a negative comment</p> <p>6 in connection with AlphaBow's performance that you</p> <p>7 might be able to get out of this?</p> <p>8 A I think pretty positive because it means if we do this</p> <p>9 couple more things, we probably can drill the new well</p> <p>10 in the near future.</p> <p>11 Q Okay. And was there anything that you were told, Look,</p> <p>12 AlphaBow better do this or this or this or this within</p> <p>13 this time frame, failing which we're going to have to</p> <p>14 take some significant regulatory action?</p> <p>15 A Nobody -- nobody mentioned this to me.</p> <p>16 MR. STAPON: Members of the Panel, I think</p> <p>17 we're going to switch next to give some financial</p> <p>18 evidence in connection with what was being done with</p> <p>19 the finances at AlphaBow. I can start that process.</p> <p>20 It's not quite the time which you picked for a break,</p> <p>21 but we could take one now if the -- if it's convenient</p> <p>22 to the Panel. It's up to you.</p> <p>23 THE CHAIR: Do you need a -- do you need a</p> <p>24 break to</p> <p>25 MR. STAPON: I do not need a break.</p> <p>26 THE CHAIR: -- work it out?</p> |

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| <p>1 No. Then we will continue till 20 past 5 before 2 we go on our break. 3 Q MR. STAPON: Mr. Li, I'm going to go back 4 in time to page 182 in Exhibit 8.01. 5 A MR. LI: Which one? 6 A MR. IRONSIDE: Just wait till they bring it 7 up. 8 Q This is an email from yourself to the attention of 9 Mr. Olsen that's dated December -- or a report for 10 December 2022, and it's dated January 12th, 2023. Do 11 you see that? 12 A MR. LI: Yes. 13 Q It indicates: (as read) 14 Please find the attached report for 15 December 2022. 16 Do you see that? 17 A Yes. 18 Q And if you go over to the next tab, that's Document 19 183. Is that the report that you were putting into 20 place to approve compliance? 21 A Yes. 22 Q And can you tell the Court -- or the Panel what you 23 were doing in that regard? 24 A This is a monthly report that talk about LMR issue. 25 Q Yes. 26 A You can see in the December -- in the December 2022 of</p> | <p>1 deemed assets is \$240 million, of deemed liability, 2 \$231 million, so our -- our LMR is 0.92. You can see 3 the trend is, you know, is getting improve our LMR. So 4 our production on the site, November is 4,500, December 5 is 4,300 BOE -- BOE a day. Active well count is 953 6 well. 7 THE COURT REPORTER: Sorry. What's the number? 8 A MR. LI: 953 well -- active well. And 9 the next we talk about D60 -- D60 initiative. It's 10 more like the emission report kind of stuff, fugitive 11 emissions report that we already -- we already address 12 it. But we did a report, say, which -- how many survey 13 already been done? So you can see the number. On 14 December 2022, the total reported was the cited survey. 15 It's the 137. The total high -- high-bleed device 16 change-out -- 17 THE COURT REPORTER: Sorry. Total what? 18 A MR. LI: High-bleed. 19 THE COURT REPORTER: Hybrid? 20 A MR. LI: High-bleed device change-out. 21 A MR. IRONSIDE: Bleed. 22 MR. STAPON: Bleed. 23 A MR. LI: High-bleed. 24 THE COURT REPORTER: Oh. Thank you. 25 A MR. LI: Yeah. Is 129, 2022 program 26 complete. So 2020 message reporting complete. 2021,</p> |
| 203 | 204 |
| <p>1 message reporting complete. We also talked about some 2 overdue inspection report. Most of the D13 is related 3 to the D13. So we reported them every month the well, 4 the -- yeah, some overdue inspections report number. 5 Q MR. STAPON: I'd like you to look at the 6 next page of that -- it's page 184. It's very, very 7 tiny writing. But if you can tell the Panel what this 8 is, Mr. Li, that is -- 9 A This is an identified issue tracker and AlphaBow send 10 it to the AER. 11 Q So you've spoken already about what you identified your 12 issues as being and how you recorded them and how you 13 reported them. Is that what this document is? 14 A Yes. 15 Q And take the Panel through, for example, what you're 16 telling the AER in connection with each issue. It's 17 Item 1. What does that mean? The first item on the -- 18 on the list. 19 A The Item 1 is "AER-Cited Issue". 20 Q Okay. So you number each issue that the AER cites; is 21 that right? 22 A Yes. Yes. 23 Q What's the next column? 24 A Next column is "AlphaBow's Response". 25 Q Okay. And there's something that says "Sub", I think. 26 Let's see if I can read this one. What does the "Sub"</p> | <p>1 column -- S-U-B column -- mean? 2 A S-U-B. It's a ... 3 A MR. IRONSIDE: There's -- there's more than 4 one issue for inspection -- 5 THE COURT REPORTER: Sorry. I can't hear you. 6 A MR. IRONSIDE: I'm just telling -- 7 THE COURT REPORTER: I have to hear you. 8 A MR. LI: It's more issue -- more than 9 one issue on the -- on the one inspection. 10 Q MR. STAPON: All right. And then there is 11 advice regarding the type of issue identified by the 12 AER; is that right? 13 A Yes. 14 Q So what does that tell this Panel? 15 A Okay. That you talk about the issue identified by the 16 AER. 17 Q All right. So this identifies what the AER's concern 18 was in its inspection; is that right? 19 A It's not only inspection, but it's all the concern 20 listed by AER, including inspection. 21 Q And then there's advice regarding AlphaBow's response. 22 So you tell the AlphaBow -- or you tell the AER what 23 you're doing each -- in connection with each of these; 24 is that right? 25 A Yes. 26 Q And then there's a -- advice -- date requested -- or</p> |

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1 date resolved?
 2 A Date is resolved.
 3 Q Okay. So let's take a look at the top one. It says,
 4 "Date resolved, October 22". And what does that mean?
 5 If you look back, it says: (as read)
 6 August, September, October, November,
 7 December. [So we have] Planning stage,
 8 planning stage.
 9 What does that mean for August and September?
 10 A That means that in August and September we're in the
 11 planning stage to resolve the issue, but by the end of
 12 October 2022, the issue has been resolved.
 13 Q Okay. And that's the case for each and every issue
 14 that's identified by the AER, to your knowledge?
 15 A Yes.
 16 Q So you're indicating here's the issue, here's what
 17 we're doing, here's our timeline?
 18 A Yes.
 19 Q And how many of them were resolved, and how many remain
 20 unresolved so the four months out? This is from the
 21 August inspection process -- or the August discussions.
 22 A I don't -- sorry. I don't have the exact amount.
 23 Q There's only -- how many are in progress still? Three
 24 ?
 25 A From this page usually showing --
 26 THE COURT REPORTER: Sorry. "From this page" what?

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1 of the Panel, indicate your experience with respect to
 2 financial accounting in the oil and gas industry.
 3 A MS. ZHANG: Oh, okay. I graduated the
 4 U of C with a bachelor of commerce, and then I went on
 5 to work at Encana, Cenovus for 18-and-a-half years, and
 6 then I started working for AlphaBow. So in total,
 7 20 years oil and gas experience. I have -- I also have
 8 a designation.
 9 Q What designation do you have?
 10 A It would be CPA.
 11 Q CPA, and -- so you worked for Encana and Cenovus for
 12 how long?
 13 A 18-and-a-half years.
 14 Q What was your job with Cenovus and its predecessor,
 15 Encana?
 16 A I went through a few roles. I started the general
 17 accounting, and then I moved on to doing capital
 18 accounting and reporting and then operations accounting
 19 and reporting.
 20 Q All right. And what position did you ultimately obtain
 21 in the Encana, Cenovus organization?
 22 A My final position?
 23 Q Yes.
 24 A Operations accounting reporting.
 25 Q All right.
 26 And I wonder, for the benefit of the Panel,

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1 A MR. LI: From this attachment showing
 2 only one haven't been resolved at that time.
 3 Q MR. STAPON: If you go to the next page,
 4 you might count more.
 5 THE CHAIR: Mr. Stapon, the Panel has read
 6 these previously. Are there particular points you're
 7 wanting to draw our attention to?
 8 MR. STAPON: No. In fact, just to show
 9 there was, in fact, a process, and that they were
 10 working through a solution. If you've read these
 11 materials already, I will move on.
 12 THE CHAIR: Yes. We had indicated that at
 13 the start of the hearing.
 14 MR. STAPON: Okay. And I -- I may have
 15 missed that advice. Is it the case that the Panel has
 16 read all of the materials that have been put before it?
 17 THE CHAIR: Yes. That advice was provided
 18 to the parties ahead of the hearing.
 19 MR. STAPON: All right.
 20 Q MR. STAPON: On that basis, then, Mr. Li,
 21 I'd like to move on to a discussion in connection with
 22 what was occurring with respect to finances with
 23 respect to AlphaBow, and I'd like to address Ms. Amy
 24 Zhang. Or Zhang, more properly, is the proper
 25 pronunciation with respect to this.
 26 Ms. Zhang, I wonder if you would, for the benefit

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1 because oil and gas accounting is a fairly complex
 2 exercise, if you can indicate generally what an
 3 individual with your experience would do with respect
 4 to oil and gas accounting.
 5 A In the area that I was in for --
 6 Q Yes.
 7 A -- operations accounting, we would be -- we -- we'd
 8 have to analyze all of the operational expenses. Well,
 9 because the company was so big -- sorry -- we -- we had
 10 a separate -- between the different properties. So I
 11 handled probably the bigger -- biggest properties in
 12 Cenovus which is Austin Creek/Christina Lake, and we
 13 would analyze all of the different drivers --
 14 Q Yes.
 15 A -- for OPEX, so there would be, you know, a payroll.
 16 There's the work-overs, repair maintenance, all the
 17 different categories. We would -- in our monthly
 18 reporting -- or we would be in connection with
 19 operations a lot. We have to gather accruals just to
 20 make sure we line up our numbers at the end of the
 21 month so that they're very timely to provide management
 22 with analysis.
 23 Once the month-end rolls over, that's when we do
 24 all our analysis. Our analysis will provide valuable
 25 metrics, you know, cost per BOE and all -- and then
 26 analysis against previous months by year and so forth.

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| <p>1 And that would give insight to management on making 2 their decisions.</p> <p>3 Q So, Ms. Zhang, in connection with AlphaBow, how did it 4 come to pass that you joined the corporation?</p> <p>5 A A recruiter approached me, and, at that time, I was 6 looking for something with more of a flexible schedule, 7 and so he approached me and introduced me to AlphaBow.</p> <p>8 Q So I take it you had occasion to meet with Mr. Li; is 9 that fair?</p> <p>10 A Yes.</p> <p>11 Q What advice did Mr. Li give you in connection with what 12 he was looking for and how it should be done at 13 AlphaBow?</p> <p>14 A Well, Ms. -- or Mr. Li instructed me to, you know, get 15 everything in order. We're -- they're -- they need to 16 get caught up. So do you want me to list all the 17 things I've done or ...</p> <p>18 Q Well, let's start with this, then: Obviously you 19 couldn't do this alone. Is that fair?</p> <p>20 A Yeah.</p> <p>21 Q What was your team?</p> <p>22 A Okay. So my team, I had a AP, and then at that time, 23 we didn't have AR, so then that was one of my first 24 things to do. I hired an AR.</p> <p>25 Q And if I could stop you for a moment.</p> <p>26 A Sorry. Accounts receivable and accounts payable.</p> | <p>1 Q Thank you.</p> <p>2 AP is accounts payable?</p> <p>3 A Yeah.</p> <p>4 Q Please continue.</p> <p>5 A And we had three production accountants for joint 6 venture. We had a joint venture equalization, we had 7 also a joint venture rep -- or joint venture to handle 8 disputes, so there's three in joint ventures. We had a 9 lady that did the marketing also. We also had a joint 10 venture rep.</p> <p>11 Q Joint venture which?</p> <p>12 A A representative.</p> <p>13 Q All right. And so what was your job to be in 14 connection with working with and managing that team?</p> <p>15 A My job was then to ensure that all the processes were 16 in place so that everything was running smoothly and 17 that we have good, reasonable financial statements and 18 numbers.</p> <p>19 Q When did you actually step into the job?</p> <p>20 A I guess October 31st, so I'll say November.</p> <p>21 Q So --</p> <p>22 A October 31st was my first day.</p> <p>23 Q We heard that there were -- was a departure of a 24 previous vice president of finance?</p> <p>25 A Yes. Sarah Li.</p> <p>26 Q Was there any communication between you and Ms. Li with</p> |
| 211 | 212 |
| <p>1 respect to the handoff?</p> <p>2 A No, 'cause she left in August, and I didn't start until 3 November.</p> <p>4 Q All right. So when you started, what shape were the 5 books and records of the company in from an accounting 6 perspective?</p> <p>7 A It was behind. They were behind on their income tax 8 filing. So I had them filed up to date. I had to do 9 two years of it. I had their GST filed up to date. 10 Freehold mineral tax unit files were not -- the 2020 11 wasn't completed, so by March, I had both 2020 and 2022 12 completed. And then during that time was all the -- 13 the regulatory filings that are required, like the T5s 14 and NR4s and everything, so I completed that at the 15 same time.</p> <p>16 Q Sorry. T5s and NR4s, what are those, just for the 17 benefit of the Panel?</p> <p>18 A Oh, those are basically, like, royalty income. You 19 have to file them to reflect that they received income. 20 And -- and NR4 is the nonresident ones. So they're not 21 in Canada, but that's outside of Canada; they're 22 nonresident.</p> <p>23 A MR. IRONSIDE: Those are CRA forms? 24 THE COURT REPORTER: Sorry. I can't hear you.</p> <p>25 A MR. IRONSIDE: Those are CRA forms?</p> <p>26 A MS. ZHANG: Yeah. With the -- yeah. That</p> | <p>1 I had to file with the government.</p> <p>2 Q MR. STAPON: And so in order to prepare 3 financial statements, do you actually have to book and 4 recognize all those payables and all that revenue in 5 order to properly prepare them?</p> <p>6 A Yes.</p> <p>7 Q So you had to do that before you could prepare a proper 8 financial statement?</p> <p>9 A Yes. So, for example, at year-end, we had to make sure 10 the books reflect our revenues and operating expenses. 11 So sometimes the invoice is not in, so at year-end, I 12 had to do accrual to account for all the operating 13 expenses.</p> <p>14 Q So in your review and management of the sort of past 15 books and records of AlphaBow, did you notice anything 16 unusual or improper when you were looking at what was 17 done and how it was done? Did you see anything that 18 struck you as improper?</p> <p>19 A No. They followed, you know, regular oil and gas 20 processes.</p> <p>21 Q Late, but --</p> <p>22 A But late, yes.</p> <p>23 Q So when did you first start to meet with the AER?</p> <p>24 A It was that first meeting. Was it --</p> <p>25 A MR. LI: November.</p> <p>26 A MS. ZHANG: November 22nd one.</p> |

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| <p>1 Q All right. So right after you were hired at the end of 2 the -- October, you were actually introduced to the 3 AER? 4 A Yes. 5 Q All right. Had you ever dealt with the AER in the 6 past? 7 A No. 8 Q Were -- were you authorized to have open communication 9 with the AER if they asked you questions or otherwise? 10 A I didn't -- actually, I don't know. I didn't really 11 have to talk to them. They needed the Directive 67. 12 Q Okay. I'd like to talk to you about the financial 13 controls within the organization because there has been 14 a suggestion in the AER materials that there was 15 perhaps a risk of fraud. Could you tell the Panel how 16 cash flow was managed within the AlphaBow business? 17 You've seen it. 18 A Okay. In the time that I've been with AlphaBow, I 19 don't -- I have not seen anything that crossed my desk 20 that would be fraud. Like, AlphaBow has some controls 21 on payments. 22 Q Let's talk about those controls, that is, what was in 23 place when you arrived, and did you change it at all? 24 So start with what you first found when you got there. 25 A Okay. Well, a lot of the stuff is automated. So we 26 use this in OpenInvoice. So most of our vendors would</p> | <p>1 submit them through OpenInvoice, and then it would go 2 through a approval matrix, so people at different 3 levels can approve up to certain amounts that are 4 qualified to approve for them. So, for example, Jay 5 can approve for 30,000 to 100,000 'cause he's the VP of 6 finance. And foremens can approve, depending on their 7 role, maybe up to 10,000. 8 Q Did you say VP of finance, or did you -- 9 A Sorry. Got that wrong. VP of operations, Jay. 10 Q Thank you. 11 So let's take the Panel through a process. I'm a 12 supplier, and I want to do business with AlphaBow or 13 AlphaBow calls me and asks me to do business. What 14 happens? 15 A So if they do a transaction with AlphaBow, they 16 would -- if they use OpenInvoice, they would submit the 17 invoice through to OpenInvoice. 18 Q And who would -- and what were the levels of approval? 19 Who could approve what type of invoices in the field? 20 A Generally for a foreman, it was about up to -- about up 21 to \$10,000; and then for an engineer, it's between 10 22 to 30,000; then for the VP of operations, it's about 23 30,000 to 100,000; and then Ben would be over 100,000. 24 Q So that's the initial stage of approval? 25 A M-hm. 26 Q That is that the contract comes in, and it requires an</p> |
| 215 | 216 |
| <p>1 approval process? 2 A Yeah. 3 Q What other controls were in place in connection with 4 AlphaBow to make sure that the money was properly 5 coming in and out and recorded? 6 A Oh. So when it goes through invoice -- OpenInvoice and 7 then once it gets approved by the proper people, 8 because operations knows the -- their work best, so 9 they would know best to approve it, then it would 10 automatically get -- once it's approved, it would 11 automatically get loaded into our Qbyte system, which 12 is our accounting system, and then once in the 13 accounting system, it's available to be queued up for 14 payment. 15 Q So if I can stop you there. What gets loaded up into 16 the Qbyte system? Is it the actual invoice, or is it a 17 direction to pay or a receivable? What -- what gets 18 put in? 19 A It would create that entry in the accounting system. 20 So, for example, if there is a expense in -- in the 21 field, it would -- it would, like, debit OPEX and then 22 credit AP. 23 Q And does it identify -- or does the Qbyte system 24 require an identification of who the vendor or supplier 25 is? 26 A Yes, it has all that information to load into the</p> | <p>1 system, including the entry -- the line items. 2 Q So then on a monthly basis -- or how often did AlphaBow 3 pay its bills? 4 A It was generally monthly, depending on what type of 5 bills. Like, for example, the contractor runs would 6 happen biweekly, so the -- there is different schedules 7 for different items. 8 Q So you've got a system that's loaded in Qbyte, and what 9 that system in Qbyte shows is who the vendor is or who 10 the supplier is and the amount. Does it show anything 11 else? 12 A Can you clarify, like, "anything else"? Like ... 13 Q I'm sorry? 14 A The coding? 15 Q Yes. Does it indicate what it's for or ... 16 A Yeah. And -- and the -- the vendor would also -- the 17 invoice is attached there. So the invoice would 18 provide all information. So when a vendor submits 19 something in OpenInvoice, they would have to attach 20 a -- a copy of the invoice for the -- the foreman or -- 21 or for the VP of operations to review and ... 22 Q So for every payable that's coming out of the company, 23 you can see what it relates to. Is that fair? 24 A Yes. 25 Q And who makes the decision of what to pay and when to 26 pay?</p> |

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| 217 | <p>1 A Generally for operations, the field staff, Jay, he</p> <p>2 would make the decision, and he would also review it</p> <p>3 with Ben.</p> <p>4 Q And what review would Ben have in connection with that</p> <p>5 exercise, or do you know?</p> <p>6 A What do you mean, what review would he have?</p> <p>7 Q That is, do Ben and Jay sit down and run through each</p> <p>8 check, or what happens in the ordinary course?</p> <p>9 A I think they sit together to determine what's the -- or</p> <p>10 what's the priority with payments.</p> <p>11 Q Okay. And in connection with the payments that you</p> <p>12 observed going through the system, did you ever see</p> <p>13 anything that you would regard as improper?</p> <p>14 A No. It hasn't come across my desk.</p> <p>15 Q Did you ever see a dividend payment of any sort -- a</p> <p>16 dividend going to either the director or to the</p> <p>17 shareholder?</p> <p>18 A Not -- I haven't seen one come across my desk.</p> <p>19 Q And you were there from what period of time to what</p> <p>20 period of time?</p> <p>21 A November to -- 2022 to current.</p> <p>22 Q And so in your respectful view as the accounting</p> <p>23 manager charged with putting this system into shape,</p> <p>24 could you see any way that the system could be</p> <p>25 defrauded?</p> <p>26 A I -- I believe that AlphaBow has processes that are</p> | 218 | <p>1 good processes in place to ensure that there isn't.</p> <p>2 Q And who had to sign the cheques, or what was the</p> <p>3 process? Was it an electronic approval?</p> <p>4 A Well, we have physical cheques, and then we have also</p> <p>5 electronic transfers, so it depends on how the vendor</p> <p>6 wants to be paid.</p> <p>7 Q Okay. But there's an approval before payment in every</p> <p>8 instance?</p> <p>9 A Yeah. So AP would have to queue it up into a report,</p> <p>10 and then it gets sent to Jay and Ben, and then they</p> <p>11 would review it and then approve it, and once Yueyi</p> <p>12 gets the approval email, she'll print that approval and</p> <p>13 attach it with her cash requirement report, and then</p> <p>14 she would produce the payment to -- to upload to the</p> <p>15 bank, and once I upload it to the bank, there's also</p> <p>16 two more approvals. So Ben would still have to go in</p> <p>17 there, and the director would have to approve it before</p> <p>18 it gets sent out.</p> <p>19 Q And did you have discussions, if any, from time to time</p> <p>20 with Ben in connection with the financial state of</p> <p>21 affairs of the company?</p> <p>22 A I don't -- what do you mean "discussions"?</p> <p>23 Q That is, did you ever talk to him about whether the</p> <p>24 company was cash tight or whether it could afford to</p> <p>25 pay particular bills or not?</p> <p>26 A Well, I -- Ben's really busy, so not many detailed</p> |
| 219 | <p>1 discussions.</p> <p>2 Q Okay. You mentioned that there were discussions which</p> <p>3 you were aware of from time to time between Ben and Jay</p> <p>4 where they would prioritize payments. What did you</p> <p>5 understand that to mean?</p> <p>6 A Yeah. We would get a file from Jay. He would go</p> <p>7 through all the payments, and he colour-coded them</p> <p>8 based --</p> <p>9 Q Colour-coded in what respect?</p> <p>10 A Based on priority.</p> <p>11 Q All right. What colours did he use?</p> <p>12 A Well, I believe it was blue was cool, and then red was</p> <p>13 very urgent, and --</p> <p>14 Q So there were some urgent payments you --</p> <p>15 A -- then it kind of went to that spectrum.</p> <p>16 Q And was there any discussion at all about whether or</p> <p>17 not asset retirement liabilities or obligations should</p> <p>18 be prioritized in connection with this or safety should</p> <p>19 be prioritized? Were you aware of any such discussions</p> <p>20 at all?</p> <p>21 A That was mostly discussed between operations. I</p> <p>22 handled more of the financials.</p> <p>23 Q And --</p> <p>24 A But, I guess, yeah, I -- I was aware of the spending</p> <p>25 requirements that AER required AlphaBow to do before</p> <p>26 the year-end and then by the next quarter of 2023.</p> | 220 | <p>1 Q And as far as you could tell, what attention was Mr. Li</p> <p>2 paying to those obligations?</p> <p>3 A I started in November, and pretty much a few weeks in,</p> <p>4 I -- I -- I knew that it was -- he pretty much went all</p> <p>5 in to -- to work on that.</p> <p>6 Q And in connection with the issue of safe operations,</p> <p>7 were you involved in those discussions at all?</p> <p>8 A That's more a operational matter, and as I heard in</p> <p>9 this whole meeting, they'd been working diligently on</p> <p>10 it.</p> <p>11 Q Okay. Was there any discussion in connection with you</p> <p>12 or your staff that didn't involve Mr. Li about the</p> <p>13 change in operations between Mr. Ben Li and</p> <p>14 Mr. Quan Li, the focus, the culture of the company,</p> <p>15 what the objectives of the company were within your</p> <p>16 accounting group?</p> <p>17 A Yeah. I spoke to my -- yeah, to the staff under me,</p> <p>18 just because there's so much going on, so I got to know</p> <p>19 them very well. And, you know, we all believed that if</p> <p>20 Ben was able to -- was here a year earlier, we'd be in</p> <p>21 a lot different situation. He -- he actually cared</p> <p>22 about the company, and he was open to different ideas</p> <p>23 just to make it work, very open to it.</p> <p>24 Q Were you aware that Mr. Li was hiring individuals to</p> <p>25 assist in the business, that is, new employees both in</p> <p>26 the field and also in the office?</p> |

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| <p style="text-align: right;">221</p> <p>1 A No, not so much.</p> <p>2 Q Okay. For example, the vice president of -- or -- of</p> <p>3 asset recovery, was he hired before you were joined --</p> <p>4 before you joined?</p> <p>5 A He was hired just shortly after I joined. Like, must</p> <p>6 have been maybe a week -- two, three weeks after. I</p> <p>7 can't -- I can't recall the exact time.</p> <p>8 Q Okay.</p> <p>9 MR. STAPON: It's now 5 PM. This is</p> <p>10 probably the directed point that I should conclude. I</p> <p>11 may have a few more questions after the break.</p> <p>12 THE CHAIR: We were going to 5:20.</p> <p>13 MR. STAPON: 5:20? Well, then I'll have</p> <p>14 some more questions. Thank you.</p> <p>15 A MR. ZHANG: Unless he was hired before</p> <p>16 that, and he was working remote. I just -- yeah.</p> <p>17 Q MR. STAPON: I'm sorry. Which?</p> <p>18 A Oh, nothing. I just -- I'm not sure exactly when Jeff</p> <p>19 was hired.</p> <p>20 Q Okay. Back to the issue of financial controls and the</p> <p>21 prospect of fraud. There's been a suggestion in the</p> <p>22 AER materials that if there's going to be a fraud, it</p> <p>23 requires two people. What is your view in that, having</p> <p>24 worked in the financial industry for all that time?</p> <p>25 A Well, being in accounting, yeah, you -- it's -- we</p> <p>26 were -- studied that, you know, it's very important to</p> | <p style="text-align: right;">222</p> <p>1 have segregation of duties. So, yes, in order to -- if</p> <p>2 you want to, I guess, deter fraud, then, yes, you've</p> <p>3 got to make sure you have good segregation of duties.</p> <p>4 Q And so, for example -- let's take an example of a</p> <p>5 one-person fraud -- would it be possible for a field</p> <p>6 vendor to create a fake invoice?</p> <p>7 A Yes. I guess, yes, if you have two people colluding to</p> <p>8 do it. Like I said, there's all these approval matrix</p> <p>9 in place.</p> <p>10 Q It would require a -- and -- a person outside and a</p> <p>11 person inside to approve?</p> <p>12 A I -- I -- I guess that would be possible.</p> <p>13 Q Unless it was by mistake. I mean, you could approve an</p> <p>14 invoice by mistake?</p> <p>15 A Yeah.</p> <p>16 Q Is there any other way that you, I mean -- all right.</p> <p>17 Well, let me ask you this: If you brought in a CFO,</p> <p>18 would it make any difference in connection with fraud</p> <p>19 prevention? What would a CFO do that you might not?</p> <p>20 A You know, I think with fraud prevention, it's all</p> <p>21 process; just like with accurate financial statements,</p> <p>22 it's all process. Whatever goes in clean will come out</p> <p>23 clean.</p> <p>24 Q And during our -- your whole time with the corporation,</p> <p>25 did you see anything that went in unclean?</p> <p>26 A During the period was -- that I've been with AlphaBow</p> |
| <p style="text-align: right;">223</p> <p>1 and what's crossed my desk, I -- I did not notice</p> <p>2 anything.</p> <p>3 Q You were also at the meeting in early March with the</p> <p>4 AER, that is, you had some discussion with Kim in</p> <p>5 connection with -- this is this year -- with respect to</p> <p>6 financial statements and so on?</p> <p>7 A Sorry. With Kim or ...</p> <p>8 Q Or Kara?</p> <p>9 A Oh, okay. Sorry. Was it the March one you asked me to</p> <p>10 attend?</p> <p>11 A MR. LI: March 7.</p> <p>12 A MS. ZHANG: Oh, okay. Okay.</p> <p>13 Q So you actually came to the AER offices for the</p> <p>14 meeting?</p> <p>15 A Isn't this November 22nd -- I only attended one AER</p> <p>16 meeting.</p> <p>17 Q Yes. That was in March of this year, was it not?</p> <p>18 A Okay. I can't recall --</p> <p>19 Q Do you --</p> <p>20 A -- the date.</p> <p>21 Q Do you recall what the mood of the meeting is? Was</p> <p>22 there any risk apparent to you in connection with the</p> <p>23 meeting, because you sat through it?</p> <p>24 A When I went to the meeting --</p> <p>25 THE CHAIR: Ms. Lavelle.</p> <p>26 MS. LAVELLE: She's answered no. I'm</p> | <p style="text-align: right;">224</p> <p>1 wondering if we can also pull up the record relevant to</p> <p>2 this meeting to confirm --</p> <p>3 A MS. ZHANG: Sorry. I didn't mean no. I</p> <p>4 just don't recall the exact date that -- for the one I</p> <p>5 attended. I only attended one meeting.</p> <p>6 THE CHAIR: Yeah. So we've -- yeah.</p> <p>7 We've looked -- we've looked a fair bit, so perhaps we</p> <p>8 can bring up that record, counsel, so you can -- the</p> <p>9 notes from the meetings.</p> <p>10 MR. STAPON: Yes, we can, in fact, pull it</p> <p>11 up again. It is Exhibit 8, page 24.</p> <p>12 A MS. ZHANG: Okay.</p> <p>13 Q MR. STAPON: Did you want to look at that</p> <p>14 set of minutes to refresh your memory?</p> <p>15 A Okay.</p> <p>16 THE CHAIR: Mr. Stapon, what I might</p> <p>17 suggest is it appears above that page, if we were to go</p> <p>18 one page prior, it has an attendance list for all of</p> <p>19 the meetings. That might help refresh Ms. Zhang's</p> <p>20 memory.</p> <p>21 MR. STAPON: Thank you.</p> <p>22 Q MR. STAPON: If you take a look at the</p> <p>23 attendance list. I believe it's on page 24 -- 22.</p> <p>24 There's a meeting which apparently occurred 23-03-07.</p> <p>25 A MS. ZHANG: That's correct.</p> <p>26 Q The attendees by licensee -- this is page 22 from the</p> |

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| 225 | <p>1 licencee -- are Ben Li; Jeff Ji, J-I; Jay Kleinsasser; 2 Amy Zhang -- Zhang -- Zhang -- that's you -- accounting 3 manager? So -- 4 A That's correct. 5 Q So that's the meeting that you attended? 6 A Yeah. That was the one where they were asking about 7 governance. 8 Q And in that meeting, there was also some discussion in 9 connection with operations; correct? 10 A Yes, mostly. 11 Q And you sat during that meeting and listened to it? 12 A Yes. 13 Q What was your sense of the mood, or was AlphaBow being 14 warned or anything like that? What did you take away 15 from the meeting? 16 A It felt like a regular meeting. Like I'd said before, 17 it was somewhat casual. It was more of -- it's just an 18 update meeting. That's how I felt. 19 Q Thank you. Those constitute my -- oh, pardon me. A 20 couple more questions. 21 How long did you continue to work for AlphaBow? 22 A Sorry. Since -- from when I started, November, to now. 23 Q And are you -- you're currently working for AlphaBow? 24 A Yes. 25 Q But that's part-time, as I understand it; is that 26 right?</p> | 226 | <p>1 A Yes. Most people are part-time now, I guess. 2 Q Have you also -- also started a business? 3 A Sorry? 4 Q Have you started working in a business? 5 A Oh, like, somewhere else? 6 Q Yes. 7 A Yes, I did accept a offer somewhere else. 8 Q All right. And are you prepared to continue or assist 9 AlphaBow in the event that this Panel determines that 10 AlphaBow has the right to continue its operations? 11 A You know, I support Ben. I think he had a good, you 12 know, vision, and he wanted the company to do well, so 13 I do support him. So I will help him restaff if ... 14 Q Restaff accounting and -- 15 A Yeah. And if he needs anything and if I have capacity, 16 I definitely would help him. 17 Q Okay. Thank you. 18 I'd like to turn now to what occurred, Mr. Li, in 19 March -- at the end of March of 2023. Let's, first of 20 all, talk about whether or not you received any advice 21 from the AER that there was risk in connection with 22 what you were doing after the early March meeting. 23 A MR. LI: Sorry. Is that for me? 24 Q Yes, that's for you, that is, you have your meeting in 25 March. What happens next with respect to the AER, as 26 far as you're concerned?</p> |
| 227 | <p>1 A After March 7 meeting, we didn't get any writing 2 concern -- a notice from AER say they have any concern 3 prior to the March 29 they have notice they are 4 planning to issue order. 5 Q Let's take a flip through some of the communications 6 which occurred between the parties, and that's in 7 Exhibit 8, and they start at page 235. There's an 8 email from Amy to Kara. Do you see that? 9 A Yes. 10 Q This occurs after the meeting; is that right? 11 A Yes. 12 Q Okay. And Amy asks if she can have a week or so to run 13 through some reports? 14 THE CHAIR: Ms. Ross. 15 MS. ROSS: Madam Chair -- sorry. 16 Chair Chiasson, I'm not sure why Mr. Li is answering 17 questions about this. Was he a recipient of the email? 18 Q MR. STAPON: Were you aware that there was 19 communication going on between -- 20 A MS. ZHANG: Sorry. Is this for Mr. Li or 21 for me? 22 Q It's for Mr. Li. 23 A Okay. 24 Q Mr. Li, were you aware that there was communication 25 that was occurring between Amy and Kara? 26 A MR. LI: I know that communication</p> | 228 | <p>1 between Amy and Kara, but I didn't see this email. 2 Q At the time? 3 A At that time, yes. 4 Q All right. Well, then I'll ask Amy. 5 You sent this email. Why did you send it? 6 A MS. ZHANG: Actually they sent me an 7 email -- 8 Q Pardon me. 9 A -- if you look below -- 10 Q Yeah. 11 A -- for, I guess, an update, so I responded. 12 Q Okay. And she asks you: (as read) 13 Can you clarify for me, are you planning to 14 complete your September 30th, 2022, financial 15 statements? 16 And you give the response. What do you say? 17 A So she asked if I was just going to do the September 18 one or if I just supply the year-end one. So I guess 19 at that time my thoughts were that it would be easier 20 to supply the year-end one, because I'm going to have 21 to do some adjustments and accruals and stuff just to 22 make sure that the statements are reflective of -- of 23 our, I guess, financials. 24 Q All right. Let's take a look at Document 245, and this 25 is for Mr. Ben Li. There's a note from Lonny Olsen, 26 and it's dated March 13, 2023. You have that one up?</p> |

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| 229 | <p>1 A MR. LI: Yes.</p> <p>2 Q You'll see that he's sending you a copy of the notes of</p> <p>3 the meeting. And as I understand it, you had the</p> <p>4 opportunity to review those and make some comments; is</p> <p>5 that right?</p> <p>6 A Yes.</p> <p>7 Q Okay. And this one's for Amy.</p> <p>8 I'd like you to go to Document Number 263 in that</p> <p>9 exhibit. This is also a follow-up. It's another</p> <p>10 email. It's dated March 15th. And, Amy, did you get</p> <p>11 this email?</p> <p>12 A MS. ZHANG: Yes.</p> <p>13 Q And she -- the advice is: (as read)</p> <p>14 I'm following up to see if you have any</p> <p>15 updated financial statements yet. In case</p> <p>16 you aren't familiar, please submit them with</p> <p>17 a completed financial summary form [and she</p> <p>18 tells you what it is], and I can help you</p> <p>19 complete the form if you want.</p> <p>20 What do you do when you get that? If you look at --</p> <p>21 THE CHAIR: Ms. Ross.</p> <p>22 Q MR. STAPON: -- page 265 --</p> <p>23 MS. ROSS: Could we just clarify for the</p> <p>24 record that Lonny Olsen is not a "sir" or a "he". It's</p> <p>25 a -- it's a "she".</p> <p>26 MR. STAPON: I apologize.</p> | 230 | <p>1 THE CHAIR: Thank you.</p> <p>2 MS. ROSS: This is Lonny Olsen.</p> <p>3 MR. STAPON: All right. Lonny, in this day</p> <p>4 and age of pronouns, I'm not sure what to do.</p> <p>5 THE CHAIR: It's always safest to ask,</p> <p>6 Mr. Stapon.</p> <p>7 MR. STAPON: Not publicly.</p> <p>8 Q MR. STAPON: In any event, I'd like you to</p> <p>9 look at Document 265. This is from you to Kara. It's</p> <p>10 dated March 15, 2023. Amy, it's the same date?</p> <p>11 A MS. ZHANG: Sorry. You want to know how I</p> <p>12 responded?</p> <p>13 Q Yes.</p> <p>14 A You know what? I don't recall responding to this --</p> <p>15 oh, sorry.</p> <p>16 Q You do, actually, if you take a look at page 265 --</p> <p>17 A I see. I see it now.</p> <p>18 Q Okay. You say --</p> <p>19 A Okay.</p> <p>20 Q -- (as read)</p> <p>21 I'll have it before you before the end of the</p> <p>22 month.</p> <p>23 A M-hm.</p> <p>24 Q Okay.</p> <p>25 A Okay. Yeah. I believe I did file it March -- was</p> <p>26 it -- which date did I send it to them? Do you have</p> |
| 231 | <p>1 the email where I sent them the Directive 67?</p> <p>2 Q Not yet. I'll take a look.</p> <p>3 So you've indicated that you would --</p> <p>4 A I --</p> <p>5 Q -- try to respond by the end of the month. Did you get</p> <p>6 a complaint in connection with that timing?</p> <p>7 A I didn't get a complaint. They were really nice.</p> <p>8 Yeah, like, they didn't come back to complain, but I --</p> <p>9 I believe it was filed around the end of March here.</p> <p>10 Q Okay.</p> <p>11 A You guys had that bowling event for the company, right,</p> <p>12 the team building? That was the day I stayed late and</p> <p>13 didn't attend, and I filed it. I don't remember that</p> <p>14 exact date, though.</p> <p>15 Q This is a question for Mr. Ben Li.</p> <p>16 I'd like you to look at page 281 of the same</p> <p>17 exhibit. This is an email exchange between you and</p> <p>18 Temple Price in connection with insurance?</p> <p>19 A MR. LI: Yes.</p> <p>20 Q And the advice -- it starts on page 282. There's an</p> <p>21 email, which is March 21st, and the advice is:</p> <p>22 (as read)</p> <p>23 The AER is requesting proof of renewal for</p> <p>24 AlphaBow's Energy's insurance, as per</p> <p>25 Section 4.2 requirements. Our records</p> <p>26 indicate the current policy expiry date is</p> | 232 | <p>1 March 31st, 2023.</p> <p>2 And there's a request to provide proof of insurance</p> <p>3 renewal before March 24th. If you go back to page 281,</p> <p>4 you respond. How do you respond?</p> <p>5 A I was responding: (as read)</p> <p>6 We should have the quotation finalized this</p> <p>7 Friday, and the renewal should be done</p> <p>8 earlier for next week.</p> <p>9 Q Okay. And, sir, you get a response from Temple Price</p> <p>10 above that, and the advice is: (as read)</p> <p>11 Give it to us no later than March 28th.</p> <p>12 A Yes.</p> <p>13 Q So what were you doing with insurance at this point in</p> <p>14 time?</p> <p>15 A I can talk a little bit more about this insurance</p> <p>16 policies renewal. So when I joined AlphaBow in 2022,</p> <p>17 AlphaBow paid about \$740,000 for the whole insurance</p> <p>18 package for 2022. So we got this renew notice later of</p> <p>19 the 2022 from the prev broker. They indicate the</p> <p>20 insurance probably be -- premium would be -- go up</p> <p>21 above about \$800,000. So then I decided to switch it</p> <p>22 to another broker, a pretty big company,</p> <p>23 HUB International.</p> <p>24 We go through the insurance policy, very detailed,</p> <p>25 one policy by one policy. We tried to find a way to</p> <p>26 reduce our costs of insurance. We also made --</p> |

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1 convinced the broker -- normally the prev broker, they
 2 charge about 7 to 10 percent of the premium as a broker
 3 fee. So this new broker is willing to waive that fee.
 4 They charge zero on the broker fee. So eventually we
 5 made -- we working together. We reduced our premium
 6 from 2022 \$740,000 to -- to \$540,000 for 2023.
 7 That's why they take a little bit longer to get a
 8 system, because we switch to the broker, and a lot of
 9 things that need be redone. But it always our
 10 understanding we also -- we also very far away the --
 11 the broker a couple time will -- will never let
 12 insurance policy lapse. When you get the insurance
 13 renewed it before it expired, and we did it. We got
 14 insurance policy renewed in -- in March 30th. Our
 15 expiry date is March 31st. But that save us \$200,000
 16 we can use for the operation.
 17 Q So, Mr. Li, did you have assurance from your broker
 18 that there would be no expiry?
 19 A Sorry. Say it again.
 20 Q You mentioned that you had some discussion with your
 21 broker. Did your broker assure you that there would be
 22 no expiry of insurance, that is, you're going to get
 23 it?
 24 A Yeah. The -- the broker knows that insurance expired
 25 on the -- the end of the March. They said, No problem.
 26 We would get it done.

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1 A Sorry. Excuse me.
 2 That was about the spring break time.
 3 Q "Spring break"?
 4 A Spring break time.
 5 Q All right.
 6 A Yeah. And Jay is -- is going to fly to Mexico on
 7 March 30. I'm -- I was planning to -- to go to
 8 Vancouver to see my two boys. They're living with --
 9 live with my ex-wife.
 10 MR. STAPON: All right. My partner has
 11 notified me that it's 5:20, and I'm not keeping track
 12 of the time, so this would be the designated point for
 13 the break.
 14 THE CHAIR: Yes. Is that -- that -- that
 15 will -- that will work for you? We do need to give the
 16 reporters a break, if nothing else.
 17 MR. STAPON: I think that's just fine.
 18 This is going to be a fairly extended examination of
 19 what is occurring at the end of March, in any event.
 20 THE CHAIR: Yes. So one thing,
 21 Mr. Stapon, that I would like -- ask that you and
 22 Ms. Cameron turn your minds to during the break in
 23 relation to something we would like to discuss at end
 24 of day. So after this break, our intention is to
 25 proceed for another hour longer before we close for the
 26 day. So if you could turn your minds to how much more

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1 Q All right. And after you got it done, did you give it
 2 to the AER?
 3 A Yes, we submit it to AER.
 4 Q Okay. So I'd like to look at the next document, that
 5 is, a communication apparently between AlphaBow and the
 6 AER. That's in Exhibit 8. It's Document 446. This is
 7 an email dated March 29, 2023, from Ms. Lonny Olsen to
 8 you and Jay. The importance is high. Do you see that?
 9 A Yes.
 10 Q And it's sent to -- at 6:38 in the morning. Do you see
 11 that?
 12 A Yes.
 13 Q And do you know when you got it?
 14 A I viewed it on the -- in the morning, about 8:30.
 15 Q Okay. It says: (as read)
 16 The AER, with Tyler Callicott acting as a
 17 statutory decision-maker, is considering
 18 regulatory action regarding AlphaBow Energy.
 19 Tyler would like to meet with you tomorrow,
 20 March 30th, at 10:30 AM to discuss the
 21 posed -- proposed action and provide AlphaBow
 22 the opportunity to provide information for
 23 his consideration.
 24 So I'd like you to tell this Panel what you and Jay
 25 were up to at this point in the month of March this
 26 year.

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1 time on direct evidence you would anticipate on
 2 Tuesday. Because we have the in-camera session planned
 3 for tomorrow, that would help us with managing the flow
 4 tomorrow. So we don't need to know right now, but if
 5 you can turn your minds to it now during the break, and
 6 if you're able to give us some advice on that at the
 7 end of day, that would be --
 8 MR. STAPON: We'll certainly do that.
 9 THE CHAIR: -- helpful.
 10 MR. STAPON: We would expect that the
 11 in-camera session will be much abbreviated from the
 12 proposed time, but, nonetheless, we'll give you our
 13 best estimate.
 14 THE CHAIR: Okay. So -- yeah. Yeah. So
 15 I'm not looking -- looking for length of the in-camera
 16 session, more so in terms of how much more time you
 17 would anticipate for AlphaBow's direct evidence
 18 tomorrow. So we're -- we will come back, let's say
 19 now, at 5:40, and then we will plan to continue for one
 20 more hour after that.
 21 MR. STAPON: Thank you.
 22 THE CHAIR: Ms. Doebele.
 23 MS. DOEBELE: Thank you, commissioner
 24 Chiasson.
 25 I just had one housekeeping item. We've received
 26 Undertaking Number 1, which is the letter from Mona

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| <p style="text-align: right;">237</p> <p>1 Sellers of the AER to Mr. Li dated July 24th, 2023. 2 And I recall this morning, Ms. Lavelle, Ms. Ross, 3 you had indicated no objection to that being filed as 4 an exhibit? I'm just confirming that. 5 MS. ROSS: No objection. 6 THE CHAIR: Okay. Thank you. 7 So that will be marked as Exhibit 69.01. 8 EXHIBIT 69.01 - Letter from Mona Sellers of 9 the Alberta Energy Regulator to Ben Li dated 10 July 24, 2023 11 THE CHAIR: Thank you, Ms. Doebele. 12 We're now on break. 13 (ADJOURNMENT) 14 THE CHAIR: So thank you all for hanging 15 in. We're in the last stretch for today. So as we 16 said, we will go one more hour. So we will look to 17 stop at 6:40 with some closing statements from the 18 panel. 19 So please proceed, Mr. Stapon. 20 MR. STAPON: Commissioners, you asked the 21 question about timing, and despite the delays this 22 morning in connection with our procedure in the 23 PowerPoint, we should be within 10 or 15 minutes of the 24 appointed time for the hearing on the understanding 25 that the Panel has already read much of the 26 correspondence which occurred between Mr. Ironside and</p> | <p style="text-align: right;">238</p> <p>1 the AER during the months of May and June in 2 particular. So on that basis, I believe that we can 3 keep to the current schedule. 4 THE CHAIR: Thank you very much. We 5 appreciate that. 6 Q MR. STAPON: Mr. Li, before the break, we 7 were talking about the notification received in 8 Exhibit 8 at page 446 from Ms. Lonny Olsen in 9 connection with the requested meeting on short notice, 10 and the date is March 29th, and the request is for a 11 meeting "tomorrow" where the decision-maker is 12 considering a regulatory action. 13 You just indicated that it was approaching spring 14 break and your chief operating officer is set to go to 15 Mexico, and what was your personal circumstance? 16 A MR. LI: My ex-wife with my two boys 17 were living in Vancouver, so I was planning to go to 18 Vancouver. 19 Q Did you actually have tickets? 20 A Yes, I did. 21 Q Okay. When were you going to leave? 22 A It's March 29, afternoon. 23 Q So you get this notification. You receive it on the 24 29th. Before I leave that point, with you potentially 25 being in Vancouver and Jay being in Mexico, how were 26 operations in AlphaBow going to run?</p> |
| <p style="text-align: right;">239</p> <p>1 A We have -- as I said before, we have a pretty strong 2 team, operation-side. We have the two -- our 3 production manager taking care of the -- the production 4 side. 5 Q All right. And were they aware that Jay was going to 6 be going and that you were hoping to go to Vancouver? 7 A Yes, I think so. 8 Q Okay. And prior to getting this note on the 29th from 9 Ms. Olsen, can you advise whether or not AlphaBow had 10 received any notification from the AER that its 11 operations were offside or that they were unsafe or 12 that you needed to do anything particularly and 13 immediately? 14 A No. We didn't receive anything. 15 Q So what was your reaction when you got this note from 16 Ms. Olsen? 17 A When I got this email, little bit confused. 18 Q Right. 19 A Yeah. I don't know -- because we just have the meeting 20 on the March 7th. Suddenly, Mr. Callicott's intention 21 to issue an -- an order, so considering regulatory 22 action, so -- but we don't know what it is at that 23 time, so ... 24 Q I'd like you to look at the next document. It's 25 Exhibit 8. 447, if we could pull that up. That's an 26 email which is dated March 29, 2023, and it's sent at</p> | <p style="text-align: right;">240</p> <p>1 10:43 in the morning, and it's from you to Ms. Olsen, 2 and it's copied to various other parties at the AER; 3 correct? 4 A Yes. 5 Q And I want you to explain what your response is and why 6 you sent it. 7 A I will state it: (as read) 8 Lonny sent it for your email. In order to 9 plan properly for a meeting with AER and to 10 determine attendance, could you please 11 provide information as to what the proposed 12 director action is in relation to an awards 13 and what the purpose of the action is. 14 Q Why would you want to know what the purpose of the 15 meeting was or what was going to be discussed for the 16 purpose of deciding who you'd bring? 17 A It's -- it's very simple. We want to know what's the 18 -- what's the meeting regarding that we can set up the 19 team, and then that would determine who is going to 20 join -- join the meeting and do some of the -- also, 21 AER maybe have some concern about, then we know who can 22 join the meeting to do probably response to AER. 23 THE COURT REPORTER: Sorry. I didn't quite hear 24 the last part. 25 A MR. LI: If we know what is the meeting 26 regarding, we can set up the team, can provide probably</p> |

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| <p style="text-align: right;">241</p> <p>1 the --</p> <p>2 Q MR. STAPON: Appropriate?</p> <p>3 A -- appropriate response to AER.</p> <p>4 Q And in that regard, you'll recall, Mr. Li, that with</p> <p>5 respect to the order that was issued in July of 2022,</p> <p>6 there was an advance meeting to discuss what the order</p> <p>7 was going to be about?</p> <p>8 A Yes.</p> <p>9 Q And did you get notice about what the proposed order</p> <p>10 was going to be about so that you could attend and</p> <p>11 discuss it?</p> <p>12 A You're talking about the July --</p> <p>13 Q Yes. Just the difference between this process.</p> <p>14 A Yes. On the July, the July decision, we did have the</p> <p>15 chance to have the meeting with AER to discuss about</p> <p>16 their intention.</p> <p>17 Q And you discussed alternatives and so on and so forth?</p> <p>18 A Yes.</p> <p>19 Q All right. So you're right back, 10:30 in the morning</p> <p>20 approximately, saying, Look, tell us what the meeting</p> <p>21 is about. We'd like to know who to bring.</p> <p>22 And I'd like you to go to the next document in</p> <p>23 Exhibit 8, which is page 449. And this is also from</p> <p>24 Lonny Olsen, and it's sent at 11:46 AM, and she says:</p> <p>25 (as read)</p> <p>26 The proposed action and the rationale would</p> | <p style="text-align: right;">242</p> <p>1 be fully reviewed in the meeting. Can you</p> <p>2 confirm if AlphaBow will be bringing legal</p> <p>3 counsel and if you wish to meet in person.</p> <p>4 What did you take that to mean?</p> <p>5 A This could be a very serious issue.</p> <p>6 Q And what did you take about the fact that you weren't</p> <p>7 being told about what the meeting was about in advance?</p> <p>8 Could you determine who you should attend with?</p> <p>9 A No.</p> <p>10 Q I'd like you to turn to the next tab, that's page 451,</p> <p>11 and this is a response at 11:55 AM to the email that</p> <p>12 was sent at 11:46. You write back. Can you explain to</p> <p>13 the Panel what you're doing here and why.</p> <p>14 A I replied back: (as read)</p> <p>15 Lonny, Jay is leaving for vacation tomorrow.</p> <p>16 Same as me. Can we reschedule a meeting</p> <p>17 after Easter long weekend.</p> <p>18 Yes. We do want to check -- check the availability of</p> <p>19 the legal counsel for this meeting.</p> <p>20 Q Okay. So why were you wanting to defer, and why were</p> <p>21 you wanting to check the availability of legal counsel?</p> <p>22 A It's because Lonny asked if we want to bring --</p> <p>23 AlphaBow want to bring legal counsel.</p> <p>24 Q Okay. And I'd like you to turn to Exhibit 8, page 454.</p> <p>25 You get a response at 1:16 in the afternoon. Tell me</p> <p>26 when you've got that up.</p> |
| <p style="text-align: right;">243</p> <p>1 A So we got email from Lonny: (as read)</p> <p>2 Hey, Ben. Tyler would like to meet with you</p> <p>3 any time today or tomorrow for order he is</p> <p>4 considering issuing, and the meeting could be</p> <p>5 done verbally.</p> <p>6 Q Okay. And I'd like you to look at Document 458 at</p> <p>7 Exhibit 8. This is an email at 1:33 PM on the 29th of</p> <p>8 March, and it's from Ms. Cameron. Did you have</p> <p>9 occasion to retain or engage Ms. Cameron in connection</p> <p>10 with this process?</p> <p>11 A Yes, we do.</p> <p>12 Q And Ms. Cameron had met with the AER and you previously</p> <p>13 in connection with the prior order; is that right?</p> <p>14 A Yes.</p> <p>15 Q She says: (as read)</p> <p>16 I understand that Ben is travelling today,</p> <p>17 and the last I spoke to him he was on his way</p> <p>18 to the airport so I anticipate that he will</p> <p>19 be delayed in responding. We'd appreciate if</p> <p>20 the AER could provide additional dates/times</p> <p>21 and further provide information in advance of</p> <p>22 any meeting so that AlphaBow can come</p> <p>23 prepared.</p> <p>24 And so you had requested an adjournment until after</p> <p>25 Easter. Ms. Cameron just says, Can you tell us when</p> <p>26 you might be available?</p> | <p style="text-align: right;">244</p> <p>1 A Yes.</p> <p>2 Q And did you raise any concern -- pardon me. That might</p> <p>3 be solicitor/client privilege. In any event,</p> <p>4 Ms. Cameron also requests that, Tell us what the</p> <p>5 meeting's about.</p> <p>6 A Yes.</p> <p>7 Q If you go to Document 463, this is March 29th, and it's</p> <p>8 2:04. And this is from Mr. Callicott rather than Lonny</p> <p>9 Olsen; correct?</p> <p>10 A Yes.</p> <p>11 Q And Mr. Callicott writes to you, and he says:</p> <p>12 (as read)</p> <p>13 Further to the messages below, I'd like to</p> <p>14 inform you that I've made a decision to issue</p> <p>15 an order to AlphaBow Energy Ltd.</p> <p>16 So he says -- on March 29th, he's already made the</p> <p>17 decision to issue an order. Do you see that?</p> <p>18 A Yes.</p> <p>19 Q Were you given any opportunity to respond to this</p> <p>20 unknown order that he'd already decided to issue?</p> <p>21 A No.</p> <p>22 Q He says: (as read)</p> <p>23 The order will be delivered to AlphaBow</p> <p>24 tomorrow morning by email, and I'm still</p> <p>25 available to meet tomorrow at 10:30 AM if you</p> <p>26 choose. I'll also make myself available to</p> |

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| 245 | <p>1 answer any questions that AlphaBow may have</p> <p>2 regarding the order after it is issued</p> <p>3 tomorrow.</p> <p>4 Do you see that?</p> <p>5 A Yes.</p> <p>6 Q So that in connection with the process here, they're</p> <p>7 talking about a meeting preissuance of order. You're</p> <p>8 saying, Can we find out what it's about? Can we</p> <p>9 determine what it's about? We'd like to bring our</p> <p>10 lawyer to the meeting.</p> <p>11 And instead you get a response from Mr. Callicott</p> <p>12 saying, I'm issuing it; is that right?</p> <p>13 A Yes.</p> <p>14 Q I'd like you to look at page 468. This is a response</p> <p>15 from Ms. Cameron to the attention of Mr. Callicott,</p> <p>16 copied to you, and it's sent March 29 at 4:10. Do you</p> <p>17 see that?</p> <p>18 A Yes.</p> <p>19 Q And she says: (as read)</p> <p>20 We're in the midst of seeking instructions</p> <p>21 and would kindly ask that you hold off</p> <p>22 issuing the order until you receive further</p> <p>23 correspondence from our office, which we'd</p> <p>24 hope to get to you tomorrow morning.</p> <p>25 See that?</p> <p>26 A Yes.</p> | 246 | <p>1 Q What happened next?</p> <p>2 A The AER issued an order March 30.</p> <p>3 Q So without any advance qualification and even though</p> <p>4 they had requested whether or not you wanted to bring a</p> <p>5 lawyer to the meeting, Mr. Callicott just went ahead</p> <p>6 and issued his order; correct?</p> <p>7 A Yes.</p> <p>8 Q What did you do as a result of that series of events?</p> <p>9 A You mean after we received the order?</p> <p>10 Q Well, let's go through what occurs. So the order gets</p> <p>11 issued. When do you learn about the content of the</p> <p>12 order?</p> <p>13 A About 1:00 or 2:00 -- sorry -- about early afternoon of</p> <p>14 the March 30th.</p> <p>15 Q So I'd like to take a look at the second volume of</p> <p>16 documents, and I'm not sure -- which exhibit is that?</p> <p>17 I think it's Exhibit 9 and page 14 of that document.</p> <p>18 There's an email from you dated March 30th at 1:05 PM,</p> <p>19 and it's to the attention of Temple Price, and you</p> <p>20 write on the 30th, saying: (as read)</p> <p>21 Temple, please find attached insurance</p> <p>22 certificate.</p> <p>23 Do you see that?</p> <p>24 A Yes.</p> <p>25 Q And you get a response from Temple saying -- and she</p> <p>26 gets -- sends this at 1:47: (as read)</p> |
| 247 | <p>1 We've saved AlphaBow's proof of insurance</p> <p>2 required under Directive 67 for 2023. I will</p> <p>3 also delete your auto insurance information,</p> <p>4 as this is not our jurisdiction.</p> <p>5 So that your certificates of insurance included not</p> <p>6 only your operations but also the automobiles; is that</p> <p>7 right?</p> <p>8 A Yes.</p> <p>9 Q Then I'd like you to take a look at page 17. And this</p> <p>10 is Lonny Olsen again. She says on 12:14 PM: (as read)</p> <p>11 Good afternoon. This email contains an order</p> <p>12 being issued to AlphaBow Energy Ltd. The</p> <p>13 attached order will be considered as being</p> <p>14 served to AlphaBow Energy Ltd., and no other</p> <p>15 method of service will be made. Please reply</p> <p>16 back to this email confirming receipt of the</p> <p>17 order. Any questions regarding the order</p> <p>18 should be made to Mr. Callicott.</p> <p>19 Do you see that?</p> <p>20 A Yes.</p> <p>21 Q And if we take a look at the next document, Tab</p> <p>22 Number 8, this is the order. And it is 200 pages long.</p> <p>23 Do you see that?</p> <p>24 A Yes. I saw the order.</p> <p>25 Q And you'll see that it's made at Edmonton, in the</p> <p>26 province of Alberta. To your knowledge, is that where</p> | 248 | <p>1 Mr. Callicott was working out of?</p> <p>2 A Yes.</p> <p>3 Q And it's dated March 30th, 2023?</p> <p>4 A Yes.</p> <p>5 Q And the email contains about 3-and-a-half pages of</p> <p>6 "whereases". Do you see that?</p> <p>7 A Yes.</p> <p>8 Q And many of them state claimed facts about AlphaBow.</p> <p>9 Do you see that?</p> <p>10 A Yes.</p> <p>11 Q And when you got this, did you start to look at the</p> <p>12 "whereases"?</p> <p>13 A Yes.</p> <p>14 Q And we heard from Mr. Ironside earlier today that this</p> <p>15 document got issued. What did you do next with respect</p> <p>16 to him?</p> <p>17 He had been working as a consultant primarily on</p> <p>18 your CO2 plant -- or your CO2 plans. What did you do,</p> <p>19 if anything, in response to receiving this order with</p> <p>20 respect to Mr. Ironside?</p> <p>21 A After we receive this letter, because Jay is on</p> <p>22 vacation, so I contacted Mr. Ironside right away.</p> <p>23 Q And for what purpose? Why did you do that?</p> <p>24 A Because we need to have the response to AER regarding</p> <p>25 this order.</p> <p>26 Q So you actually engaged Mr. Ironside to assist you in</p> |

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| <p>1 connection with a response to the order?</p> <p>2 A Yes.</p> <p>3 Q And there was a suggestion from Mr. Callicott that if</p> <p>4 you had questions concerning the order, you should</p> <p>5 contact him. Did you do that?</p> <p>6 A No, I didn't.</p> <p>7 Q Could you tell the Panel why you didn't do it.</p> <p>8 A This regulatory action is a very serious issue. I'm an</p> <p>9 immigrant. English is not my first language. So for a</p> <p>10 serious issue, I don't want to talk through the phone</p> <p>11 to avoid a miscommunication. So I more prefer we can</p> <p>12 meet. I can bring my team to meet, and then we have</p> <p>13 the public -- a proper response to AER. That's why I</p> <p>14 didn't call Mr. Callicott.</p> <p>15 Q When you got the order, you saw that one of the</p> <p>16 provisions, Directive Number 8, which said within 30</p> <p>17 days from the date of this order, AlphaBow had to post</p> <p>18 a security deposit of \$15,374,050. Did you see that?</p> <p>19 A Yes, I did.</p> <p>20 Q Is there any possibility you could do that?</p> <p>21 A No. Not at that time.</p> <p>22 Q What did you view this order, if it was enforced, as</p> <p>23 doing to AlphaBow? Could you continue business?</p> <p>24 A No, we cannot.</p> <p>25 Q I'd like you to look at Document 201 in Exhibit 9.</p> <p>26 This is, again, from Ms. Olsen. It's March 30th, and I</p> | <p>1 think it's just a repeat of the last email. Then I'd</p> <p>2 like you to look at Document 203, which is from</p> <p>3 yourself to Temple Price, and it's carbon-copied to</p> <p>4 Lonny Olsen, Tyler Callicott, Ms. Cameron, and Jay and</p> <p>5 Amy, and it's "Subject Q3 Financial Statements for</p> <p>6 AER". And it's sent March 31st at 11:11:34. Do you</p> <p>7 see that? Mr. Li, do you have that one up?</p> <p>8 A Yes.</p> <p>9 Q Page 203.</p> <p>10 A Yes.</p> <p>11 Q So you recall that earlier this afternoon, we looked at</p> <p>12 advice from Amy that she would get this information to</p> <p>13 the AER by the end of the month. Do you recall that?</p> <p>14 A Yes.</p> <p>15 Q And you did it?</p> <p>16 A We did.</p> <p>17 Q And if you take a look at page 205, Lonny Olsen replies</p> <p>18 to you at 1:33, confirming receipt of the information.</p> <p>19 A Yes.</p> <p>20 Q Right?</p> <p>21 And I'd like you to look at 206. This is on</p> <p>22 April 3rd, 2023, from Ms. Olsen to you. And she's</p> <p>23 saying: (as read)</p> <p>24 Good morning. This is a reminder to check</p> <p>25 the recent order for upcoming deadlines. The</p> <p>26 deadline for compliance with Clause 6,</p> |
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| <p>1 confirmation in writing of the names, titles,</p> <p>2 and contact information of all persons in</p> <p>3 direct or indirect control of AlphaBow, is</p> <p>4 April 4th, 2023.</p> <p>5 And she also confirms that you've already met</p> <p>6 confirmation in Clause 4 of the order. Do you see</p> <p>7 that?</p> <p>8 A Yes.</p> <p>9 Q And she says: (as read)</p> <p>10 In particular, please note that according to</p> <p>11 Clause 7, AlphaBow must submit interim</p> <p>12 quarterly financial statements which should</p> <p>13 include Directive 67 Schedule 03 within</p> <p>14 30 days of the end of the respective annual</p> <p>15 quarter. This means that the Q4</p> <p>16 December 31st interim financial statements</p> <p>17 are also due.</p> <p>18 And in that regard, Ms. Zhang had just prepared the</p> <p>19 September statements the day before, after having</p> <p>20 requested an extension or saying they would be coming.</p> <p>21 So what is the AER telling you here in connection with</p> <p>22 financials? You're also out of time?</p> <p>23 A You know, the AER want to -- within 30 days of the end</p> <p>24 of the respective -- they pretty much want everything.</p> <p>25 30 days, they want a financial statement. So actually</p> <p>26 we needed more time to do that.</p> | <p>1 Q Did the financial statements that you provided on the</p> <p>2 end of the month show any capacity to pay \$15 million</p> <p>3 by way of a deposit?</p> <p>4 A No.</p> <p>5 Q And so you're being told on the 3rd, you've got a</p> <p>6 deadline of April 4th. Let's take a look at page 207.</p> <p>7 There's a response from you to Lonny Olsen dated</p> <p>8 April 3rd, and you state: (as read)</p> <p>9 The financial statements for September 2022</p> <p>10 have already been submitted. Our financial</p> <p>11 department is working on the December 31st,</p> <p>12 2022, statement. It will be done very soon.</p> <p>13 I will have confirmation in writing of the</p> <p>14 names and titles and contact informations of</p> <p>15 all persons in direct or indirect control of</p> <p>16 AlphaBow done tomorrow.</p> <p>17 So are you attempting to respond to the AER's deadlines</p> <p>18 and orders?</p> <p>19 A Yes.</p> <p>20 Q I'd like you to look at page 209 to Exhibit 9. This is</p> <p>21 an email chain, and it starts with a reference, again,</p> <p>22 from Ms. Olsen requiring that information, and on</p> <p>23 April 4th of 2023 at 4:43 PM, you indicate: (as read)</p> <p>24 Lonny, please find attached information on</p> <p>25 shareholder and director related to AlphaBow</p> <p>26 Energy and parent company. Please let me</p> |

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| 253 | <p>1 know if any further information is required.</p> <p>2 Do you see that?</p> <p>3 A Yes.</p> <p>4 Q And you send that to the attention of Lonny Olsen and</p> <p>5 copy Temple Price, and apparently there is an email up</p> <p>6 at the top from Temple to Lonny dated April 5th</p> <p>7 seemingly forwarding that information; is that right?</p> <p>8 A Yes.</p> <p>9 Q Let's go to page 211 in Exhibit 9. What is this?</p> <p>10 A This is the parenting company on AlphaBow and as a</p> <p>11 directive, the information about each company.</p> <p>12 Q Okay. So did you understand this to be responsive to</p> <p>13 the AER's request?</p> <p>14 A Yes.</p> <p>15 Q I'd like you to go to Document 212. So this is a note.</p> <p>16 The subject matter is "Levy". Do you see that?</p> <p>17 A Yes.</p> <p>18 Q And this is April 4th of 2023.</p> <p>19 A Yes.</p> <p>20 Q So the AER has just issued a directive requiring that</p> <p>21 you pay \$15-and-a-half million within 30 days. What is</p> <p>22 this document, and what did it mean to you?</p> <p>23 A This is the 2023 orphan well fund levy. The invoice.</p> <p>24 Q And if you don't pay it by May 4th, when you're</p> <p>25 supposed to pay by May 1st, \$15-and-a-half million,</p> <p>26 there will be a 20 percent penalty fee?</p> | 254 | <p>1 A No, this is not \$15 million. This is the orphan well</p> <p>2 fund levy.</p> <p>3 Q I'll repeat my question, Mr. Li. I don't think you</p> <p>4 heard it properly.</p> <p>5 You were obligated to pay \$15-and-a-half million</p> <p>6 by May 1st; right? That's the order?</p> <p>7 A The \$15 million.</p> <p>8 Q 30 days?</p> <p>9 A Yes.</p> <p>10 Q Four days later, you've got another levy to pay that</p> <p>11 you've just been given notice of; correct?</p> <p>12 A Yes.</p> <p>13 Q Let's take a look at Document 213 and 214. This is the</p> <p>14 orphan fund levy, the LOR program. Do you see that?</p> <p>15 Let's look at page 214.</p> <p>16 A Yes.</p> <p>17 Q The amount there was \$1,201,820 --</p> <p>18 THE COURT REPORTER: Sorry. What was the amount,</p> <p>19 please?</p> <p>20 MR. STAPON: Pardon?</p> <p>21 THE COURT REPORTER: What was the amount again,</p> <p>22 please.</p> <p>23 MR. STAPON: \$201,820, and, actually, for</p> <p>24 the record, 78 cents.</p> <p>25 THE COURT REPORTER: Thank you.</p> <p>26 Q MR. STAPON: So in addition to the</p> |
| 255 | <p>1 \$15-and-a-half million, you were being asked to pay</p> <p>2 another million and half, and if you didn't pay it,</p> <p>3 there would be a 20 percent penalty?</p> <p>4 A Yes.</p> <p>5 Q I'd like you to look at Tab 18. That's Document 215.</p> <p>6 This is sent April 15 -- or April 5th of 2023. The AER</p> <p>7 has received the chart that you sent in response to</p> <p>8 Clause 6 of the order, and there's advice that</p> <p>9 additional information is required. Do you see that?</p> <p>10 A Yes.</p> <p>11 Q And you got this on April 5th?</p> <p>12 A Yes.</p> <p>13 Q What did you do as a result?</p> <p>14 A I provide the information at AER's request.</p> <p>15 Q Okay. Let's take a look at Document 216 in Exhibit 9.</p> <p>16 This is April 6th of 2023, and you're responding to the</p> <p>17 directives to provide additional information. You say:</p> <p>18 (as read)</p> <p>19 Please find additional information below.</p> <p>20 Do you see that?</p> <p>21 A Yes.</p> <p>22 Q You say: (as read)</p> <p>23 The response is Yueyi [Y-U-E-Y-I] Duan</p> <p>24 [D-U-A-N] is the only executive for 1986114</p> <p>25 Alberta Ltd., Kananaskis Capital Limited,</p> <p>26 2290770 Alberta Corp., and Calgary Green</p> | 256 | <p>1 Energy Investment Corp.</p> <p>2 Do you see that?</p> <p>3 A Yes.</p> <p>4 Q And then you respond to the issue of the chart that has</p> <p>5 the title "director", and it shows three names under</p> <p>6 this title and describes them. And you say: (as read)</p> <p>7 The response is those three individuals are</p> <p>8 directors of Calgary Green Energy Investment</p> <p>9 Corp., and she is the only director of</p> <p>10 AlphaBow Energy Ltd.</p> <p>11 I'd like you to look at Document 218 of Exhibit 9.</p> <p>12 This is April 8th of 2023.</p> <p>13 A Yes.</p> <p>14 Q You send in your financial statements for</p> <p>15 December 31st, 2022?</p> <p>16 A Yes.</p> <p>17 Q Then if we look at Document 220, there's a further</p> <p>18 email exchange which occurs on April 10th of 2023 in</p> <p>19 response to your advice regarding decision-makers in</p> <p>20 the corporation. Lonny Olsen writes to you at that</p> <p>21 date saying: (as read)</p> <p>22 Please clarify immediately. Are you able to</p> <p>23 make decisions on behalf of AlphaBow as the</p> <p>24 chief executive officer?</p> <p>25 Do you see that?</p> <p>26 A Yes.</p> |

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| <p style="text-align: right;">257</p> <p>1 Q And take a look at page 223 in Exhibit 9. This is your 2 response also sent April 10, 2023, at 8:25, and you 3 respond: (as read) 4 Yes, I can make decisions on behalf of 5 AlphaBow as chief executive officer. 6 What are you making of all these inquiries that you're 7 getting from the AER at this point in time? Day after 8 day, there's email after email in connection with your 9 operations. What's your reaction? 10 A That's a lot of requirement from AER at the time. But 11 first, we just try our best to provide what we have to 12 give to them, to be cooperative. 13 Q And let's take a look at Document 228. This is from 14 the AER again. It's from Temple Price. And the 15 statement is: (as read) 16 Hi, Ben. We'll accept the attached financial 17 statements for December 31st, '22, as your 18 interim quarterly Q4 update. A reminder from 19 the order: AlphaBow is still required to 20 submit third-party audited financial 21 statements and a financial summary once 22 finalized or within 180 days of fiscal 23 year-end. 24 Do you see that? 25 A Yes. 26 Q I'd like to spend just a moment about that</p> | <p style="text-align: right;">258</p> <p>1 impossibility of that section. Do you know how long it 2 takes to get an audited financial statement, if, in 3 fact, the corporation has not had audited financial 4 statements in the past and has records going back to 5 2018 for 8,000 licences? How long was it going to take 6 if you were going to actually do that? 7 A I would say minimum of six months. 8 Q And you also indicated the cost, ballpark, how much? 9 A That's obviously probably over \$500,000. 10 Q And what is it going to do with your accounting staff 11 internally? 12 A It will be -- draw their attention from the -- finish 13 all the work they plan -- they are doing right now and 14 to probably going to cause some delay on the response 15 to the AER's requirement. 16 Q So we've got the circumstance where you get this order 17 issued by Mr. Callicott without any advance 18 consultation on April 30th. You hire Mr. Ironside, and 19 you are responding to these various email requests from 20 the AER. What are you doing to address the balance of 21 the order with Mr. Ironside? Who's working on it? 22 What's happening? 23 A We -- we try our best. We pretty much meet all the 24 requirement from the interim order, except there are 25 only two item -- sorry -- about three item. One is the 26 \$15 million security deposit request, and, secondly,</p> |
| <p style="text-align: right;">259</p> <p>1 the audited financial statement, and, third, the -- the 2 abandonment of all the mineral rights well within six 3 months, and that way it was required that we can have a 4 12 or 13 months to do that because access issue. 5 Q I'm asking you, though, a bit more of a specific 6 question. What are you doing to work on trying to 7 answer these? Who is assigned to it? What are you 8 attempting to do internally? 9 A Internally, on the financial side, financial statement 10 side, I'm working with Amy, and on the response to the 11 AER and, you know -- 12 THE COURT REPORTER: Sorry. Just repeat that. In 13 response to the AER and you know? 14 A MR. LI: RCAM order. 15 THE COURT REPORTER: "RCAM." Thank you. 16 A MR. LI: RCAM order. Mr. Ironside is 17 taking care of it. 18 Q MR. STAPON: And is he working with Jay, or 19 what's happening? 20 A He's working with me and Jay. 21 Q And how much time is that taking? 22 A Oh, that's a lot. 23 Q I'll turn the floor over to Mr. Ironside. If you 24 could, for a moment, describe your actions after being 25 called up by Mr. Ben Li to come in and try and address 26 the AER's March 30th order. What are you doing?</p> | <p style="text-align: right;">260</p> <p>1 What's happening at the corporation? 2 A MR. IRONSIDE: So, essentially, Ben called me 3 after he received the March order and April -- 4 April 4th is the Monday, I think, or 3rd or 4th, but, 5 anyways, on Monday morning, Can you please come in, and 6 are you available to work full-time as needed instead 7 of our arrangement at the time, which was a few days a 8 month? And I said, Yes, I am. And so, essentially, 9 virtually since that day, that Monday, I have been 10 helping Ben full-time. 11 Q What was your reaction to the order, Mr. Ironside, when 12 you read it? 13 A Well, I immediately knew that some of the things 14 AlphaBow was already compliant on. There was certainly 15 things that were -- that, from my perspective as having 16 been a CEO of a public company, there were certainly 17 things that I thought were highly unreasonable, and 18 certainly in the response, I was -- I was hoping that 19 we could find a way to work with the AER on the 20 \$15 million because from my perspective, having been 21 involved with AlphaBow since 2018, I had hoped that any 22 money that AlphaBow was going to spend would be making 23 it better for AlphaBow. So if we were going to spend 24 \$15 million, I didn't like the idea of it just going 25 sitting somewhere with the AER. I was hopeful that it 26 could be employed in reducing AlphaBow's obligations</p> |

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1 and -- and making the company better.

2 Q You'd mentioned, Mr. Ironside, that on March 8th, you'd

3 been to this symposium at the University of Calgary

4 where you learned of the carbon credits potentially

5 available to AlphaBow and the potential value of those.

6 Had you been working on a business plan in

7 connection with what might work and what kind of

8 revenue that might generate for AlphaBow?

9 A I was highly aware of the potential after that meeting,

10 and the answer is yes. I -- I was trying to help Ben

11 on two fronts: One was with regard to the -- you know,

12 mostly I'd been giving him advice on how to try to

13 capitalize on a -- what I considered the stranded

14 425,000 tons and -- and also just what I believed was

15 the best plan forward for the carbon credits.

16 Q Mr. Ironside, there's been a fair amount of media in

17 the province of Alberta in connection with companies

18 just walking into the AER and turning over the keys,

19 the Orphan Well Association, or actually abandoning a

20 company.

21 Based on what you were observing in AlphaBow,

22 what, if any, effort was being made to continue

23 business?

24 A Well, my instructions were -- were very clear. I mean,

25 the intent was that we wanted to do everything we could

26 to work with the AER. We wanted to address every issue

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1 Q Okay. And you mention that you have been working with

2 the AER -- or pardon me -- with Mr. Li. Were you also

3 working with Jay in connection with getting together

4 the information to properly respond to the AER?

5 A Yes, I was.

6 Q And your first response is under Tab Number 30 at

7 page 239 of Exhibit 9. And the Panel has indicated

8 that it has already read this information, so I'm not

9 going to grind through it in excruciating detail, but I

10 want to address the fact that you were attempting to

11 address the RCAM order in its entirety.

12 So you mentioned that when you prepared this

13 letter of May 12th, 2023, you set up three categories,

14 and as I recall your evidence this morning, one was

15 where you believe that you were compliant; two, that

16 you had a legitimate resolution plan. And what was the

17 third one?

18 A So in the order, there was -- there were what I would

19 call "generic statements" where it might have stated

20 something like, Whereas pursuant to such and such act

21 or regulation, the AER has the right to do something.

22 And those sort of generic statements, we -- we didn't

23 need to address those. So what we were attempting to

24 address was each and every specific concern that was

25 raised and each and every requirement.

26 So with regard to the concerns that were raised,

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1 in the order, and we wanted to find a way to work

2 through this. And, I mean, that was -- my instruction

3 was to -- to do the best response to the AER that we

4 could.

5 Q Okay. There was a request for a stay of the order

6 issued by Mr. Callicott, was there?

7 A Yes.

8 Q And if I could show you page 236, Mr. Tyler Callicott

9 has responded to AlphaBow on May 10 of 2023. Do you

10 see that?

11 A Yes, I see that.

12 Q And he writes this, and that is: (as read)

13 Good afternoon, Ben. With the denial of

14 AlphaBow's request for a stay of the

15 March 30th, 2023, order, AlphaBow is now

16 considered to be in breach of the order. In

17 recognition of the delay of the interim stay,

18 I've decided to extend the deadline for

19 Clauses 1, 3, 5, and 8, 8 being the

20 \$15 million, till the end of day, Monday,

21 May 15, 2023.

22 So Mr. Callicott is giving a five-day extension to

23 raising the \$15 million?

24 A With the denial of the stay, he has provided a five-day

25 extension from that point on for the company to come in

26 compliance with those specific four items.

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1 we divided the concerns into three groups. The first

2 group was this concern we believe we were already

3 compliant. The second group was these are legitimate

4 concerns, and here is our plan and our timeline to

5 address. And the third group was asset retirement

6 obligation related concerns, like the mineral expiries

7 and Directive 13 compliance. And so those were the

8 three groups.

9 We did address each and every concern. We also

10 separately, within the letter, provided a discrete RCAM

11 plan, and as part of that RCAM plan, we were required

12 to specifically address -- I believe it was eight

13 issues, and we, in sequence, addressed each of those

14 eight issues. So that is how we set up our response.

15 Three groups -- the three groups of -- of concerns plus

16 the RCAM plan plus addressing the specific requests

17 under the RCAM plan.

18 Q And, Mr. Ironside, did you, in fact, send this

19 correspondence with Mr. Li's input and approval?

20 A As it turned out, I had a preplanned trip, and I was

21 out of town, and so I was communicating with Ben,

22 Mr. Li, and counsel, and we had been working on this

23 for some time, and it was finalized, and it was sent by

24 Ben and signed by Ben on the 12th of May.

25 Q Thank you.

26 So let's take a look just at the highlights of the

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1 correspondence. Talking about custody and care at
 2 first instance. Do you see that?
 3 A Yes.
 4 Q And you state: (as read)
 5 We submit that despite the financial hardship
 6 and other extenuating circumstances such as
 7 the COVID pandemic, AlphaBow Energy Ltd. has
 8 performed to a very high standard with regard
 9 to custody and care over the past five years.
 10 Do you see that?
 11 A Yes. I -- I -- I wrote that.
 12 Q Now, you reviewed this morning some of AlphaBow's
 13 conduct over that period of time. That is, how many it
 14 had employed, how much revenue it had paid by way of
 15 royalties, what it had done with respect to its safety
 16 record, what it had done with respect to its
 17 environmental record, and so on.
 18 Did that factor into your decision in connection
 19 with the making and determination of whether or not
 20 you'd actually done a good job or not?
 21 A I'm actually -- I -- I actually have played a role with
 22 AlphaBow since 2018, and I'm certainly very proud of
 23 the work that AlphaBow has done, and as I stated
 24 earlier, you know, a reduction of 33-and-a-half percent
 25 of the sites in five years, I honestly don't believe
 26 there's another company in the industry that can claim

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1 potentially a concern with regard to being able to
 2 operate safely and environmentally.
 3 Q And did you, in fact, look at each of those regulatory
 4 issues or noncompliances for the purposes of assessing
 5 AlphaBow's safety in its operations?
 6 A I did. The main point is that this response addressed
 7 each and every one of the whereases. It addressed each
 8 and every one of the concerns. It did provide a
 9 timeline and a plan to -- to address each and every one
 10 of the specific concerns that were itemized in the
 11 March order.
 12 Q Okay. You actually outline in Point Number 1 that
 13 you'd made above-average progress on asset retirement?
 14 A Well, that's -- that's the point. I don't believe any
 15 company has done that much in that five-year period as
 16 far as retiring that many sites or -- or reducing
 17 their -- their site count by that much.
 18 Q And you have a full paragraph in connection with safety
 19 and environmental in connection with AlphaBow's actions
 20 and operations?
 21 A What I attempted to do in -- in that section of the
 22 letter was to address what -- you know, when -- when
 23 the AER claims that your satisfactory rate was
 24 54 percent, which means that 14 out of 24 of the
 25 inspections done from March -- or from January to
 26 March of 2023 were unsatisfactory, I wanted to address,

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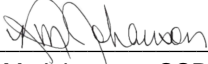

1 that they've achieved that.
 2 So I think AlphaBow, however it has managed to do
 3 it, has made incredible progress despite, you know,
 4 that the company has, from the beginning, had a lot of
 5 responsibilities with regard to asset -- asset
 6 retirement.
 7 Q And in connection with the overall response that you
 8 were working with AlphaBow to provide, the eligibility
 9 issue that was associated with the July 28, 2022, order
 10 continued to pertain; correct? That is --
 11 A Yes.
 12 Q -- it was an eligibility issue?
 13 A Yes.
 14 Q And in connection with this particular process, were
 15 you proposing to proceed forward without the necessity
 16 of changing that eligibility immediately?
 17 A Yes.
 18 Q And you were permitted to operate during this term?
 19 That is, AlphaBow was permitted to operate?
 20 A Yes.
 21 Q Was there any suggestion you were operating
 22 environmentally unsafely, physically unsafely?
 23 A Well, I believe that the AER is suggesting by the
 24 March order that the degree of unsatisfactory
 25 inspections having declined to the range of 54 percent
 26 is an indication, in their eyes, that AlphaBow is

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1 you know, what the issues were and put them into
 2 context because I wanted to make the point, very
 3 strongly, that I felt that a much better barometer
 4 rather than these inspections was that AlphaBow's
 5 safety and environmental performance would be its
 6 response to incidents.
 7 And -- and that's where I itemized and stated the
 8 fact that we had 37 reportable incidents, of which 9
 9 were third-party precipitated, and that within -- you
 10 know, essentially that 27 of them were sorted and that
 11 they were all being sorted with -- with the exception
 12 of only 4 within a period of two years. And I believe
 13 that under the circumstance, that was -- that was a
 14 very good barometer of how AlphaBow was capable of
 15 responding to incidents and had demonstrated that
 16 capacity and had done so.
 17 Q Let's, then, talk about the financial plans of AlphaBow
 18 go forward and what you were telling the AER. You
 19 indicated in Point 3 that there's a business plan
 20 regarding asset retirement obligations and growing
 21 revenue. What generally were you attempting to convey
 22 there?
 23 A Well, that we had a plan. I mean, nothing more,
 24 nothing less. AlphaBow -- you know, we have a plan to
 25 address not only our asset retirement obligations but
 26 our arrears and to begin drawing a production.

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| <p style="text-align: right;">269</p> <p>1 So we -- you know, essentially what I'm saying</p> <p>2 here is we have a plan to address all these obligations</p> <p>3 and survive and grow, and I was, you know, sort of</p> <p>4 breaking that plan into components. So the components</p> <p>5 were, you know, that what we were doing out of our cash</p> <p>6 flow and -- and that we -- we expected revenue growth</p> <p>7 and that -- and in subsequent sections, I -- I address</p> <p>8 that further.</p> <p>9 Q Indeed, you indicate in Clause 4 -- and this is at</p> <p>10 page 240 -- that there is significant additional income</p> <p>11 pending. Do you see that?</p> <p>12 A Yes.</p> <p>13 Q And that's the CO2 that you've been talking about?</p> <p>14 A Yes. And, essentially, at the risk of repeating</p> <p>15 myself, I was -- by the time I was writing this letter,</p> <p>16 I was aware of the new CO2 pricing, and I was aware of</p> <p>17 the impact on the company. And I was trying to</p> <p>18 describe this. So what was happening is the company</p> <p>19 was going from essentially having a low cost of CO2 to</p> <p>20 having a significant long-term source of income that it</p> <p>21 had not had.</p> <p>22 And I was telling the AER about this, and I was</p> <p>23 fully cognizant that it was new. And that, you know,</p> <p>24 if somebody had asked me about it in -- you know, was</p> <p>25 it in the previous reserve reports or anything like</p> <p>26 that, if I was asked anything about it, I was quite</p> | <p style="text-align: right;">270</p> <p>1 prepared to explain, No. I mean, this used to be</p> <p>2 handled as part of the operating costs in the reserve</p> <p>3 report related to the EOR oil production, but it had</p> <p>4 grown to be something more significant, substantial,</p> <p>5 and beyond that.</p> <p>6 Q So rather than being an off cost, it was an off credit?</p> <p>7 A Rather than being just, you know, essentially at low</p> <p>8 cost of CO2 as part of our operating cost, it was now</p> <p>9 going to become an extremely material source of --</p> <p>10 extremely material resource and source of income for</p> <p>11 the company going forward.</p> <p>12 Q And you also indicate that there are potential</p> <p>13 accretive facility and production deals. This is on</p> <p>14 page 240?</p> <p>15 A Yes.</p> <p>16 Q When you're telling the AER, Look, here's our plan. We</p> <p>17 can look after the ARO. We've got a plan to get out of</p> <p>18 it. We've been a responsible and safe operator. We're</p> <p>19 going to have a lot more money going forward. Does</p> <p>20 anyone come to talk to you and say, What are you</p> <p>21 talking about? How are you going to make this work?</p> <p>22 A As I stated earlier, the very first response I heard</p> <p>23 from anyone relative to our plan was when counsel for</p> <p>24 the AER with regard to our appeal stated at the Alberta</p> <p>25 Court of Appeal that our plan was a -- that our plan</p> <p>26 was a hope, not a plan.</p> |
| <p style="text-align: right;">271</p> <p>1 Q And I'd like you to take a look at the next heading</p> <p>2 that you make. It's item -- oh, pardon me.</p> <p>3 You say that you've got two potential accretive</p> <p>4 deals, and Number 6: (as read)</p> <p>5 AlphaBow ranks Tier 1 in some very important</p> <p>6 elements of AER's peer group assessment.</p> <p>7 What are you attempting to convey there?</p> <p>8 A Well, if you want to look at the AER's website, you can</p> <p>9 bring up a peer group assessment dashboard. And I was</p> <p>10 just -- I was just wanting to point out that in -- on</p> <p>11 the AER's own information that we were ranking Tier 1</p> <p>12 in its important elements of their dashboard and their</p> <p>13 rankings. And that's really the only point I was</p> <p>14 trying to make with this.</p> <p>15 Q And then over on page 2 --</p> <p>16 THE CHAIR: Mr. Stapon. We're at 6:40.</p> <p>17 Is this a convenient spot for you to stop?</p> <p>18 MR. STAPON: It is a spot for me to stop,</p> <p>19 and it is late, and so I do thank the Panel for sitting</p> <p>20 this extra period of time. Are we starting early</p> <p>21 tomorrow?</p> <p>22 THE CHAIR: We are scheduled for the rest</p> <p>23 of the week to start at 8:30 every morning. So that is</p> <p>24 our plan for tomorrow. Are there any concerns or</p> <p>25 questions from either of the parties?</p> <p>26 MR. STAPON: I think that that will work,</p> | <p style="text-align: right;">272</p> <p>1 and I believe that we can probably keep within the</p> <p>2 two-hour guideline for continued direct. It may be 10</p> <p>3 or 15 minutes over, I think, worst case.</p> <p>4 THE CHAIR: Okay. Thank you.</p> <p>5 Ms. Ross, anything from CLM?</p> <p>6 MS. ROSS: Nothing from us.</p> <p>7 THE CHAIR: Thank you.</p> <p>8 Ms. Doebele?</p> <p>9 MS. DOEBELE: Thank you, Chair Chiasson. I</p> <p>10 have two housekeeping items. The first is that we'd</p> <p>11 ask parties to please remove their items from the</p> <p>12 breakout rooms because they're open to public and can't</p> <p>13 be locked over the evening. So that's the first one.</p> <p>14 And then the second one is just a reminder about the</p> <p>15 confidentiality undertakings that the Panel had</p> <p>16 requested in its process letter from Friday, so</p> <p>17 November 23rd, to have those filed with our hearing</p> <p>18 coordinator either through email or in person, and we</p> <p>19 did -- we had asked for that by the end of the day.</p> <p>20 And we did receive CLM's confidentiality undertakings</p> <p>21 already and actually, Commissioner Chiasson, we can</p> <p>22 mark those as an exhibit at this point or wait until we</p> <p>23 get everything together.</p> <p>24 THE CHAIR: Perhaps it would suit to wait</p> <p>25 till we get everything together.</p> <p>26 MR. STAPON: Commissioners, I've not been</p> |

1 involved in the entire process here. I'd like to
 2 understand briefly. A confidentiality undertaking in
 3 connection with a public hearing, I'm wondering how
 4 that can possibly be. I can understand the
 5 confidentiality undertaking with respect to the
 6 financials, but other than that, does it apply to
 7 anything else? Financials. That's fine.
 8 MS. DOEBELE: That's correct, Mr. Stapon.
 9 Yeah, just the financials. And it's under Rule 25 of
 10 the AER Rules of Practice.
 11 MR. STAPON: I understand. Thank you.
 12 THE CHAIR: The other thing, before we
 13 break, is that we would remind that the witnesses are
 14 still under oath or affirmation. The witness panel is
 15 not released, so please act accordingly.
 16 MR. STAPON: Of course. And thank you.
 17 THE CHAIR: Actually, one other thing I'll
 18 mention is that I would thank counsel and the Panel for
 19 making the effort that we've asked in relation to try
 20 to avoid acronyms. Much appreciated.
 21 MR. STAPON: Thank you.
 22 THE CHAIR: Good night.
 23 (WITNESSES STAND DOWN)
 24 _____
 25 PROCEEDINGS ADJOURNED UNTIL 8:30 AM, NOVEMBER 28, 2023
 26 _____

1 CERTIFICATE OF TRANSCRIPT:
 2
 3 We, Roxanne M. Johanson and Angela Porco, certify
 4 that the foregoing pages are a complete and accurate
 5 transcript of the proceedings taken down by us in
 6 shorthand and transcribed from our shorthand notes to
 7 the best of our skill and ability.
 8 Dated at the City of Calgary, Province of Alberta,
 9 this 27th day of November 2023.
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 14 _____
 14 R.M. Johanson, CSR(A)
 15 Official Court Reporter
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 20 _____
 20 A. Porco, CSR(A)
 21 Official Court Reporter
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