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<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 5</p> <hr/> <p style="text-align: center;">Calgary, Alberta November 29, 2023</p>	<p style="text-align: center;">TABLE OF CONTENTS</p> <p>1</p> <p>2</p> <p>3 Description Page</p> <p>4</p> <p>5 November 29, 2023 Morning Session 524</p> <p>6</p> <p>7 Opening Remarks 524</p> <p>8 JASON DAHLGREN, LONNY OLSEN, ANITA LEWIS, 528</p> <p>9 RYAN GREEN, Sworn</p> <p>10 KARA LANGLOIS, Previously Affirmed</p> <p>11 TYLER CALLICOTT, Affirmed</p> <p>12 Direct Evidence of Closure and Liability 528</p> <p>13 Management</p> <p>14</p> <p>15 November 29, 2023 Afternoon Session 654</p> <p>16</p> <p>17 JASON DAHLGREN, LONNY OLSEN, ANITA LEWIS, 656</p> <p>18 RYAN GREEN, Previously Sworn</p> <p>19 KARA LANGLOIS, Previously Affirmed</p> <p>20 TYLER CALLICOTT, Previously Affirmed</p> <p>21 Discussion 740</p> <p>22 Mr. Stapon Cross-examines Closure and Liability 746</p> <p>23 Management Branch</p> <p>24 Certificate of Transcript 807</p> <p>25</p> <p>26</p>
523	524
<p style="text-align: center;">EXHIBITS</p> <p>1</p> <p>2</p> <p>3 Description Page</p> <p>4</p> <p>5 EXHIBIT 71.01 - 2023-11-29 - Confidential 713</p> <p>6 Undertaking from CLM.pdf</p> <p>7 EXHIBIT 72.01 - 2023-11-29 - AlphaBow 745</p> <p>8 Undertaking Responses (Undertakings 2, 3,</p> <p>9 and 4).pdf</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>26</p>	<p>1 Proceedings taken at Govier Hall, Calgary, Alberta.</p> <p>2</p> <hr/> <p>3 November 29, 2023 Morning 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 E. Arruda AER Staff</p> <p>15 A. Stanislavski AER Staff</p> <p>16</p> <p>17 G. Stapon For AlphaBow Energy Ltd.</p> <p>18 K. Cameron For AlphaBow Energy Ltd.</p> <p>19</p> <p>20 R.M. Johanson, CSR(A) Official Court Reporter</p> <p>21 A. Porco, CSR(A) Official Court Reporter</p> <p>22</p> <hr/> <p>23 (PROCEEDINGS COMMENCED AT 8:39 AM)</p> <p>24 Opening Remarks</p> <p>25 THE CHAIR: Good morning, all, and welcome</p> <p>26 back to Day 3. So today we are due to hear direct</p>

525

1 evidence from CLM and then begin AlphaBow's
 2 cross-examination, but before we get on to that, we do
 3 have various pieces related to undertakings and
 4 possible undertakings to check in on.
 5 So starting first with AlphaBow, we had
 6 Undertaking 3, which was given yesterday, which was in
 7 relation to providing a PowerPoint that Mr. Ironside
 8 had prepared and then presented during an October 22nd,
 9 2019, meeting with the AER.
 10 MS. CAMERON: Good morning, commissioners.
 11 We should actually be able to provide responses to
 12 all of our outstanding undertakings today. We're in
 13 the process of getting them compiled now.
 14 THE CHAIR: Okay. So does that mean --
 15 because I know we had on the list, then, as well,
 16 Ms. Cameron, an update in relation to -- it was a
 17 possible undertaking related to the number of mineral
 18 lease expired wells that had been abandoned?
 19 MS. CAMERON: Yes. We'll be able to
 20 provide --
 21 THE CHAIR: You'll be able to provide it?
 22 MS. CAMERON: -- a response to that as well.
 23 THE CHAIR: Great. Thank you very much.
 24 And, CLM, we had a possible undertaking in
 25 relation to providing the -- I -- I believe it was the
 26 background calculations on the crossover diagram

527

1 that -- mark that as an undertaking on the mineral --
 2 MS. DOEBELE: Yes.
 3 THE CHAIR: -- lease expiry?
 4 MS. DOEBELE: Yes. When we receive it,
 5 we'll exhibit it.
 6 THE CHAIR: Okay. All right. Anything
 7 further this morning before we begin? No.
 8 Then, CLM, I would say please proceed to seat your
 9 witnesses, and we will have to have everyone other than
 10 Ms. Langlois sworn or affirmed.
 11 MS. ROSS: Chair.
 12 THE CHAIR: Yes.
 13 MS. ROSS: We have six witnesses and five
 14 chairs.
 15 THE CHAIR: Oh, all right. Perhaps we can
 16 get -- get -- get that straightened out. Thank you for
 17 that.
 18 Yes. Sorry. Commissioner Barker has reminded me
 19 of one other. And just to confirm as well,
 20 Ms. Cameron, that your undertakings include -- there
 21 was also a potential undertaking in relation to the
 22 amounts that were owing to a number of listed
 23 municipalities. That will be -- that's included in
 24 what you'll be providing today?
 25 MS. CAMERON: Yes, that's correct.
 26 THE CHAIR: Great.

526

1 that's -- that was discussed the first two days of the
 2 hearing.
 3 MS. LAVELLE: Yes, chair. I spoke with
 4 Ms. Langlois about that last night and only about that,
 5 and -- and it's not possible to produce that. There's
 6 a bit of an explanation, so if it's okay, I'll just
 7 read that, because it will make a little more sense.
 8 THE CHAIR: Thank you.
 9 MS. LAVELLE: (as read)
 10 So she looked through her files, and she
 11 can't produce the data that informed the
 12 crossover graph. The graph is a tableau
 13 report, and we don't keep the historical data
 14 that created it. The crossover calculation
 15 is updated for all licensees yearly for
 16 updated commodity price forecasts, which are
 17 based on ST98 and production history, and
 18 that graph would have used the prices
 19 published in the 2022 ST98 report. The
 20 production decline rates at the time she
 21 created the report are also no longer
 22 available.
 23 So that's the explanation.
 24 THE CHAIR: Thank you for that.
 25 So, then, Ms. Doebele, I would guess we would --
 26 when we receive the material from AlphaBow, we'll mark

528

1 MS. CAMERON: Thank you, commissioner.
 2 THE CHAIR: Thank you very much.
 3 JASON DAHLGREN, LONNY OLSEN, ANITA LEWIS, RYAN GREEN,
 4 Sworn
 5 KARA LANGLOIS, Previously Affirmed
 6 TYLER CALLICOTT, Affirmed
 7 THE CHAIR: Yes. Sorry. Please proceed,
 8 Ms. Lavelle -- actually, before you start, I will
 9 mention, we look to be right on time on our schedule,
 10 so we would anticipate looking -- targeting to take a
 11 break around 10:15, but we'll be guided by where
 12 you're -- where you're at.
 13 MS. LAVELLE: That should be fine. Thank
 14 you.
 15 THE CHAIR: Thank you.
 16 MS. LAVELLE: Thank you, chair,
 17 distinguished Panel members. I'll be presenting
 18 Ms. Lewis's evidence today.
 19 So just before I begin, we did send a letter with
 20 some links to some public documents, and I don't know
 21 if it's possible for -- it is possible?
 22 Direct Evidence of Closure and Liability Management
 23 Q MS. LAVELLE: So, Ms. Lewis, if there's
 24 something that you would like to highlight and you --
 25 we can ask hearing services to pull it up on the
 26 screen, but I'll leave that to you. All right? Okay.

529

1 Thank you.

2 So good morning again. Do you adopt the record

3 decision Exhibit 8.01 and 9.01 and CLM's submission

4 Exhibit 52.01 and 52.02 as evidence?

5 A Yes, I do.

6 Q Thank you.

7 And can you please tell the Panel a bit about your

8 background, including your education, your previous

9 positions, and how long you've been with the AER.

10 A MS. LEWIS: I have a bachelor of applied

11 science in environmental engineering, which I graduated

12 from -- in Regina. I have worked for the Alberta

13 Energy Regulator or the predecessors for over 23 years

14 and have had quite a wide variety of roles throughout

15 the organization.

16 The first half of my career has been spent

17 primarily in the operational activities that the AER

18 conducts, looking at technical applications and looking

19 at sort of exemption types of applications submitted by

20 industry for a wide variety of areas, including

21 emergency response planning, noise issues, as well as a

22 significant time in what was our well operations team,

23 so dealing with a lot of integrity issues related to

24 wellbores.

25 During that first half of my career here, I also

26 spent quite a lot of time attending and providing

531

1 been implementing this since the announcement.

2 Q Thank you.

3 And so you mentioned that your current role is

4 senior advisor. What is your actual title?

5 A It's senior advisor liability strategy.

6 Q Thank you.

7 And how long have you been in that position?

8 A I believe it's been four or five years. I'm sorry,

9 'cause a lot of the roles sort of transitioned, and

10 they were same positions, just renamed as the

11 organization shifted over time.

12 Q That's fine. Thank you. Yeah.

13 And what specifically, then, are your roles or

14 your responsibilities in your current position?

15 A So we've been working with our executive on how to

16 focus on the AER's mandate and strategic plan, which is

17 to reduce liabilities in Alberta and primarily -- or

18 about since 2020 on, implementing the liability

19 management framework.

20 So that work included the development and

21 implementation of Directive 88 in Manual 23, which was

22 significant work, and we're continuing to do further

23 development and program development for the liability

24 management framework with additional revisions over the

25 next coming years.

26 Q Thank you.

530

1 information as landowner community centres or technical

2 information where we were trying to explain our

3 requirements, so landowners in the area -- different

4 areas of the province understood what we were doing and

5 the requirements that were in place.

6 The last half of my career has really focused on

7 closure requirements and liability management. So

8 around 2009, I shifted out of more of the technical and

9 started reviewing and looking at what was happening

10 regarding liability management in the province and was

11 participating in a project called "The Aging

12 Infrastructure Project" that, I think, began around

13 2009 with the AER, and, since then, that has been sort

14 of my primary role.

15 In 2020, I transitioned significantly into the

16 implementation of the new liability management

17 framework that the government introduced. There are a

18 number of senior advisors, such as myself and -- I'm

19 sorry. I probably didn't -- I'm a senior advisor of

20 liability strategy within the organization currently,

21 and so myself and two other senior advisors are

22 primarily responsible for the transition and

23 implementation of the new liability management

24 framework within the organization. So we work quite

25 closely with government, both energy and -- and

26 environment, as well as with our executive as we've

532

1 And what was your involvement -- or what is your

2 involvement with the AlphaBow file?

3 A I've provided sort of high-level guidance with respect

4 to what the intent of the new framework was and the

5 programs that we've been developing over the last few

6 years. I've spoken, I believe, to Tyler on some of

7 those pieces, really trying to ensure that as we're

8 implementing the new framework and the programs that

9 people understand what -- the intent of what we're

10 doing.

11 Q Thank you.

12 So you've used the term "new liability" or

13 "liability management framework" quite a bit, so can

14 you tell us in a nutshell, what is the "new liability

15 framework"?

16 A So in 2022, the Government of Alberta announced a new

17 liability management framework, and it was policy

18 direction on the changes that they wanted to liability

19 management in Alberta, and so they were shifting away

20 from our current program, which Kara had brought up

21 yesterday, which was the licensee liability rating

22 program, which encompasses the liability management

23 rating to this new framework, which was really looking

24 at assessing -- having a system in place to assess the

25 capability of a licensee being able to meet its

26 regulatory and liability obligations throughout the

533

1 energy development life cycle, as well as ensuring that
 2 they are cleaning up oil and gas infrastructure in the
 3 province.
 4 Q Thank you.
 5 And what was done to enable the liability
 6 management framework?
 7 A So if you want to pull out Exhibit 67.01, there's a
 8 link to some of the rules that we have, so these are
 9 references that can be looked at. So one of the
 10 primary pieces -- so can you repeat the question?
 11 Q Sure. What was done to enable the new liability
 12 management framework?
 13 A So we had a number of changes that occurred both in the
 14 rules and the acts that the government enabled, and we
 15 needed those to be able to enable the direction that
 16 they provided us. So one of the primary pieces -- and
 17 Kara brought this up as well yesterday -- was the
 18 changes to the oil and gas conservation rules,
 19 Section 12.152(1), that allowed the AER to collect
 20 financial and reserve information, really for the focus
 21 on assessing liability that -- the licensee's
 22 eligibility but also for administrating our liability
 23 programs, as well as to ensure that we were fulfilling
 24 our mandate, which was the safe, orderly, and
 25 environmentally responsible development of oil and gas
 26 in the province.

535

1 Section 4.5, and it's the last three bullets on page 6.
 2 Yes. So if you look at that -- so the last three
 3 bullets are the financial -- so: (as read)
 4 Assessing the financial health of the
 5 applicant, licensee, or approval holder.
 6 I won't read it all, because you can read what it says.
 7 The next one is: (as read)
 8 Assessing the capability to meet its
 9 regulatory and liability obligations
 10 throughout the energy development life cycle,
 11 including the financial capability.
 12 And the last bullet there is: (as read)
 13 To assess the ability to provide reasonable
 14 care and measures to prevent impairment or
 15 damage.
 16 And this is with respect to a pipeline, a well, a
 17 facility, as listed there.
 18 So that actually leads to sort of the second
 19 enabling rules that the government provided. Actually,
 20 it's in the Oil and Gas Conservation Act, and that's
 21 Section 26.2, also in the Pipeline Act, Section -- it's
 22 Part 3, Section 1.1. And so the reasonable care and
 23 measures was really about -- and it indicates this
 24 right in the Act, that: (as read)
 25 The licensee shall provide reasonable care
 26 measures to prevent impairment or damage in

534

1 If you wanted to click on it, it's the second link
 2 in there -- sorry -- the third link, yeah, where it
 3 says "OGCR", and it will pull up that -- if you go to
 4 Section 12.151, you'll see the section I'm referring
 5 to.
 6 So as part of that, we integrated -- if you
 7 can't -- if it's taking too long, you don't have to
 8 actually go to those sections.
 9 Q I think maybe just in the interest of time --
 10 A Yeah.
 11 Q -- it will take quite a while to pull up the various
 12 ones, but if you can maybe highlight the sections, and
 13 then if there's anything really specific maybe that
 14 will --
 15 A Yeah.
 16 Q Yeah.
 17 A So as Kara mentioned yesterday, that got integrated
 18 into Directive 67, which is also a public document,
 19 and, really, the important part there was the
 20 integration of the financial information in what we
 21 call "assessing unreasonable risk", which is
 22 Section 4.5 in Directive 67, and there are three --
 23 there's a whole list of items that the AER evaluate as
 24 part of unreasonable risk, but there's three points
 25 that I specifically want to outline. So maybe in this
 26 case, you want to pull up Directive 67, specifically

536

1 respect of a well facility, well site, or
 2 facility site.
 3 And that is also mimicked in the Pipeline Act with
 4 respect to pipelines.
 5 So the section also continues to sort of speak to
 6 that if a licensee fails to or is unable to do so, that
 7 we can direct the licensee to provide reasonable care
 8 and measures or that we can order the working-interest
 9 participants or another delegated party to be able to
 10 provide that.
 11 In addition to that, that is part of the
 12 reasonable care and measures, that they must meet --
 13 meet the requirements and rules set out by the
 14 Regulator and any terms or conditions that are imposed
 15 by the Regulator. And so this particular reasonable
 16 care and measures, which I think we -- you've referred
 17 to as "RCAM orders" in previous testimony, is really --
 18 aligns really quite closely with the AER's mandate to
 19 ensure that we have safe and environmentally
 20 responsible development of oil and gas resources in
 21 Alberta.
 22 Q Okay. Thank you.
 23 So I -- you did mention a little bit about the
 24 Government of Alberta, but I -- I would like to just
 25 clarify a little bit more. Under the new liability
 26 management framework, what is the role of the

<p style="text-align: right;">537</p> <p>1 Government of Alberta, and what is the role of the 2 Alberta Energy Regulator? 3 A So the government is responsible for setting policy 4 direction and oversight, and they did that with the 5 announcement of the new liability management framework. 6 The AER is responsible for administering those 7 programs. So that includes creating requirements such 8 as those that we put in Directive 88, processes which 9 are in Manual 23, but also for ensuring that we're 10 monitoring compliance and conducting enforcement 11 actions when necessary. 12 Q Thank you. 13 And so you mentioned that -- correct me if I'm 14 wrong. I believe you said this liability management 15 framework came into effect in 2022? 16 A The announcement was made in the summer of 2020. 17 Q Okay. So that is my question, then. What engagement 18 was done with industry regarding Directive 88 prior to 19 implementation? 20 A So Directive 88 was released and published in 21 December of 2021; however, at the beginning of 2021 -- 22 I believe it was between January, March, could have 23 proceeded right into a bit of April -- we did extensive 24 engagement with industry about the components of what 25 was being provided in the directive. We did this 26 engagement prior to releasing the draft directive for</p>	<p style="text-align: right;">538</p> <p>1 public comments. So we wanted the stakeholders to 2 understand what information was going in there so they 3 could properly evaluate when the public comment period 4 came up. 5 So we released the draft in June of 2021 for 6 public comment. In the fall of that year, public 7 comment closed. We took the feedback, integrated it, 8 and made changes to Directive 88, and we created 9 Manual 23 that outlined a lot of the processes that 10 were requested through that public comment period. And 11 the directive and the manual was released, I believe, 12 early December of 2021. 13 The following years, between January and March, we 14 did additional set of industry engagement once the 15 directive was finalized. If there was additional 16 questions from industry on understanding the final set 17 of requirements that were in place, which -- and I 18 believe they -- they -- all the participants that were 19 invited, we also monitored all the questions that came 20 in, and we were provided a document -- or response to 21 those, and I believe we created, like, a Q and A 22 document that went back out to all of the participants. 23 Q Thank you. 24 So you've given us an overview of the -- the 25 legislative changes, but I -- I would like you to walk 26 us through the components of the -- that make up the</p>
<p style="text-align: right;">539</p> <p>1 new liability management framework. 2 A Sure. If you actually want to open up just the first 3 document, which is the link to the Oil and Gas Alberta 4 website. Sorry. It's -- you're in the same one. 5 So -- yeah. So that kind of gives you a highlight of 6 what the government included as part of the liability 7 management framework, and I'll talk about each of those 8 pieces. So the first was about -- 9 Q Sorry. Can we just wait until it -- 10 A Oh, sorry. 11 Q -- is up. 12 A Yeah. If you just scroll down to where it says 13 "Liability". Yeah. The first part there -- the first 14 bullet, it speaks to the holistic licensee assessment. 15 So we -- this is the government document that is on 16 their website. We also have additional information in 17 Directive 88 in Manual 23 that speaks to the holistic 18 licensee assessment. It will be in Section 2 of 19 Directive 88 and also Section 2 of Manual 23. So 20 there's additional information there. 21 But the holistic licensee assessment was really 22 designed to understand the capability of the licensee, 23 like I've mentioned, through the energy development 24 life cycle, and so ensuring that a licensee could meet 25 the regulatory and liability obligations. And so as 26 part of it, there were three components of the holistic</p>	<p style="text-align: right;">540</p> <p>1 licensee assessment. The first component is the 2 unreasonable risk factors that I listed from 3 Directive 67, Section 4.5; the second is the licensee 4 capability assessment that Kara walked through 5 yesterday; and the third component is really about 6 that -- when we're assessing or using the holistic 7 licensee assessment for a specific type of a decision, 8 we can pull relevant information that is specific to 9 the circumstances or appropriate to evaluate for that 10 circumstance. 11 And so I'm not going to walk through the different 12 components of the LSA 'cause Kara did that yesterday. 13 Q That's fine. Yeah. Thank you. 14 A We also had the inventory reduction program, which is 15 the second bullet on there, the inventory production 16 program. And so the inventory production program has 17 two components: closure quotas and closure nomination. 18 So closure quotas was setting a minimum amount of 19 closure work or money to be spent on closure activities 20 or both. We had -- we were given the authority to do 21 whatever we chose was appropriate. We introduced the 22 mandatory closure spend, and so it is the minimum 23 amount of money that companies need to spend on closure 24 on an annual basis. The first year of this program 25 would have been in 2022; however, it was built off of 26 the area-based closure program, which we've referred to</p>

541

1 as "the ABC program", which ran between 2019 and 2021.
 2 So it was a bit of transitioning. So the area-based
 3 closure program ended as of December 2021. The
 4 inventory reduction program, specifically the closure
 5 quotas, began in the beginning of 2022.
 6 And that: "Each licensee must meet a mandatory
 7 spend". They're required to provide all of their
 8 closure activities and expenditures into our system for
 9 monitoring and to ensure compliance with that, and that
 10 it indicates in our directive and manual that if a
 11 licensee does not meet the spend that is required, that
 12 we can collect security.
 13 I'm just going to go quickly into "Closure
 14 Nomination", just to explain that piece of it. Closure
 15 nomination was built for landowners, and it -- there is
 16 a criteria that's set out on who is eligible to be able
 17 to nominate sites for closure, and so it's typically --
 18 and -- and it's not only, but it's typically landowners
 19 that have a well site or a facility site that is on
 20 their land, and it has to meet a certain criteria,
 21 being that it has to be inactive or abandoned for a
 22 minimum of five years. They can nominate those sites
 23 for closure, and we will be working -- we work with the
 24 licensee in providing them time frames from when that
 25 closure can happen, or the licensee can come back and
 26 provide us a closure plan on how they plan to -- intend

543

1 provided templates for licensees on how they were to
 2 submit in their closure spends so that -- and also the
 3 SRP funding so that we could consider it and remove it
 4 from the total expenditures that were reported.
 5 Q Thank you.
 6 A Going back to the liability management framework, the
 7 next component that we -- that they introduced, and
 8 it's actually sort of the last line of that first
 9 bullet, is the licensee management program. And so the
 10 intent of the licensee management program was to really
 11 have a bit of more -- have more oversight related to
 12 just licensee and licensee performance and where we
 13 identified risk.
 14 So the licensee management program incorporated a
 15 holistic licensee assessment, and so every licensee has
 16 a bit of assessment done immediately where we look at
 17 certain characteristics of a licensee, which are
 18 outlined both in the directive and the manual, and this
 19 section is Section 3 of both of those regulatory
 20 documents, and really focusing on, once again, the
 21 capability of the licensee to meet its regulatory and
 22 liability obligations.
 23 The HLA, which is the holistic licensee
 24 assessment, is really important 'cause it really
 25 provides a better understanding of the licensee and
 26 identifying if we're seeing any risks with that

542

1 to abandon and reclaim that site.
 2 Q And that's -- yeah. And then I think there's
 3 another -- is there another -- is that all of the
 4 components, or there's another component?
 5 A There's more components, but there is some questions on
 6 the site rehabilitation program yesterday that's really
 7 linked to this program.
 8 Q Sure.
 9 A So just as an explanation, as mentioned the site
 10 rehabilitation program, the SRP, was federal funding
 11 that was provided in 2020 -- 2020 to the provincial
 12 government to stimulate the economy, specifically the
 13 service providers in Alberta and having them focus on
 14 closure activity. When that announcement came, the AER
 15 was working with the government on the SRP funding and
 16 how that funding was to be provided out, and the
 17 government did it through a number of what they called
 18 "periods".
 19 But one of the decisions that were made during
 20 that time is that SRP funding, because it was grant
 21 funding, was -- would not be applicable to targets set
 22 for the area-based closure program or the inventory
 23 reduction program. And so once that decision was made,
 24 the AER started communicating that, I believe, by
 25 November or December of 2020 to the licensees. We
 26 updated our websites with that information. We

544

1 licensee. When we implemented the licensee management
 2 program, our initial priority focus group of licensees
 3 were those that were in a high level of financial
 4 distress, and then based on the information that we
 5 had, the information that we assess, that we -- that
 6 the AER does take appropriate regulatory actions to
 7 address the risks that we're seeing. And as part of
 8 that program, we can then assess a licensee at any
 9 time. There are components where we may request
 10 additional information from a licensee when warranted.
 11 So there are two other components of the licensee
 12 management framework which is not as relevant, I think,
 13 for this hearing, but I'll just quickly go through
 14 them. One was the process to address legacy sites,
 15 which we're still waiting for direction from the
 16 government on, and the next one was the expanded role
 17 of the Orphan Well Association, which -- there was a
 18 change into the Liability Management Statutes Amendment
 19 Act introduced through Bill 12. So I don't think
 20 that's -- a lot of the details of that is not really
 21 important in this particular case.
 22 Q Thank you.
 23 So that -- that's kind of the overview of the
 24 components of the new liability management framework
 25 with a -- with a bit of an emphasis on what is relevant
 26 to this hearing.

545

1 Can you tell us how the current -- or the new
 2 liability management framework is different from the
 3 LMR, the previous framework, the liability
 4 management --
 5 A The licensee liability rating program --
 6 Q Thank you.
 7 A -- which is the LLR program, and the liability
 8 management rating, the LMR.
 9 The LMR was a primary piece of the old LLR
 10 program, and it was evaluating a licensee's deemed
 11 assets over its deemed liabilities. So we were looking
 12 basically at two factors when we assessed a licensee.
 13 I believe Kara brought this up yesterday, that it was
 14 not a very effective method for assessing the --
 15 basically, the capability of a licensee.
 16 We saw many instances where the LMR did not
 17 provide us early enough information to say a licensee
 18 would go into insolvency, and we had cases where
 19 their -- their LMR showed quite -- what we would have
 20 considered healthy, but they still went into insolvency
 21 proceedings.
 22 So we -- when we shifted to the new LMF -- and
 23 this was based on the government direction -- they
 24 wanted sort of that holistic licensee assessment. So
 25 they really wanted us to have a system to better assess
 26 the capabilities of the licensees. And using the

547

1 rating, that LMR that I had just spoken about.
 2 In addition to that, we can collect security at
 3 any time to offset a number of risks, and that's based
 4 on the estimated cost of suspending, abandoning, and
 5 reclaiming infrastructure. It also includes to offset
 6 the risk -- and we can assess security based on
 7 providing care and custody for those sites, as well as
 8 for carrying out any other activities that would be
 9 necessary to protect the public and the environment.
 10 Thank you. Thank you.
 11 Q So how is the amount of security to be calculated under
 12 this framework? And I'll let you have a drink of
 13 water. We're sort of rattling through pretty quickly.
 14 A So this is a little bit different from the LLR program
 15 at LMR. So the way that we have set up Directive 88 --
 16 and I'm going to -- so if you go -- so in Directive 88,
 17 in both Section 6 -- we've got a security section, and,
 18 once again, it's mimicked in the manual. Manual 23,
 19 Section 6 talks about security.
 20 Q I'll just hang on. Are you -- do you want it to be
 21 brought up?
 22 A Yeah, you can bring it up. I'll just -- I'll speak to
 23 this. That's just if they need to go back and see the
 24 references. But security -- if you go to
 25 Section 6.1 -- do you have the manual or the
 26 directive up? Actually, if you want, the manual

546

1 holistic licensee assessment and the different factors
 2 in both Directive 67 and Directive 88, we have more
 3 than 40 factors that we now use to evaluate licensees.
 4 And some of them obviously can be more relevant in the
 5 situation versus others. As Kara went through the
 6 specifics of the LCA, the licensee capability
 7 assessment, which is used quite often within the
 8 organizations, we're looking at the financial risk,
 9 we're looking at the magnitude of the liability, and
 10 we're looking at the performance of the licensee. And
 11 typically we're looking at the last three years to see
 12 what -- what are we -- what -- what is trending with
 13 that licensee.
 14 Q Thank you.
 15 So I'd like to -- unless there's anything else you
 16 wanted to mention, I'd like to change tact and talk a
 17 little bit about security.
 18 So when would we ask for security under the new
 19 liability management framework?
 20 A So the AER has authority to collect security under
 21 the -- I'm just going to go -- so it's the oil and gas
 22 conservation rules. It is Part 1.1 of the rules. And
 23 so we can collect security before we approve a transfer
 24 application at any time that a licensee fails or a
 25 licensee liability rating assessment, which is that old
 26 program, as well as failing the liability management

548

1 explains it probably a little bit better.
 2 Q The Manual twenty -- Manual 23?
 3 A Yes, Manual 23. And then if you go to -- sorry --
 4 page 29. That will be just easier. Yeah.
 5 So Section 6.1 speaks to what we can consider when
 6 we're evaluating security for a company. And so we use
 7 the value of liability that's estimated through
 8 Directive 11, and we consider marginal wells. And
 9 there's a definition for what we consider marginal
 10 wells to be. We also will consider the amount of
 11 inactive wells that they have, inactive facilities. We
 12 will also take into consideration their site-specific
 13 liability. There is a requirement for certain types of
 14 infrastructure or situations where a company has to do
 15 a site-specific liability assessment, and they need to
 16 provide it to the AER. So those were taken into
 17 consideration.
 18 As part of, like, transfers and other types,
 19 there's also -- because we assess both a transferor and
 20 a transferee, they can look at their future cash flows
 21 based on reserves and economic analysis. I can't speak
 22 to the specifics of that; that would be something that
 23 Kara could speak to. And then we could look at some of
 24 the other pieces of information based on what is in the
 25 rules to offset and determine securities. So it
 26 actually provides us quite a few different

549

1 methodologies to determine security under the new
 2 liability management framework.
 3 Q Thank you.
 4 And so under this framework, what is the maximum
 5 amount of security that can be collected?
 6 A So I believe the maximum is the licensee's total
 7 liability that we have, and that also -- plus taking
 8 into consideration any additional cost that may be
 9 incurred as part of taking care of custody of those
 10 assets.
 11 Q When you say "total liability", is that total inactive
 12 liability or total --
 13 A No. That would be total liability. So that looks at
 14 both our active and inactive infrastructure.
 15 Q Thank you.
 16 And in the AlphaBow file, what advice did you
 17 provide to the SDM with respect to the amount of
 18 security that could be requested by AlphaBow -- of
 19 AlphaBow?
 20 A So what I suggested, based on what we had, is that --
 21 we had a holistic licensee assessment evaluated for the
 22 company that -- once again, looking at Section 6 of
 23 Directive 88 and Manual 23, that we had a number of
 24 different areas through Directive 11 and Directive 1
 25 that we could evaluate the security based on the
 26 estimated liability that the company had.

551

1 closure of that work.
 2 Q What form can security deposits take under the
 3 framework?
 4 A So the security and the way -- what we can use for the
 5 collection of security is actually outlined, once
 6 again, in the oil and gas conservation rules. I'm just
 7 going to find the reference for you. It's actually
 8 also part of Part 1.1, but specifically Subsection 6.
 9 So the AER is able to --
 10 Q Sorry. Let's just --
 11 A Oh.
 12 Q -- hang on a second --
 13 A Yeah.
 14 Q -- if it's possible, to pull up --
 15 A Just --
 16 Q -- 1.100(6).
 17 A Yes. I believe probably around page 11. 11. Yeah.
 18 There we go. Yes. There we go. It's right at the
 19 very bottom, Subsection 6: (as read)
 20 The security deposit must be in one of the
 21 form -- following forms: cash or letter of
 22 credit.
 23 Q And is there any further advice or requirements with
 24 respect to security?
 25 A So Directive 6 actually provides a bit more information
 26 with respect to -- and I'm just going to look at

550

1 I also suggested that -- we do have Table 9 in
 2 Manual 23 that we provided related to transfers that
 3 looks at a -- sort of that risk of a licensee based on
 4 their financial capability and their crossover to give
 5 ranges of how we could calculate securities. So I also
 6 directed, I believe, Tyler to that section to take a
 7 look at 'cause it could be a starting point for them to
 8 take a look at how security is evaluated under those
 9 certain types of applications.
 10 Q Thank you.
 11 And what about the objection that funds are better
 12 used -- to complete closure work rather than held as
 13 security?
 14 A So the AER, as part of the new LMF, takes a look at the
 15 risk of the licensee. So many times we do prefer to
 16 have closure work conducted, but that doesn't mitigate
 17 all of the risks, and in certain circumstances,
 18 security is warranted. And so based on the way the LMF
 19 is and the government direction, is that in those
 20 conditions and situations that -- we may want both of
 21 them occurring.
 22 Q Okay.
 23 A Continued reduction of liability through closure work
 24 but offsetting additional risks through the collection
 25 of security. And the security, if a company goes into
 26 insolvency, is then provided to the OWA for funding the

552

1 that -- no. I take that back. It's Directive 68.
 2 Directive 68 gives more information on letters of
 3 credit, which is in Section 4, and cash, I believe, in
 4 Section 3.
 5 Q So -- thank you.
 6 And who can hold security under Directive 68?
 7 A The security is provided to the AER.
 8 Q So the AER holds the security. That's the framework
 9 that we have --
 10 A Yes.
 11 Q Thank you.
 12 What if a licensee wants a security deposit
 13 refunded? How do they -- where can they find
 14 information about that?
 15 A So Directive 68, if you go to Section 6, which is
 16 page 5, provides information on the refund of security
 17 deposits. And a licensee -- there's, I think,
 18 eligibility criteria that need to be met, and we have
 19 to ensure that all their obligations are addressed
 20 prior to evaluating a security refund.
 21 This process has not changed with the introduction
 22 of the new liability management framework. It's still
 23 the process that's been in place with the LLR program.
 24 Q And I think -- is there also a reference in the OGCR,
 25 then?
 26 A Yes. Sorry. OGCR also, once again, in Section 1.100,

553

1 Subsections, I think, 10 and 11 refer to the security
 2 refund.
 3 Q We'll just -- there it is on the screen. So there it
 4 is on the screen. So that's Section 1.100,
 5 Subsection 10 and 11 of the OGCR.
 6 A Yeah.
 7 Q Okay. So you've taken us through quite a bit of the
 8 overall framework. Is there anything else that you
 9 wanted to add?
 10 A I don't believe so.
 11 Q Okay. Thank you.
 12 MS. LAVELLE: Thank you.
 13 MS. ROSS: Good morning, chair and
 14 distinguished Panel Members. I will be presenting
 15 Mr. Olsen's evidence today.
 16 Q MS. ROSS: Good morning, Ms. Olsen.
 17 A MS. OLSEN: Good morning.
 18 Q Can you please tell the Panel about your background,
 19 including your education and your previous positions
 20 and current role with the AER?
 21 A Sure. So my current role with the AER is I'm a senior
 22 specialist in the compliance assurance team. My
 23 background is pretty varied. I started off -- I have a
 24 diploma in nursing from Foothills School of Nursing,
 25 which is sadly now defunct, and I worked as a
 26 registered nurse for over ten years, quite a number of

554

1 years. I then went -- I at the same time went to the
 2 University of Calgary, and I have a bachelor of arts in
 3 communication studies, and I have a project management
 4 certificate from Mount Royal University as well.
 5 I -- after working nursing, I worked with a small
 6 family company, Centaur Resources, which was with my
 7 dad, and we did some -- drilled a few -- did some oil
 8 and gas work. And then I went from there to Canadian
 9 Natural Resources, where I worked for three-and-a-half
 10 years as a drilling technician.
 11 Ten years ago today, I came to the AER. So this
 12 is a nice way to spend my anniversary. And I started
 13 off in the nonroutine participant involvement
 14 coordination, which is quite a mouthful, but it is now
 15 called "the statement of concern team". So I was
 16 dealing with statement of concerns and reviewing
 17 applications. I took a secondment to subsurface
 18 applications 'cause I wanted to broaden my knowledge
 19 base for that. And then in 2019, I moved to what was
 20 then called "closure and liability", and it's now
 21 "compliance and liability management" as a compliance
 22 specialist. And I think that I've been a senior
 23 specialist for two years, but don't quote me on that.
 24 Probably two years.
 25 Q So what's your current title?
 26 A Senior specialist compliance assurance.

555

1 Q And what are your responsibilities in your current
 2 position?
 3 A So there's kind of general responsibilities, which is
 4 providing compliance advice throughout the AER to
 5 individuals and to teams and supporting the integrated
 6 compliance assurance framework, which is -- we
 7 abbreviate as "ICAF".
 8 Sort of more specific work that was in dealing
 9 with licensees, whether they're referred to us by other
 10 teams or whether we've identified them through our own
 11 means, and working on compliance issues, coordinating
 12 compliance in particular, conducting assessments on
 13 these licensees, you know, planning interventions, you
 14 know, taking those interventions and evaluating how
 15 those interventions have worked with the licensee.
 16 Q Thank you.
 17 Can you tell me how you came to be involved with
 18 AlphaBow.
 19 A So I've been involved with AlphaBow since twenty --
 20 October 2019. At that time, we were still the LMR
 21 which you've heard about -- LMR security. That was, I
 22 believe, the last time we collected LMR security
 23 automatically or as a whole in the organization. So
 24 AlphaBow had failed its LMR security -- we called it
 25 "the run" -- several other companies had as well, which
 26 means their LMR had dropped below 1, and the security

556

1 that was automatically assessed would be the difference
 2 between their deemed liabilities and their deemed
 3 assets with consideration for any security we already
 4 held. So AlphaBow had dropped below that. They owed
 5 some 2 million -- 2.1 million approximately in security
 6 and were issued an assessment, as were other licensees.
 7 In that assessment, there was some recognition that
 8 commodity prices had dropped, that there -- times were
 9 a little difficult for licensees and that licensees
 10 could approach us to discuss their situation and
 11 request a variance for their security.
 12 So AlphaBow did approach us to ask for that.
 13 Actually, it was Mr. Ironside who I was dealing with at
 14 that time. And they provided what we called an "LMR
 15 compliance plan" that included closure work, very
 16 specific closure work. He -- there was a templated
 17 kind of plan. It had talked about operational
 18 opportunities and their plans that way and kind of a
 19 forecast for LMR. So this predated the LMF.
 20 It also involved quarterly meetings or regular
 21 meetings with the licensee -- we tried to hold them
 22 quarterly; we didn't always succeed -- and provision of
 23 financial statements. At that time, we requested
 24 audited statements, and we were, to my recollection,
 25 informed sometime, as Mr. Ironside was having those
 26 prepared, that it was too costly for them to prepare.

557

1 So their plan was accepted, and I have been involved
 2 with AlphaBow monitoring that plan since that time.
 3 Q So when you began working with them back in
 4 October 2019, were they already identified as a
 5 financially distressed licensee?
 6 A Yes, they were.
 7 Q And how long did you monitor that LMR program -- or
 8 plan for AlphaBow?
 9 A The plan is -- it's sort of still in place. It's been
 10 replaced, but we were provided regular updates on -- in
 11 particular regarding closure work, and AlphaBow did
 12 accomplish a lot of closure work, particularly with use
 13 of the site rehab program funding, the SRP funding.
 14 The LMR compliance closure did not distinguish between
 15 what type of funding. We were just interested in the
 16 total amount of closure. So it was a little different
 17 than the area-based closure or the mandatory closure
 18 spend.
 19 Q Now, what's your standard process that you do today
 20 with respect to licensees, particularly financially
 21 distressed licensees?
 22 A So licensees who are distressed are -- I -- we do what
 23 we call a "compliance assessment", which also informs
 24 the holistic assessment. It's focused very strongly on
 25 compliance and a little less on the liability factors.
 26 So we look at their previous enforcement history and

559

1 identifying those things, and they would present them
 2 back to us as part of their presentations.
 3 At some points, we do require a decision-maker,
 4 and in which case we request a decision-maker. We have
 5 little internal processes. Basically our senior
 6 leadership team decides who's going to be the
 7 decision-maker, a decision-maker is assigned, and they
 8 review -- we present the materials to them, they review
 9 our recommendation and anybody else's recommendation,
 10 and then we assist in taking those actions and
 11 following up and monitoring the results of those
 12 actions.
 13 Q And do you take similar steps with other licensees --
 14 A Yes.
 15 Q -- other than AlphaBow?
 16 A That is the bulk of my work.
 17 Q And you mentioned getting information on field
 18 compliance. How do you do that?
 19 A We do it through use of our -- you know, I -- we call
 20 it "FIS". I think it stands for "field inspection
 21 system". I could be wrong. I don't actually know what
 22 all the acronyms are sometimes. We pull the raw data
 23 ourselves. We also get some information from the LCA,
 24 and I'll contact people, like Mr. Dahlgren or regional
 25 field inspectors, to -- especially if there's
 26 outstanding inspections, to get their perspectives

558

1 their previous compliance history. We look at their
 2 overall field performance. We look at sort of
 3 administrative compliance as well, so compliance of
 4 Directive 67, reporting requirements, pipeline audits,
 5 you know, incidences, releases -- I guess that's more
 6 field -- compliance with the levies, so the -- the
 7 Orphan Fund levy and the administration fee, mineral
 8 lease expiries, Directive 13. We try to encompass all
 9 different areas of compliance and put it into one place
 10 and look at the licensee as a whole.
 11 And then, having made that assessment, we use a
 12 tool kit, which I -- I know AlphaBow had provided a
 13 tool kit from a different licensee in its submission,
 14 but -- and we have something very similar for every
 15 licensee. It's just a way of organizing and making
 16 sure we're very methodical in our recommendations. So
 17 we'll make a recommendation about what to do.
 18 We take that through a peer-review meeting to
 19 validate with our peers, and if there's many actions we
 20 can take that don't require a decision-maker, they're
 21 not really a decision, so -- such as monitoring. If we
 22 ask a licensee to come in for a meeting to specifically
 23 talk about their compliance, we don't actually need a
 24 decision-maker. We might send a compliance summary
 25 letter. I often sent AlphaBow a spreadsheet with
 26 outstanding issues to, you know, assist them in

560

1 on -- particularly about is the licensee responsive,
 2 are they meeting deadlines, that type of thing.
 3 Occasionally we will -- if we have concerns and we
 4 notice a licensee hasn't been inspected, we'll ask for
 5 some inspections to be done, so we know we're -- so we
 6 can validate what we're seeing on paper in the field.
 7 Q Would it be fair to say that your work is primarily
 8 assessments to see if the licensee's capability is
 9 affecting their ability to operate safely?
 10 A I would say that's a fair statement. Financially
 11 distressed licensees, one of our biggest concerns is
 12 whether you have the money to continue your safe
 13 operations to provide reasonable care and measures,
 14 which Ms. Lewis spoke to.
 15 I -- I will point out too, in the legislation, the
 16 definition of "reasonable care and measures" is to
 17 prevent impairment or damage to assets, but that's
 18 actually expanded in the definitions section to include
 19 public safety and environmental health, so it's kind of
 20 the whole package, and that's always a big concern for
 21 us.
 22 If I could get the hearing services to turn to
 23 Exhibit 801, beginning at page 21. I believe the whole
 24 of that document goes to page 41. Actually, can you
 25 turn to page 41 since it goes backwards to forwards.
 26 Q MS. ROSS: Can you tell me what this

<p style="text-align: right;">561</p> <p>1 document is, Ms. Olsen.</p> <p>2 A MS. OLSEN: So this is our compliance</p> <p>3 coordination meeting action summary. It's a form we</p> <p>4 created to have a way of documenting actions that the</p> <p>5 compliance assurance team, in particular, takes and the</p> <p>6 meetings that we hold and to make sure we document</p> <p>7 meetings with licensees and phone calls with licensees</p> <p>8 in one place. It is not every action taken by the AER</p> <p>9 or every meeting the AER has. It's just regarding my</p> <p>10 particular team.</p> <p>11 Q And was it your common practice in your role to take</p> <p>12 notes at every meeting?</p> <p>13 A Yes, it is. I take note -- I'm not a court reporter,</p> <p>14 so I cannot type as fast as the court reporters here,</p> <p>15 and I -- I certainly can't participate in the meeting</p> <p>16 and take word-for-word notes. So, really, they are</p> <p>17 notes, and they're really more of a summary. They're</p> <p>18 not -- we sometimes say "minutes", but they're not</p> <p>19 really meeting minutes. We try to capture what is</p> <p>20 going on --</p> <p>21 THE COURT REPORTER: Sorry. I didn't hear you.</p> <p>22 You try to capture what is going on?</p> <p>23 A MS. OLSEN: What is going on and if</p> <p>24 something in particular is stated by an individual.</p> <p>25 We often will reference in those notes too if there's a</p> <p>26 presentation. I don't include it in there, but it is</p>	<p style="text-align: right;">562</p> <p>1 saved in our system.</p> <p>2 Q MS. ROSS: And is it also your common</p> <p>3 practice to provide those notes to the licensee that</p> <p>4 you're dealing with?</p> <p>5 A I -- I typically provide them. I will circulate most</p> <p>6 of the meeting minutes as a courtesy. It's to make</p> <p>7 sure I've captured things, and sometimes licensees --</p> <p>8 in this record in particular, you'll notice there's</p> <p>9 some areas that are highlighted. Those are changes or</p> <p>10 edits and additions that AlphaBow has made, but often</p> <p>11 licensees want to clarify something or add something.</p> <p>12 I typically do not circulate meeting minutes held for</p> <p>13 what we call a "due process" or a "pre-issuance</p> <p>14 meeting" because I don't want any confusion with what</p> <p>15 the SDM has stated, so ...</p> <p>16 Q Now, without reading the meeting minutes in detail --</p> <p>17 the Panel can do that, and -- and Mr. Stapon has walked</p> <p>18 us through a lot of them -- could you start with the</p> <p>19 October 22nd, 2019, meeting and just tell us a little</p> <p>20 bit about what was going on then.</p> <p>21 A So I wasn't present at that meeting. That was one of</p> <p>22 my colleagues. Linda Morningstar was present at that.</p> <p>23 And this was one of the meetings where they wanted to</p> <p>24 talk about what was happening in terms of their LMR and</p> <p>25 kind of came along at the same time as the LMR</p> <p>26 compliance plan.</p>
<p style="text-align: right;">563</p> <p>1 So you'll -- you'll note in there one of the</p> <p>2 comments was that the LMR was predicted to drop to .97</p> <p>3 in November. So it had already dropped below 1, I</p> <p>4 think, to, like, .98 in the October 2nd run.</p> <p>5 Q Okay. And then it looks like there was a short meeting</p> <p>6 probably December 2nd, 2019. Do you recall that one?</p> <p>7 It looks like you were there.</p> <p>8 A Hang on.</p> <p>9 Q Oh, sorry. It is page 40.</p> <p>10 A There. Oh, this was a phone meeting that we had. This</p> <p>11 was a meeting with my then manager Jan Rempel, and it</p> <p>12 was a phone call with Mr. Ironside regarding some</p> <p>13 concerns at the Farmer Advocate Office -- so that's</p> <p>14 abbreviated as "FAO" in this -- somebody had expressed</p> <p>15 to us, and we wanted to talk to Mr. Ironside about</p> <p>16 those concerns regarding, you know, nonpayment of</p> <p>17 surface lease rentals.</p> <p>18 Mr. Ironside at that time informed us that he was</p> <p>19 going to work on them. They had recently drilled five</p> <p>20 wells or were about to drill five wells in the Chigwell</p> <p>21 area and were hoping that this would help them bring on</p> <p>22 more oil production, 'cause AlphaBow had been largely a</p> <p>23 dry gas producer.</p> <p>24 Q And just to go back. When they were assessed security</p> <p>25 in 2019, was that ever paid?</p> <p>26 A No. No. Part of the reason they asked for the</p>	<p style="text-align: right;">564</p> <p>1 variance was they were unable -- well, they indicated</p> <p>2 that because of their financial situation that they</p> <p>3 needed a variance from being able to pay it at that</p> <p>4 time.</p> <p>5 Q And Mr. Ironside had said yesterday he felt that the</p> <p>6 security assessed at that time was discretionary.</p> <p>7 Would you agree with that?</p> <p>8 A No. It was until -- that was the last run, but this</p> <p>9 was a list that was automatically -- the LMR run</p> <p>10 automatically flagged all of the licensees, and it</p> <p>11 was -- it was quite a laborious process, actually.</p> <p>12 There was a team of people that would send out letters,</p> <p>13 but every licensee who fell below 1, that amount was</p> <p>14 automatically calculated.</p> <p>15 Q So with respect to the discretionary aspect, that would</p> <p>16 have been the LMR plan instead of the security --</p> <p>17 A Yes.</p> <p>18 Q -- is that correct?</p> <p>19 A That would be the discretionary.</p> <p>20 Q And so then you would follow that licensee during that</p> <p>21 LMR plan?</p> <p>22 A That's correct.</p> <p>23 Q Can you tell me anything about the April twenty --</p> <p>24 April 2020 -- April 22, 2020, meeting also on page 42.</p> <p>25 A That was an update meeting, so these, again, were very</p> <p>26 frequent update meetings. AlphaBow would give us</p>

565

1 written presentation, often with template plan updates,
 2 which was very helpful. Prices were very volatile, and
 3 AlphaBow -- as you can see, I noted they were unable to
 4 provide a forecast. We had not received their 2019
 5 financial statements yet, so they had promised them to
 6 us. They had drilled -- at that -- by that time, they
 7 had drilled the wells and were hoping -- I believe they
 8 were quite, you know, productive wells. And they
 9 still -- starting to feel more challenges with the
 10 prices, particularly in meeting their municipal tax,
 11 the surface lease rentals, and -- which remained pretty
 12 high.
 13 Q I think AlphaBow described these meetings as
 14 "friendly". Would you agree with that statement?
 15 A Well, they're -- they're not unfriendly. You know, as
 16 the -- we always say, I'm not your friend; I'm not your
 17 enemy; I'm just your regulator. So they -- we're
 18 trying to work with companies. I don't know. Did I
 19 answer your question?
 20 Q Yes, you did. Thank you.
 21 I'm not going to take you through all of these,
 22 because they're very extensive, and everyone here can
 23 read, so ...
 24 I do want to take you to the March 7th meeting on
 25 page -- it starts on page 24, but if you could turn to
 26 page 26.

567

1 given to them and were not in the meeting notes that
 2 they received. Would that be true?
 3 A To my recollection, I -- my -- I had definitely stated
 4 regulatory deadlines were firm. I had in previous
 5 meetings as well reminded all my -- all the licensees I
 6 manage that LMR is not the primary factor. So that was
 7 something I've been saying consistently for the past
 8 couple years to all licensees to make sure they --
 9 because it is their responsibility to look at
 10 Directive 88 and understand that we're taking a broader
 11 picture. And in many cases, it helps licensees more
 12 than the LMR.
 13 Can you scroll so I can just see a bit more of the
 14 meeting, please. Thank you. Yeah. Thank you very
 15 much.
 16 So this was quite a large meeting. We had -- so
 17 typically in our -- in our update meetings, we invite
 18 subject-matter experts who might be interested. So
 19 in -- in this meeting, we had Victoria Sommer, who is
 20 the licensee -- kind of the liability management team.
 21 We had -- I think Ryan was present -- Mr. Green was
 22 present. Part of his concern is with the closure
 23 spending and ABC spending. Lindsay Tarapaski from the
 24 lease expiries verification group; she deals with
 25 mineral lease expiries. So that's why it's such a
 26 large meeting. We try to bring people to express their

566

1 A Of 2023, the March ...
 2 Q 2023, yes.
 3 A Okay.
 4 Q Can you tell me what you recall about that meeting.
 5 A This meeting -- well, sort of in -- as background to
 6 it, each meeting we had been getting more and more
 7 concerned with AlphaBow's declining performance. So
 8 my recommendation up to this point in time had been
 9 continuous desktop monitoring, which is my type of
 10 monitoring, increased field monitoring, and -- with the
 11 goal of trying to ensure they were meeting their
 12 reasonable care and measures and maintaining
 13 compliance.
 14 At the March meeting, I think the AER expressed a
 15 lot of concerns. I -- I know in particular I did too,
 16 and I made sure -- I've said repeatedly in different
 17 meetings -- and you can read that yourself -- how
 18 important it is to meet deadlines and how not meeting
 19 deadlines could lead to increased regulatory action.
 20 AlphaBow had a pattern of not meeting reporting
 21 deadlines. Methane reporting, for example, for four
 22 years in a row was very late. Often not meeting field
 23 deadlines, often not meeting commitments to us, and so
 24 we really wanted to emphasize how important that was.
 25 Q And I think that one of the AlphaBow witnesses said
 26 that the reminders listed at page 26 were not actually

568

1 concerns so they're not having to parrot them through
 2 me.
 3 Q Just so you're not guessing at the attendees, if you
 4 can bring up page 22.
 5 A Yeah, you can see everybody listed there.
 6 Q I don't see Lindsay Tarapaski there.
 7 A In the March 7th meeting?
 8 Q No.
 9 A I thought her name was in the list. It might have been
 10 just that she --
 11 Q She was in the November 22 meeting.
 12 A Okay. Yeah. So you can see Kara Langlois.
 13 Ms. Langlois was there. Darren Antos is one of the
 14 regional coordinators, so he's from the field.
 15 THE COURT REPORTER: Sorry. Darren?
 16 A MS. OLSEN: Antos, A-N-T-O-S.
 17 One of my colleagues, Raegan Merkel; and my
 18 manager, Chris Schacher; and at that meeting, as you
 19 can see, Mr. Li; Jeff Ji was there; Jay Kleinsasser,
 20 who I had a lot of dealings with as well; and
 21 Ms. Zhang -- I'm mispronouncing her name terribly, and
 22 I apologize, but -- was also present.
 23 Q MS. ROSS: And what was Jeff Ji's role?
 24 A He had dealt with a lot of the field compliance. I
 25 don't know what his exact title is off the top of my
 26 head. But he certainly was able to provide a lot of

569

1 updates regarding the specific closure work and some of
 2 the fieldwork.
 3 Q Would you say that -- you mentioned that you indicated
 4 to AlphaBow and other licensees that the LMR program
 5 was not the primary assessment anymore. Would you say
 6 that AlphaBow was well aware that there was a new
 7 program in effect and they would be judged on that?
 8 A Well, they -- I would say so. I mean, certainly they
 9 had been made aware, and, as I said, it is -- there is
 10 a lot of education provided through the AER, as
 11 Ms. Lewis spoke to, but it is a licensee's
 12 responsibility to be aware of our directives and our
 13 rules.
 14 Q Do you also monitor the requirements under
 15 Directive 67?
 16 A That's part of my role. When I do a compliance
 17 assessment, I do check compliance with Directive 67,
 18 particularly to make sure that the information the AER
 19 has matches what's on the corporate registry, to ensure
 20 that there's -- you know, insurance is there.
 21 Licensees are required to update or provide us with
 22 updated insurance when we request it, and it is our
 23 usual practice -- when a licensee kind of comes under
 24 my radar or under assessment, I will always check to
 25 see if we have current insurance. If not, I always
 26 request an update to make sure there's something

571

1 preparing any regulatory action, so if we're issuing an
 2 order, to make sure we include insurance in that.
 3 Q Was your team concerned that AlphaBow might cease
 4 operations?
 5 A We all -- we try to -- I'm going to use my terrible
 6 analogy. I have this analogy that I use sometimes with
 7 other teams and licensees. We're kind of like air
 8 traffic controllers and the licensee is like an
 9 airplane, and we can't pilot the plane, and I can't --
 10 but I can provide some direction and monitor the plane.
 11 But we can see the plane's trajectory sometimes. It
 12 looks like it might be heading into difficulty, it
 13 might be crashing, and at that time, I can't stop that,
 14 but I can mitigate that by spraying all the foam on the
 15 runway and getting the ambulance out to protect the
 16 public and the environment.
 17 So with severely distressed companies, where we
 18 see their level of distress increasing or not
 19 improving, particularly in comparison to peers, when we
 20 see compliance rates falling, particularly in the
 21 field, those are kind of indications that I've seen
 22 many times when licensees are about to fail.
 23 So as a responsible regulator, we always prepare
 24 for that. We don't hope for it. Nothing makes me more
 25 professionally satisfied when the licensee I've been
 26 working with is actually able to achieve compliance and

570

1 current, 'cause often licensees will provide it at the
 2 time of gaining eligibility, and then we don't have
 3 anything unless there's a need to ask for it.
 4 Q And was it your team's -- strike that. Was your team
 5 asking for proof of insurance in March of 2023?
 6 A I would have to refer to the notes, but I'm pretty sure
 7 we did. Ms. Price, I believe, requested it. So Temple
 8 Price is also one of my teammates.
 9 Q And what -- if you see insurance expiring for a
 10 financially distressed company, does it flag anything
 11 for you?
 12 A It does. Licensee -- it has been our experience that
 13 licensees who don't renew their insurance or
 14 significantly reduce their insurance often do that
 15 before season operations. The ones that I know of
 16 personally that I've been involved with were:
 17 Unfortunately, with Trident, where their insurance had
 18 lapsed; Houston, where they significantly -- they
 19 reduced it to a level that we wouldn't have deemed as
 20 acceptable; and most recently, probably, from the files
 21 that I've dealt with, Everest Canadian Resources let
 22 their insurance lap -- lapse and then ceased
 23 operating -- well, they entered insolvency. So it's --
 24 it's a flag. My colleagues on the orphaning and
 25 insolvency team view it as a very serious thing and
 26 have asked us to always consider that when we're

572

1 able to keep going. And I -- you know, I -- that's
 2 beyond my control, but all I can do is hope that I'm
 3 recommending the right action at the right time.
 4 Q And have you seen that with other licensees, that after
 5 working with them, eventually they do pull it up and --
 6 and bring the plane under control?
 7 A I -- I have had some. I had one very recently, so --
 8 and, as I said, that's very professionally satisfying.
 9 Q And so from working with AlphaBow from, say, late 2019
 10 until early '22, what was your recommendation for them?
 11 A All through that time, it was monitoring -- desktop
 12 monitoring, increased field monitoring. At the
 13 beginning, their compliance was close to average. So
 14 we don't expect -- I -- there's that old saying: 'C's
 15 get degrees. I don't expect companies to be, like,
 16 90 percent. I just want them to be average. And --
 17 especially when they're distressed, just to maintain
 18 kind of that minimum level of compliance.
 19 So they were doing -- AlphaBow was doing pretty
 20 well. We had -- we would occasionally get third-party
 21 reports through the field or through our customer
 22 contact centre, which we would then verify, but there
 23 was no imminent need for action all through 2020 and
 24 2021, even.
 25 In -- in 2021, we did have one serious concern
 26 where we received information through the customer

573

1 contact centre that the power had been shut off to some
 2 of AlphaBow's sites, and we had to schedule a meeting
 3 for January 14th of that year. So I had contacted
 4 Mr. Ironside, and he said, Yes, they would be attending
 5 their scheduled meeting, and it was raised in that. It
 6 shows up in the meeting notes, where Blair Reilly was
 7 the SDM at the time, and he did, you know, communicate
 8 his concerns to AlphaBow with them not communicating
 9 this. Their power was restored in a couple of days.
 10 But that was a big indication that we had to watch
 11 closely.
 12 It wasn't until 2022 when we -- we received more
 13 and more concerns and I watched the field compliance
 14 rate really drop sharply that my recommendation
 15 changed. And at first, it was to restrict eligibility.
 16 So we did that in July -- I think it was July 28th,
 17 2022, in hopes of mitigating the unreasonable risk that
 18 AlphaBow posed.
 19 And after that time, my recommendation changed
 20 eventually here in March. I did an assessment
 21 following that March meeting, where I changed my
 22 recommendation, which is -- it's part of the record
 23 too. You can see my compliance assessment. I felt the
 24 goal had shifted from just trying to get compliance,
 25 but I was thinking that AlphaBow -- the main goal was
 26 to make sure they continued to provide reasonable care

575

1 trajectory that I'd seen with other licensees. Some of
 2 the things we do is make sure they're working interest
 3 participants -- so that's the WIP acronym in there --
 4 information is updated, making sure we have current
 5 contact information. We try to focus on the highest
 6 risk assets -- assets, like seller assets and things,
 7 and targeted inspections.
 8 We had already restricted their eligibility. So
 9 the risk of growth and acquiring new assets was
 10 mitigated, and -- but I didn't know at that time how
 11 much of the licensee's production was actually, you
 12 know, production they were receiving. So that came up
 13 a bit yesterday where we could see that it -- there was
 14 some 8,000 barrels a day, which Ms. Langlois uses in
 15 part of the crossover. But AlphaBow, at the same time,
 16 was presenting to us that they were receiving about
 17 4,500 barrels a day. And I think that's what the
 18 difference is, is they have working interest partners
 19 who receive some of that production. So I did
 20 recommend with that goal in mind an RCAM order based on
 21 the declining field performance and their continued
 22 distress. And I had some -- I've got some indications
 23 of things that I thought would be useful in that order.
 24 And I set a possible security demand, but I deferred to
 25 the holistic licensee assessment for that.
 26 Q Okay. We'll get back to that.

574

1 and measures to their assets.
 2 Q You're kind of jumping ahead. Let me -- let me ask --
 3 A Oh, sorry.
 4 Q -- to bring up --
 5 A I like to tell my whole story.
 6 Q That's okay -- Exhibit 8, page 7. Sorry. Page 8. Is
 7 this the licensing capability assessment thing you're
 8 referring to?
 9 A This is the compliance assurance.
 10 Q Oh, compliance assurance.
 11 A Our compliance assessment, yes. And so it's -- this is
 12 my update.
 13 Q And that compliance assessment goes from page 8 to
 14 page 10; is that correct?
 15 A I believe so. Let's see page --
 16 Q And so the recommendation you were referring to is on
 17 the top of page 9?
 18 A Yes.
 19 Q Do you just want to talk a little bit more about that?
 20 A So, as I said, the goal changed, in my mind, to
 21 ensuring they maintained the reasonable care measures
 22 for assets. Those would try to reduce their liability
 23 where possible. And I thought we had to take some
 24 preparatory actions for possible cessation of
 25 operations. This didn't mean we wanted them to cease
 26 operations. It's just -- again, I -- that was a

576

1 A Okay.
 2 Q And if you could just leave that up, we'll go back to
 3 it.
 4 So how many compliance assessments have you done
 5 for AlphaBow?
 6 A I've done 13 --
 7 Q Yourself?
 8 A -- since 2019.
 9 Q And how often have you or your team met with AlphaBow?
 10 A I've met with AlphaBow 15 times, and my team has met
 11 with them 19 times.
 12 Q And since the time you began dealing with AlphaBow, how
 13 many different CEOs have you dealt with?
 14 A So the initial CEO -- three. 'Cause it was Marshall
 15 Shi, the initial CEO. Then we dealt with Quan Li and
 16 then, of course, Mr. Ben Li.
 17 Q And are you aware of other staff turnover at AlphaBow?
 18 A We dealt -- I dealt with Mr. Ironside initially when he
 19 was an employee. Then he left, and then Jay
 20 Kleinsasser was promoted to VP of production, and then
 21 he has -- but he has now gone. We also dealt with
 22 Sarah Li. She was -- I might get her title wrong. I
 23 think she was their VP of finance. There was Dean
 24 Kaiser, who I think was a CFO. There's been a -- a
 25 number of people who have come and gone. Mark Petiot
 26 used to occasionally speak on their behalf. I think he

577

1 was field foreman. AlphaBow could tell you exactly who
 2 he was, but he would come to represent some of their
 3 field operations sometimes. And, of course, Jeff Ji
 4 was present at a couple meetings.
 5 Q And do you think that the lack of continuity with staff
 6 and management has affected AlphaBow's performance?
 7 A I'm -- I'm not an expert in that, but I would say, in
 8 my opinion, it has. We saw quite a difference -- or I
 9 saw, anyway, quite a difference between Mr. Shi's --
 10 Marshall Shi's management of the company and Quan Li's
 11 management. I thought things were picking up under
 12 Mr. Quan Li. We were quite surprised when he left, and
 13 he was replaced with Mr. Ben Li. And my concern at the
 14 time was that Mr. Ben Li had limited oil and gas
 15 experience.
 16 Q And did you think that the lack of continuity affected
 17 AlphaBow's dealings with the AER?
 18 A It was difficult at times to contact them because we
 19 didn't always have the most up-to-date contact
 20 information. So sometimes that -- other teams would be
 21 sending things to old emails or to old contact people,
 22 and you didn't know that they weren't -- they were no
 23 longer there, so I guess it did.
 24 Q Who is Tyler Callicott?
 25 A Tyler Callicott is the director of enforcement
 26 emergency management. So he -- my manager reports to

579

1 Q No, no, no. On this list here, Number 22. It says
 2 "Internal meeting to discuss --"
 3 A No. It was in this year. Oh. Sorry. The -- the LARC
 4 meeting. Yes, I am. Sorry. I'm getting my years
 5 mixed up here. So, actually, Number 17. It says "LARC
 6 Meeting with Maria Skog". So "LARC" stands licensee
 7 action review committee meeting. It was an old meeting
 8 for a meeting we used to have routinely. It was a
 9 meeting that involved a number of statutory
 10 decision-makers or their directors. It involved --
 11 Maria Skog is the VP of operations, so she was present.
 12 Subject matter -- matter experts such as myself were
 13 present. And it was to discuss possible actions and
 14 whether we needed a statutory decision-maker and to
 15 request a statutory decision-maker be assigned because
 16 at that time my recommendation was to limit
 17 eligibility, which required a director.
 18 And so Mr. Callicott would have been involved as
 19 an SDM at that time. It was common practice for us to
 20 have, like, my manager or to have Mr. Callicott attend
 21 licensee meetings as well.
 22 Q And was it usual to have Ms. Skog attend licensee
 23 meetings?
 24 A Maria Skog only comes -- she comes very rarely to
 25 licensee meetings and only when there is a very high
 26 level of concern.

578

1 him, so I indirectly report to him. And he's also the
 2 statutory decision-maker who was assigned to this file.
 3 Q Do you know how and why he became involved with
 4 AlphaBow?
 5 A We had a meeting -- an internal meeting -- we call
 6 it -- if -- it's shown up. If you go to the -- kind of
 7 the actions part of this document or to page -- is it
 8 41?
 9 Q Yeah. Page 41 is the minute of meetings. Sorry. I
 10 don't have the page numbers.
 11 A So if you scroll up to the top of that document, where
 12 it has just kind of a list of the actions.
 13 Q Do you mean the summary -- meeting summary?
 14 A Way above the meeting minutes -- the meeting notes.
 15 Keep going.
 16 Q 21?
 17 A Yeah, maybe.
 18 Q Sorry. 21?
 19 A I'm sorry. I don't have -- there we go. Yes. Thank
 20 you.
 21 So -- and if you just scroll down, you can see
 22 that we had -- in -- we had --
 23 Q Are you talking about 22?
 24 A Sorry?
 25 Q November 22 on that list?
 26 A Page twenty -- it might be --

580

1 Q Have you dealt with other SDMs during your years at the
 2 AER?
 3 A I've dealt with many SDMs.
 4 Q Do you know how many?
 5 A Probably five or six. Possibly more of them. I
 6 honestly couldn't even ballpark it.
 7 Q That's fair.
 8 And based on that, what's your view of
 9 Mr. Callicott as SDM as compared to other SDMs you may
 10 have had over the years?
 11 A So Mr. Callicott is one of -- is a very experienced
 12 SDM. I've had a high level of confidence in him. He's
 13 very methodical, logical thinker. He is very
 14 knowledgeable. His -- he -- he takes very good
 15 internal notes and always provides very good reasons
 16 when he reviews our recommendations, whether he accepts
 17 them fully or not or doesn't accept them at all. I'd
 18 say he's one of the most experienced SDMs I've worked
 19 with.
 20 Q And what is the process for CLM to issue an order?
 21 A So we have an order procedure. Generally speaking, if
 22 the recommendation -- often a recommendation is made
 23 for an order if it's coming from my team, but an order
 24 could also just be through the field of -- from -- from
 25 a statutory decision-maker themselves.
 26 Once we determine that there's going to be an

<p style="text-align: right;">581</p> <p>1 order, we look at the evidence. We consult with other 2 subject matter experts. We consult with AER's law team 3 and notify the licensee that an order is being 4 considered, or we invite them to a due process or 5 pre-issuance meeting there -- we use the terms 6 interchangeably -- and present them with -- with the 7 order at that time. 8 It's -- when they're presented at that meeting, 9 it's a draft order 'cause a decision's typically not 10 been made. And the licensee is given a time, either at 11 that meeting or subsequent to that meeting, to provide 12 any information to the decision-maker. 13 Is that kind of what you're looking -- okay. I 14 wasn't -- there's so many different processes. I can 15 tell you about how we draft, but ... 16 Q And did you invite AlphaBow to a due process meeting? 17 A I did. I sent an email on -- I believe it was March -- 18 I'm going to get my dates wrong here. So I believe it 19 was on March 29th. 20 Q Sorry. I'm just having trouble bringing that -- 21 A It will be on the record, but ... 22 Q Just carry on and -- 23 A So I sent an email indicating that the AER was 24 considering regulatory action to Mr. Li and inviting 25 them to a meeting. Actually, it would have been on the 26 28th I sent the email 'cause inviting them to a meeting</p>	<p style="text-align: right;">582</p> <p>1 on the 29th at 10:30. 2 Q Yeah. I got it here. Just one second. 3 A It's in the record for sure, and I know -- I know 4 Mr. Stapon was referring to it in his ... 5 Q Can you turn to page 452 of Exhibit 8, please? 6 A Okay. 29th. 7 Q Is this the meeting -- or the email -- 8 A Yes. 9 Q -- you were referring to? 10 A Yes. That -- so the first meeting -- I'm an early 11 bird; I start at 6 AM. So I wanted to -- it to be in 12 their inboxes early. So that was sent at 6:39, as you 13 can see. That is very templated language for me. 14 Q And you say: (as read) 15 The AER, with Tyler Callicott acting as the 16 statutory decision-maker, is considering 17 regulatory action regarding AlphaBow Energy 18 Ltd. 19 And I assume that's the -- their business or licence 20 code? 21 A Yes. That's their business associate code. 22 Q Can you tell me -- you said this is template language. 23 Do you -- is that your standard language -- 24 (SIMULTANEOUS CROSS-TALK) 25 THE COURT REPORTER: Sorry. You're both speaking 26 at the same time.</p>
<p style="text-align: right;">583</p> <p>1 Q MS. ROSS: Is this the standard language 2 you would use when requesting a due process meeting? 3 A MS. OLSEN: Yeah. That was standard 4 language that, up to that time, I was using. 5 Q And you don't say "order". You say "regulatory 6 action". Is that usual? 7 A That's usual for me. 8 Q And why is that? 9 A Sometimes it's an order. Sometimes there's going to be 10 changes to what's going to be issued. 11 Q When you say "there's going to be changes", are you 12 saying that after you meet with the licensee, it may 13 not be an order? 14 A It may not, yeah. That's correct. I've had some 15 licensees where we were preparing to issue an order, 16 and then it -- that changed very quickly during the 17 meeting. 18 Q And then above that, Mr. Li responds at 10:43 saying: 19 (as read) 20 Can you please provide information as to what 21 the proposed regulatory action is in relation 22 to and what the action -- proposed action is? 23 Do you see that? 24 A Yes, I do. 25 Q And then if you could turn to page 451. And you say: 26 (as read)</p>	<p style="text-align: right;">584</p> <p>1 Hi, Ben. The proposed action rationale will 2 be fully reviewed in the meeting. 3 Can you tell me why you said that? 4 A Part of it was that I didn't want to get into a 5 back-and-forth explanation from -- with me not as an 6 SDM with Mr. Li. And we wanted to make sure that 7 everything would be explained. Things are explained 8 better in the meeting than via email with our actions. 9 Q I understand. And so then at some point -- let me just 10 find it. This is quite a thread, so ... 11 Did you at some point tell Mr. Li that it was an 12 order that was being considered? 13 A I believe so. If you scroll -- go to page 450. Yes. 14 So following -- 15 THE COURT REPORTER: Sorry. I can't hear you. 16 A MS. OLSEN: Oh. Sorry. At some point -- 17 I guess that's not the one. But, yes, we did. We did 18 convey that it was an order after saying he was 19 considering issuing an order. 20 Q MS. ROSS: So page 469, the bottom of the 21 page: (as read) 22 Hi, Ben. Tyler would like to meet with you 23 any time today or tomorrow for an order he is 24 considering issuing, and the meeting could be 25 done virtually. 26 Is this --</p>

585

1 A Yes.

2 Q Sorry. Is that the -- the --

3 A Yes.

4 Q -- email you were referring to?

5 A Yes, that is.

6 Q So by 1:16 PM, Mr. Li was aware that it was an order --

7 A Yes.

8 Q -- for sure?

9 And you understood that Mr. Callicott would meet

10 any time during those two days?

11 A Yes. 10:30 was just a time that he was free, but

12 Mr. Callicott will always make himself available if

13 there's a different time that suits the licensee.

14 Q Okay. Now I'm just going to switch gears a little bit

15 and go back to page 9 of that same exhibit. And you'll

16 see under your recommendation, it says: (as read)

17 Possible security demand. Defer to HLA.

18 Results likely AlphaBow would be unable to

19 provide security. Might divert funds needed

20 for RCAM.

21 What did you mean there and what is "HLA"?

22 A So "HLA" stands for the holistic licensee assessment,

23 and there was one prepared on AlphaBow by Temple Price,

24 who is a member of my team. The holistic licensee

25 assessment focus encompasses more of the liability

26 management and is more risk-based in terms of looking

586

1 at the risk of meeting life cycle obligations and end

2 of life. So that is really the purpose of security.

3 Security is not a compliance tool and such. So that's

4 why I said I would defer to that. And I always try to

5 provide kind of the pros and cons of different actions,

6 and I felt that it was -- likely they wouldn't --

7 because they were financially distressed, would -- just

8 as it says, would be unable to provide security and

9 that there was the risk that it could divert funds.

10 But I knew that that would be considered in the

11 holistic licensee assessment.

12 Q And was your role just to provide options to the SDM?

13 A Yes. I am not a decision-maker.

14 Q And if you turn to page 11, please. That document is

15 11 through 20. Is this the HLA or holistic -- holistic

16 licensee assessment?

17 A It is. This is the one prepared by Temple Price.

18 Q But you did not prepare this --

19 A No.

20 Q And this is what you said --

21 A I'm familiar with it.

22 Q And you said you would defer to that?

23 A That's correct.

24 Q Okay. And, as I understand it, Mr. Green will speak

25 more about the holistic licencing assessment, so we'll

26 just leave that for now.

587

1 THE CHAIR: Ms. Ross, we're at 10:15, but

2 if it's --

3 MS. ROSS: I can finish by 10:30.

4 THE CHAIR: Thank you. That would be --

5 work well.

6 Q MS. ROSS: And if you could turn to

7 Exhibit 8.1, page 268. And then if you scroll down to

8 the next page. Ms. Olsen, is this something that you

9 prepared?

10 A MS. OLSEN: Yes, it is.

11 Q And you provided this to Mr. Callicott; right?

12 A I did.

13 Q And in your email, you say: (as read)

14 Attached is a short compliance update and

15 some options to ponder prior to the LARC

16 meeting. Overall, I think Temple Ryan and I

17 are in agreement that the goal from AlphaBow

18 has changed from compelling compliance to

19 ensuring reasonable care and measure is being

20 provided and that additional regulatory

21 action is required.

22 Is this more of a long version of your recommendation

23 under the LCA?

24 A Yeah. This is essentially a summary of that licensee

25 tool kit kind of looking at kind of the pros and cons

26 of options that were possible. So you'll note that we

588

1 always start -- I always start with, What if we do

2 nothing, 'cause I always think that's a good place to

3 start. What would happen? What are the risks? And so

4 what if we did nothing? We just stand back and

5 monitor, possibly increase inspections. And I said,

6 you know, they weren't at imminent risk, like in the

7 next day or so failure, although it seemed they were

8 turning that way. They were being monitored, not just

9 by myself, but by other teams at the AER. And, you

10 know, it -- it does say as a "Pro" there -- and I know

11 this is confusing. It says: (as read)

12 AlphaBow may cease operations independent of

13 AER actions.

14 That isn't to say we wanted them to fail. It's just if

15 we did nothing and just let nature take its course or

16 let the trajectory happen, there -- it's not my team's

17 role -- there are certain regulatory practices we put

18 in place.

19 Q And, to be honest, would you say sometimes when you're

20 dealing with a distressed licensee over a course of

21 five years and nothing changes, sometimes that might be

22 easier?

23 A It -- it certainly is easier from a regulatory

24 perspective. I've had some very small licensees who

25 haven't produced in many, many years where it certainly

26 would be easier if they would just admit that they

589

1 aren't functioning.
 2 Q But that -- that wasn't your recommendation --
 3 A No.
 4 Q -- at the time?
 5 A No. I did not recommend that. I didn't think it
 6 ensured that the measures were in place for reasonable
 7 care and measures, and we had been requesting a lot of
 8 actions from AlphaBow, but we hadn't required them.
 9 And I know that's a fine distinction, but we always
 10 say, We ask, and then we compel. So that's where --
 11 why I was recommending an order, is instead of just
 12 saying, could -- you know, we had requested interim
 13 financial statements, so we felt it was necessary to
 14 compel them, partly because they just didn't -- weren't
 15 consistently meeting our requests and meeting our
 16 deadlines.
 17 Q Mr. Li admitted yesterday that the Orphan Fund and
 18 admin levies had not been paid for 2023. Are you aware
 19 of that?
 20 A Yes, I am.
 21 Q And did they ever ask for a payment plan this year?
 22 A Not to my knowledge, no.
 23 Q Have they said anything else about their desire to pay
 24 these levies?
 25 A There is in the record -- I can't remember exactly the
 26 location, but twice AlphaBow has indicated that they

591

1 (ADJOURNMENT)
 2 THE CHAIR: Thank you, all, for your
 3 patience.
 4 So, Ms. Ross, please continue. We'll check in
 5 12:30-ish or so and see where things are at, if that's
 6 good.
 7 MS. ROSS: Thank you, chair.
 8 My next witness is Jason Dahlgren. I expect that
 9 he will not take till 12:30, so after that, our plan is
 10 to move to Ryan Green, which Ms. Lavelle will be
 11 conducting.
 12 THE CHAIR: Okay. Thank you.
 13 Q MS. ROSS: Mr. Dahlgren, can you please
 14 tell the Panel about your background, including your
 15 education and positions held prior to the AER.
 16 A MR. DAHLGREN: Sure. Good morning.
 17 So I've been in the oil and gas industry my -- my
 18 whole life since high school. I first started with the
 19 service industry running pressure trucks, hot oilers --
 20 THE COURT REPORTER: Sorry. Running pressure
 21 tests?
 22 A MR. DAHLGREN: Pressure trucks.
 23 THE COURT REPORTER: Pressure trucks. Sorry.
 24 A MR. DAHLGREN: Hot oilers, service trucks,
 25 that kind of thing. Did that for a few years and then
 26 bought -- bought some equipment and started my own

590

1 will pay the Orphan Well Fund levy and the admin fee if
 2 the March order is rescinded or lifted.
 3 Q Do you believe that CLM treated AlphaBow the same as
 4 any other similarly risked licensee?
 5 A I would say that we were perhaps more patient with
 6 AlphaBow than we have been with some other licensees,
 7 but we've absolutely followed the same process we
 8 follow with all our licensees.
 9 Q Was it ever the AER's intention to cause insolvency for
 10 AlphaBow?
 11 A No, it's never our intention to cause insolvency. As I
 12 said, we don't want the plane to crash, but we have to
 13 prepare for that possibility and mitigate any effects
 14 of insolvency.
 15 Q And, finally, Ms. Olsen, do you adopt the evidence and
 16 the exhibit -- the record of decision, Exhibits 8.01
 17 and 9.01, being the March and June order records as
 18 well as 52.01 and 52.02, being the March and -- or --
 19 sorry -- CLM's submission and attachments as your
 20 evidence in this proceeding?
 21 A I do.
 22 MS. ROSS: Those are all my questions for
 23 Ms. Olsen. I think we could probably break now.
 24 THE CHAIR: Thank you very much.
 25 So we will take a 15-minute break now and return
 26 at approximately 10:35.

592

1 company. Ran that for several years.
 2 And my wife and I decided we wanted to start a
 3 family. She was not interested in doing it alone,
 4 so -- I was not interested in -- in not being with her,
 5 so I sold the equipment and took a job as a field
 6 operator and -- looking after oil and gas wells, sweet
 7 wells, sour wells, gas compressors, gas plants, oil
 8 batteries, all those kinds of things. A short time
 9 after that, moved into a lead operator position
 10 where -- looking after more of the compliance side of
 11 things, the paperwork, monthly inspections, all of
 12 those kinds of things.
 13 After -- after a few years there, our -- our
 14 field and our -- our area was bought out by the --
 15 the -- the largest energy trust in North America is
 16 what they bragged themselves to be, and they had a very
 17 robust and dedicated regulatory department. So we were
 18 taken over by them. For about -- the first year I
 19 spent as a production coordinator, looking after --
 20 doing discontinuations and reactivations of pipelines,
 21 doing suspensions and reactivations of -- of wells, as
 22 well as facilities, looking after turnarounds; anything
 23 that was sort of beyond what the operators were doing,
 24 I looked after that stuff.
 25 After that year, I took a job as a field
 26 regulatory coordinator, which then sort of transitioned

593

1 into a -- an HSER position, which is health, safety,
 2 environment, and regulatory. Those -- that position --
 3 we were responsible for looking after all of the HSER
 4 obligations for our district, and -- and my district
 5 was the -- the -- basically the eastern centre part
 6 of -- of Alberta and eventually encompassed the -- the
 7 west side of Saskatchewan as well.
 8 So after doing that for a while, got very involved
 9 with the -- with the EUB, the ERCB, and eventually the
 10 AER, and I applied for a field inspector position when
 11 the -- when the AER stood up and was -- and was gearing
 12 up. I was offered a job in Slave Lake. My family was
 13 not interested in moving up north. Offered a job in
 14 Drayton Valley. Again, they weren't interested in
 15 moving out west. So they moved some things around,
 16 and -- and -- and they got a position into the
 17 Wainwright field centre, which I started there June of
 18 2014 with the AER. Then spent about a year, year and a
 19 half or so as a field inspector there before moving
 20 into my current position.
 21 Q And what's your current position?
 22 A So my current position is titled "senior inspector for
 23 oil and gas operations". It originally -- so I -- I --
 24 I started that position in December of 2015, and it was
 25 originally called a "technical specialist for
 26 production", and similar to some of my -- my

595

1 any of those, then we can -- we can focus our inspector
 2 resources to those areas to -- to manage or to mitigate
 3 those risks.
 4 Q And how long would you say you've been dealing with
 5 AlphaBow as a -- in your role as senior inspector?
 6 A So realistically since the day AlphaBow stood up, we
 7 have -- we have dealt with them as a licensee. Our
 8 inspection programs are designed to, again, identify
 9 those -- those trends and those -- and those risks,
 10 and, ultimately, an LO or -- and A location, operator,
 11 or activity that expresses, you know, an elevated risk
 12 is -- is -- is going to see us more often.
 13 So as -- as AlphaBow began its -- its operations
 14 in that sort of 2017, '18, '19 era, we -- they were --
 15 they were in our inspection programs, and as they
 16 become a -- a -- a higher priority or presented
 17 themselves as a -- as a higher risk operator through
 18 the -- the -- the last few years, we've -- we've worked
 19 with them more and more.
 20 Q Can I have you bring up Exhibit 8, page 10. Now, this
 21 document is something we've seen before. Ms. Olsen
 22 talked about this being her compliance assessment, and
 23 it lists inspections at the top there. Can you maybe
 24 just talk a little bit about what you saw with
 25 AlphaBow's overall field compliance from 2020 to
 26 2023 --

594

1 colleagues, with the transition and -- and as things
 2 have changed, the job hasn't changed, just the --
 3 the -- the title.
 4 So senior inspector for oil and gas operations,
 5 which basically means that I look after what the
 6 inspectors do provincially in the wells and facilities
 7 category. We have senior inspectors for waste
 8 facilities, drilling and servicing, that kind of thing.
 9 So my portfolio is wells and facilities.
 10 Q And are there any particular programs and -- and
 11 systems that you use at the AER to perform your role?
 12 A Yes, there is. So the inspection programs, the -- the
 13 provincial inspection programs that our inspectors use
 14 are basically developed and designed and maintained by
 15 the senior inspectors. Our job is to be that
 16 provincial coordinator or that provincial lens on what
 17 is going on across the province. We -- we watch for
 18 trends. We watch for different things that -- that
 19 might indicate there are risks in certain -- in a
 20 certain area. We use the acronym "LOA", which is the
 21 location, operator, or activity. So if there's a
 22 certain location or part of the province that is posing
 23 a -- a -- a specific risk, we can focus our activities
 24 there. If there's a certain operator that is
 25 expressing a -- a -- a certain risk or a certain
 26 activity. If -- if there's any elevated risks in -- in

596

1 A Yeah, for sure.
 2 Q -- from your own perspective.
 3 A Yes. So we use a -- a system called "FIS", and
 4 Ms. Olsen referenced it earlier. It's our field
 5 investigation system. That system is used to -- to
 6 record and track the inspection work that our
 7 inspectors do. It also is the system that we -- we
 8 record incidents within.
 9 So what's indicated on the screen, that -- that
 10 compliance rating, that's -- that's pulled out of our
 11 FIS system. And when we speak "compliance", that's
 12 strictly looking at the -- the inspections. The
 13 compliance rating for AlphaBow through 2020 and -- and
 14 '21 stayed fairly static. It -- it went up a little
 15 bit there in -- in 2021, which you can see, and then
 16 the last couple years has -- has dropped drastically
 17 from, you know, that 64 percent in 2021 to -- to
 18 42 percent for 2023. The 42 percent, of course, was up
 19 to that mid-March of -- of this year. There's been
 20 inspection work since, but -- but that number reflected
 21 there is to the middle of March this year.
 22 Q And so what happens from a field perspective when you
 23 see compliance dropping with a -- with a licensee?
 24 A So, again, that's -- that's one of the trends that we
 25 watch for, and that is one of the indicators that help
 26 us to decide where we need to focus our -- our

597

1 resources. You know, the -- the fact is that a
 2 noncompliant inspection is -- is only noncompliant
 3 because there was something identified, there was --
 4 there was a problem, there was a noncompliance
 5 identified. If the inspection was conducted and there
 6 was -- there was no -- no concerns identified, it
 7 would -- it would be recorded as a -- as a
 8 "satisfactory". So we don't -- we don't make those up.
 9 We only record what we find. Like, we don't --
 10 they're -- they're not -- you know, a magic thing that
 11 we found.
 12 All of the requirements that we -- we assess are
 13 in the directives that are publicly available to -- to
 14 everybody, and the licensees have the obligation to --
 15 to know what those requirements are and to ensure that
 16 they're being met. The things that the inspectors are
 17 looking for are primarily things that are identifiable
 18 and -- and -- and assessable in the field. The
 19 inspectors aren't looking at financial issues and
 20 things like that. That's -- that's, you know, the --
 21 the job of -- of my colleagues to my left and their
 22 respective teams.
 23 The field inspectors are looking at physical
 24 things on the ground, meter calibrations, signage, is
 25 there oil laying on the ground, is there tanks being
 26 inspected as -- as required. All of those actual

599

1 inspections, while there may have been other things
 2 identified, the primary goal was to assess. So the
 3 noncompliant ones were the fact that that -- that there
 4 was still facilities and well sites in operation after
 5 the date that they were supposed to be suspended.
 6 Q And did you also find facilities that had been
 7 suspended but had issues with them?
 8 A Yes. Absolutely. Again, the conditions of that order
 9 are beyond, you know, just -- just shutting it off
 10 and -- and sort of walking away. Tanks were supposed
 11 to be emptied. Lines were supposed to be discontinued
 12 properly or -- or purged out. Basically the -- the --
 13 the assets were required to be left in a safe
 14 condition, no pressure, no H2S, no liquids, things like
 15 that.
 16 All of those -- the presence of those -- those --
 17 those items or -- or those pieces within those assets
 18 pose a potential risk. If you -- if you have a -- a --
 19 a bunch of water in a -- in a storage tank and you go
 20 through a freeze/thaw cycle, we would expect that
 21 valves would -- would freeze and break. And then in
 22 the spring, when -- when that thaw comes around, you
 23 know, it -- it would create a leak. So that's --
 24 that's why the conditions are in that order, is to --
 25 to reduce that risk of those sites being -- being sat
 26 for -- for a period of time.

598

1 physical operational things, that's -- that's what
 2 we're looking at.
 3 Q Now, Mr. Ironside complained yesterday that AlphaBow
 4 had a 70 percent compliance rating in 2023 and then the
 5 AER targeted it with 22 inspections in a two-week
 6 period in August, and then its compliance went down
 7 again, basically indicating that this was some sort of
 8 intentional action to make sure their compliance came
 9 down. Can you tell me anything about that?
 10 A Yes, I -- I can speak specifically to those -- to those
 11 22 inspections. They were conducted after the point at
 12 which the June order came into effect, the June order
 13 being the actual suspension order. With a suspension
 14 order, the requirement is that the facilities and wells
 15 and pipelines are not operating; they're -- they're
 16 shut in. They have to meet those requirements of the
 17 order, which are that they're drained and purged and --
 18 and -- and, you know, basically made safe. The purpose
 19 of those 22 inspections was, in fact, assess whether or
 20 not the conditions of that June order were being met.
 21 In other words, the inspector's primary goal was to
 22 establish: Is the facility, well site, or pipeline
 23 whatever -- whatever -- whatever the inspection was
 24 being conducted on -- is that asset, in fact, shut in
 25 and compliant with the conditions of the order? So an
 26 unsatisfactory or noncompliance identified in those

600

1 And what we found is not only some of the sites
 2 were, in fact, still producing or still -- still
 3 active. Most, if not all, of the sites were identified
 4 to not meet the suspension requirements of that -- of
 5 that order.
 6 Q What's the AER's typical process for how licensees are
 7 chosen for inspection?
 8 A So we have a few different sort of pillars within
 9 the -- the inspection program, one of which is our --
 10 our random verification program, which is -- RVP is the
 11 acronym for that. The -- the random component is meant
 12 to be very much unbiased. It's a computer system
 13 that -- that uses a statistical formula or calculation
 14 to pull inspection targets out of a -- out of a list of
 15 different strata.
 16 So my inspection program focuses on wells and
 17 facilities. So under my facilities part, I have --
 18 whatever it is -- seven, eight, nine different strata,
 19 and they're separated by facility type. So sweet gas
 20 plants is one. Multi-well oil batteries is another
 21 one. Single well batteries is another one. So that
 22 statistical system randomly pulls a representative
 23 sample out of each of those strata to -- to be
 24 inspected. There's no rhyme or reason. It's a
 25 hundred percent random.
 26 And when I say a hundred percent random, we --

<p style="text-align: right;">601</p> <p>1 we -- we don't even sort of qualify it with the fact 2 that it has been recently inspected. So if it is -- if 3 a site has been pulled under that -- that random 4 category, it is a hundred percent random, and it's done 5 so -- intentionally so that we can -- we can -- we can 6 have that unbiased approach. If we only went to the 7 places where we assumed we would have risk, we would 8 inherently be -- be missing the places that we -- we 9 didn't know there was risk. So that's the idea of 10 that. 11 We have another -- another section or column, if 12 you will, that are called "Events". The events are 13 conducted -- whenever the AER is -- is basically told 14 of something or is notified of something. So an 15 example is when -- when a licensee enters a flare or 16 event notification into the OneStop system, our system 17 will, again, randomly, select some of those for -- for 18 assessment or for inspection, as well as if any of 19 those notifications trigger an assessment criteria. So 20 basically we have some verbiage in the system where, 21 you know, if this is present in the notification, that 22 indicates automatically that there's a bad thing or 23 there's something of interest, and then we would -- we 24 would go look at that. 25 Events are also incidents that were reported. 26 Incidents, of course, are releases and -- and/or</p>	<p style="text-align: right;">602</p> <p>1 complaints. 2 And then the third -- the third category is -- is 3 targeted. And there's been lots of conversation about, 4 you know, "targeted" through the first couple days 5 of -- of -- of this hearing. The term "targeted" does 6 not indicate that, you know, we're -- we are targeting 7 a licensee. It doesn't mean that, you know, we're 8 really upset with AlphaBow, and we're going to go out 9 and get them. That is not the intent. We -- we just 10 simply don't do that. 11 The -- the -- the category of "targeted" has -- 12 has many different pieces within it. The -- the idea 13 is that we focus on a specific risk, some sort of risk. 14 So we focus our resources in an area where there -- 15 again, the -- the assumption is there's -- there's 16 risk. We have some judgmental pieces under there where 17 the inspector can make a judgment call on the fly. The 18 inspector can say, I'm already in this area; for travel 19 efficiency, I'll -- I'll pick up a couple other 20 inspections while I'm here, or, Geez, we haven't been 21 in that area for a while; I'm -- I'm -- I'm going to go 22 spend a day out there, to make sure that we have a 23 regulatory presence. 24 The inspector can also conduct the inspections 25 under an observed risk category, which is basically the 26 inspector sees, hears, or smells something. So if the</p>
<p style="text-align: right;">603</p> <p>1 inspector's driving down the road and smells an odour, 2 they -- they will not ignore that. If -- you know, 3 odours -- odours have to be mitigated and controlled. 4 So if an inspector is driving down the road and they 5 smell something, they are going to turn the truck 6 around and try to track down that odour. If the 7 identification of the odour source is found to be in 8 noncompliance, then the inspection would be entered, 9 and it'll be recorded as a "noncompliant inspection". 10 If they conduct an assessment and no order is 11 identified, then it would be recorded as a 12 "satisfactory". 13 We also have a couple other ones there, one of 14 which -- an important one is our internal request or 15 referrals. So when some of our colleagues that have 16 already spoken identify a potential risk with a 17 licensee, again, that LO&A -- so the operator poses a 18 certain risk -- we will be requested to conduct some -- 19 some inspections. And -- and -- and those inspections, 20 again, are very intentionally and specifically meant 21 to -- to -- to focus on a particular risk. It -- it is 22 not likely going to be, you know, a full-scale, 23 wholesome, front-to-back inspection of the -- of the 24 facility or the operation. Most of the time it is -- 25 it is -- you know, we're there to -- to assess one 26 specific thing.</p>	<p style="text-align: right;">604</p> <p>1 So the -- the 22 inspections that we spoke about 2 earlier, they fall under that -- that category. 3 Q Yeah. 4 A We're saying there's a thing. There's a requirement. 5 We're not sure that it's being met. We want the 6 inspectors to go out and do some assessments to 7 determine if those conditions are met. Some of the 8 inspectors will also look at some other things. You 9 know, I -- I -- I can't fault any of the inspectors for 10 driving into a facility to -- to see if it's in 11 operation and see oil in the ground and not also record 12 there -- there being oil on the ground, as an example. 13 And then we have another one that's called our 14 "struggling licensee". So it's -- it's -- any time, 15 for -- for any reason that we -- we're concerned with 16 a -- with a licensee's viability, the inspectors can 17 make that -- that call to -- to do an inspection to 18 sort of see how that works. So we're not only 19 conducting inspections, you know, sort of a top-down 20 referral. It's not only when Calgary says, Hey, we're 21 concerned about this particular licensee; can we take a 22 look? We allow our inspectors to say, Geez, I'm 23 concerned about this -- this licensee for whatever 24 reason; I'm going to do an inspection, and if those 25 concerns are found to be -- to be true or -- or to be 26 warranted, then we also refer up into the CAT team, or</p>

<p style="text-align: right;">605</p> <p>1 the compliance assurance team, and our other folks. We 2 very much try to work together. They refer down, and 3 they support us; and we refer up, and -- and we support 4 them.</p> <p>5 Q So based on the categories that you indicated, would 6 you say that AlphaBow inspections have probably fallen 7 into all of those?</p> <p>8 A Absolutely.</p> <p>9 Q Yeah?</p> <p>10 A Yes, absolutely. They have most definitely had random 11 inspections. They most definitely had event 12 inspections, both in the notification side of things, 13 as well as in the -- the incident side of it. And -- 14 and the targeted, absolutely they -- we've -- we've 15 looked at them under that category as well.</p> <p>16 Q Now, you -- you sort of explained the difference 17 between inspections and incidents, but can you get a 18 bit more specific on that.</p> <p>19 A Yes, absolutely. So an incident in our system has two 20 categories, and -- and one of them is sort of split 21 into a -- into a -- into a third. So the first one 22 is -- is complaints. So anytime that a member of the 23 public contacts us, they can do so either anonymously 24 or -- or they can -- they can give us their -- their 25 information, but they would contact us through -- 26 through the Alberta EDGE 24-hour call system. The</p>	<p style="text-align: right;">606</p> <p>1 complaint could be for any number of things. I smell 2 an odour. You know, I -- I -- there's -- there's oil 3 on the ground. You know, any -- any sort of -- sort of 4 complaint.</p> <p>5 Complaints -- well, all incidents, for that 6 matter, are our Number 1 priority. We can have our 7 entire week planned out with sort of proactive work. 8 One incident comes in, and -- and the whole week is now 9 dedicated to that, depending on -- on what that 10 incident is. So complaints come in. We take them very 11 seriously. We contact the complainant, assuming that 12 they've given us their contact information, and then 13 we -- we -- we go out and make an assessment. We 14 figure out if -- if the complaint is warranted and if 15 the site or licensee is -- is in compliance, and then 16 that information is recorded in -- in the -- the FIS 17 system.</p> <p>18 The other side of it is, of course, releases. And 19 then under releases -- and it's just a limitation of 20 our system -- we also record alleged contraventions, 21 which are when the licensee notifies us of an 22 exceedance of some sort or missing a requirement from 23 their EPEA approvals and that kind of thing. So 24 they're -- they're recorded under releases, and, again, 25 it's -- it's -- it's just a limitation of the system. 26 FIS is a -- is an older system. It takes a bit of work</p>
<p style="text-align: right;">607</p> <p>1 to -- to make changes, so -- so that's where they're 2 put. They're -- they're recorded in there, though, as 3 alleged contraventions.</p> <p>4 But, otherwise, the remainder of the releases are 5 spills, either from a pipeline, a facility, or a well 6 site. It's a release of some sort, a release of -- of 7 water, oil, gas, or anything else. There's different 8 reportable criteria by which the licensee must notify 9 the regulator. An oil or water product on a site has a 10 different threshold or reportable threshold than -- 11 than a product released from a pipeline.</p> <p>12 There was a comment, I think, on the first day 13 around a reportable threshold of 1 cubic metre, and 14 that's -- that's just not correct. If it's from a 15 pipeline, there is no -- no volume threshold 16 whatsoever. Any unintentional release from a pipeline 17 must be reported. If it's on a site, then the 18 threshold is -- is 2 cubic metres. So 2 cubic 19 metres -- or above 2 cubic metres must be reported, or 20 there's some other things. If the volume may, has, or 21 could cause a -- a -- an adverse effect to the 22 environment, then it also has to be reported. There's 23 some other thresholds as well, but the basic ones are 24 2 cubic metres on lease, any volume off lease, or any 25 unintentional volume from a pipeline must be reported 26 to the Regulator. Those are all recorded in our system</p>	<p style="text-align: right;">608</p> <p>1 as an incident, and all of which, of course, are -- are 2 taken very, very seriously, depending on what the 3 specifics are of that particular incident.</p> <p>4 Q Yesterday, I believe, Mr. Ironside stated that AlphaBow 5 only had 37 incidents in a five-year period. Do you 6 know whether that's true and -- and how that number 7 would relate to -- to other licensees?</p> <p>8 A Yeah, it's -- it's -- it's not -- not exactly correct. 9 Again, if you -- if you look at incidents and you -- 10 and you only look at releases as opposed to all of the 11 incidents, you know, you can -- you can play with the 12 numbers as -- as much as you want. AlphaBow -- 13 AlphaBow has a significant number of -- of incidents 14 within our system. I -- I could pull the exact number, 15 but it's -- it's -- it's certainly more than -- more 16 than that number quoted, and there are -- several of 17 which are -- are still open to this day, still not 18 completed, so ...</p> <p>19 Q Can you tell me anything about the current open 20 incidents?</p> <p>21 A Yes. Absolutely. So an -- an open incident or an open 22 inspection generally means it's just not yet complete, 23 so if it's an inspection and it's open, the term "open" 24 means the conditions haven't been met yet, you know, 25 they have not achieved compliance, and with incidents, 26 same sort of thing.</p>

609

1 We don't close the incident, you know, simply
 2 because the licensee has said, you know, Hey, it's all
 3 done. The licensee is expected to provide evidence
 4 that the release has been cleaned up or remediated,
 5 there are no more impacts, you know, that kind of
 6 thing.
 7 Similar to -- excuse me. Similar to inspections,
 8 we -- we require some sort of validation or some sort
 9 of -- some sort of evidence to say, you know, Yes,
 10 we've -- we've corrected this problem, and we've --
 11 we've fixed it, and this is how we did it. Once --
 12 once we receive that, then we -- we go in, and we --
 13 the system -- basically we just enter a date that says,
 14 you know, it was completed as of this date. That
 15 indicates that the -- the inspection or the incident is
 16 closed.
 17 And there are several inspections and incidents
 18 open. As of last week, I think there's more than
 19 40 inspections that are still open and in the high
 20 teens for the incidents that are still -- still open to
 21 this day.
 22 Q And are you aware of one incident that's still open
 23 from 2019?
 24 A Yes. Absolutely. So September of 2019, AlphaBow had a
 25 pipeline release. We and AlphaBow were notified of
 26 this release from a third party. Basically there was

611

1 after the AER targets them for inspection, within one
 2 inspection, they'll find multiple noncompliances, and
 3 then this brings their compliance rating lower. Is
 4 that how the compliance rating works?
 5 A It does, yes. So we -- our -- our inspectors assess
 6 compliance of -- of sites. So when we -- when we go to
 7 a site, it's -- it's one inspection; it's one
 8 assessment. Within that -- that inspection or that
 9 assessment, there -- there could be multiple different
 10 things or -- or items they look at, or, as we -- we
 11 talked about the -- that -- that list of 22, you know,
 12 a very limited or very focused sort of -- sort of
 13 reason why we're there. You know, the -- the -- the --
 14 the fact is -- is that the -- the assessment of a
 15 noncompliant facility or -- or -- or well or -- or a
 16 pipeline for that matter or any site that was assessed
 17 is recorded as, This assessment was -- was noncompliant
 18 for one or more items.
 19 And, you know, I -- I -- I did a quick review of
 20 AlphaBow's compliances compared to their -- their peer
 21 group specifically looking at the number of items, so
 22 the satisfactory rate of items assessed through all the
 23 inspections as compared to their -- to the rest of
 24 industry. AlphaBow's sits at just short of 91 percent
 25 of all the items we have assessed as being compliant,
 26 which -- which on its own sounds pretty decent, but

610

1 bubbling identified in -- in standing water. So we
 2 made contact with -- with AlphaBow, or we had
 3 communication with AlphaBow. I can't necessarily speak
 4 to -- to who called who first, but, at any rate, that
 5 same day, we had a conversation with AlphaBow, and --
 6 and, you know, the information was -- was relayed back
 7 and forth. They expressed that, yeah, they would get
 8 on it right away. A week later, we had an inspector
 9 on-site, and the bubbling was still continuing. At
 10 that time, the line was -- was shut it, but it was not
 11 depressurized and blown down basically.
 12 It was -- five-and-a-half months had gone by
 13 before AlphaBow was -- was finally able to expose the
 14 line, and then it was -- geez. It was -- it was, you
 15 know, well over a year before the actual contamination
 16 was -- was -- was pulled up and -- and -- and set
 17 aside.
 18 The end result of that whole pipeline incident is
 19 that AlphaBow put the contaminated soil back into the
 20 ditch, and in that file, there is some soil sampling
 21 reports to -- to -- to indicate or to prove that the
 22 site is still contaminated to this day and the site has
 23 not been remediated; it has not been cleaned up; the
 24 contamination all still remains to this day, and that
 25 was, like I say, September of 2019.
 26 Q One other thing AlphaBow has complained of is that

612

1 then when you compare it to the rest of industry, and
 2 this is all of industry with -- with AlphaBow pulled
 3 out -- all the rest of their peer group is more than
 4 97 percent on -- on the items assessed as opposed to
 5 just the number of inspections done.
 6 Q But if you found five noncompliances at one site, it
 7 would still be an unsat --
 8 A Correct.
 9 Q -- right?
 10 A If we -- if we did 10 assessments on a -- on a -- on a
 11 licensee on 10 different sites and we found that 5 of
 12 those assessments were -- were satisfactory, it would
 13 be a 50 percent compliance rate. Whether or not --
 14 within those 5 assessments that were -- were
 15 unsatisfactory, whether there was 1 or -- or 15 or 20
 16 different noncompliances, we do, in fact, have records
 17 with a very high number of noncompliances. If I'm not
 18 mistaken, the -- the most that I have seen is -- is in
 19 the low 20s in one assessment. And that's -- that's
 20 not -- that's not an AlphaBow site. That's -- that's
 21 just in general. But you know, one assessment had --
 22 one inspection had, you know, 22 or 23 noncompliances,
 23 and it is recorded as 1 unsatisfactory inspection.
 24 Q And are you aware of any trends in the AlphaBow
 25 pipeline compliance over the last year?
 26 A Yes. So in the -- in -- in the space of pipelines,

<p style="text-align: right;">613</p> <p>1 which, of course, there are -- you know, a critical 2 piece of infrastructure in the province. There's lots 3 of -- lots of publicity around pipelines and pipeline 4 safety. You know, we -- we -- we take the -- the -- 5 the compliance in -- in the pipeline world very 6 seriously. AlphaBow has had repeated non-compliances 7 in -- in all categories but speaking specifically in 8 pipelines. Internal corrosion mitigation, for example. 9 Licensees are required to understand the corrosion 10 potential of the product that flows through their 11 pipelines. And once they understand the corrosion 12 potential, then they're required to take steps to 13 mitigate that corrosion, of course, with the end result 14 of -- of minimizing or reducing or -- or hopefully 15 eliminating pipeline releases due to internal 16 corrosion. 17 We have three examples of AlphaBow having pipeline 18 releases where the internal corrosion mitigation was 19 not being done properly for multiple different -- 20 different reasons. And then on their CO2 system, we 21 have a noncompliance for the same thing. On that 22 system, I'm not aware of a release on that pipeline. 23 There -- there may very well be. But just in that -- 24 in that bundle of internal corrosion concerns, three 25 different pipeline releases due to failure to mitigate 26 the internal corrosion and then a -- a noncompliant</p>	<p style="text-align: right;">614</p> <p>1 identified on the CO2 system. 2 Suspended pipelines is another one -- or -- or 3 discontinued pipelines is -- is the correct 4 terminology. Licensees are required to deactivate or 5 discontinue their pipelines in a safe manner. The idea 6 is, of course, that -- that that corrosive product 7 that's inside the pipelines, you have to take that out, 8 you have to clean out the inside of the pipe and 9 exchange it with a -- with an inner gas that -- that 10 does not promote corrosion internally, as well as you 11 have to maintain external corrosion protection as well. 12 And we have a couple of examples where suspended 13 pipelines were not laid up or -- or put to -- put to 14 bed properly causing a -- causing a release. 15 We have some examples of overpressure protection 16 not being maintained properly. So licensees have an 17 obligation to ensure that pipelines are not allowed 18 to -- to be operated at a pressure that exceeds 19 their -- their MOP, or their maximum operating 20 pressure. That's -- that's what their licenced limit 21 is. They have to have a device or in some cases 22 multiple devices to limit that -- that pressure. We 23 have noncompliances in -- in that regard, one of which 24 that caused a release. 25 We also have identified a couple of pipelines that 26 AlphaBow began construction of with no licence. All</p>
<p style="text-align: right;">615</p> <p>1 pipelines in the province must be licenced, most of 2 which in Alberta are licenced through us, depending on 3 their -- their certain criteria. Some of them are 4 licenced through the -- through the CER, or the Canada 5 Energy Regulator. These particular pipelines should 6 have been licenced through the AER, and -- and they 7 weren't. Just build a pipeline without a licence. 8 That's -- that's a very, very serious thing. 9 And then some ground disturbance issues. And 10 we've -- we've -- we've heard some testimony on this 11 [sic] ground disturbance concerns already in that it 12 was just a -- just a scuff. You know, we just -- we 13 just scuffed the pipeline. You know, it's not that big 14 a deal. The AER considers that to be the absolute 15 opposite of how it was originally characterized on -- I 16 think on Monday. 17 A -- a -- a pipeline strike is a very, very 18 serious thing. And in that particular case, that 19 pipeline required repairs, you know, and -- and maybe 20 an inch or -- or -- or two closer with the piece of 21 equipment that struck would have potentially caused a 22 release -- a significant release. Within that file, 23 it's described as a high-pressure gas line, and it was 24 active at the time that this happened. So there are 25 workers present in the area, and due to a failure or a 26 breakdown in the ground disturbance protocols and --</p>	<p style="text-align: right;">616</p> <p>1 and -- and system that AlphaBow was -- was using at the 2 time, a line was struck in a -- in a situation where it 3 could have been absolutely catastrophic for the people 4 that are -- that are in that area. 5 And then -- so the response to that investigation 6 was -- you know, in -- in -- in looking at the -- the 7 inspection file, there's a presentation or -- or a -- 8 or a piece of a presentation. AlphaBow speaks of, you 9 know, We did a safety stand down. We talked to 10 everybody, and -- and -- and we are -- we have 11 corrected this problem. Not a couple of weeks later, 12 we identify another pipeline construction project with 13 the same sort of ground disturbance problems. That -- 14 that -- these reoccurring issues -- and there's 15 examples all through, you know, facilities and -- and 16 well inspections that -- that I can speak to, but -- 17 but specifically in pipelines, that is a very, very, 18 very concerning trend that -- we identify a 19 noncompliance, one that either does cause a release or 20 has not -- has not yet caused a release, and then we 21 find that noncompliance reoccurring over and over and 22 over until it either does eventually cause a release 23 or -- or not. 24 So -- so the -- the problem from our eyes is that 25 we -- we expect licensees to correct that -- that poor 26 behaviour or -- or that -- that -- that problem, that</p>

617

1 noncompliance. We expect licensees to make corrections
 2 not only on the specific site that we've identified
 3 that issuer on that particular piece of pipeline --
 4 that pipeline segment, we expect that -- that that
 5 behaviour is changed across the licensee in -- in all
 6 areas. And we just -- we just did not align that with
 7 AlphaBow.
 8 Q I'm looking at the Exhibit 8 record, but it's a
 9 PowerPoint presentation, so I'm not -- I can't seem to
 10 find -- see pages on it without my computer. I wonder
 11 if Maria can maybe help me with the page.
 12 It's after 103, and then -- can I just look at
 13 yours? Can you scroll down a bit. Keep scrolling.
 14 All right. Next page. No. One back. On this -- so
 15 what page is this? 112. Yeah. Okay. Exhibit 8,
 16 one -- page 112, for the record.
 17 AlphaBow -- this is a PowerPoint presentation that
 18 AlphaBow presented to the AER in September 2022, from
 19 the looks of it. Would you say that AlphaBow has
 20 established a compliance culture?
 21 A No. I --
 22 Q Not specific to that --
 23 A Right. Yeah. In -- in general.
 24 Q In your -- in your view.
 25 A Yeah. No. I -- I -- I don't believe they have.
 26 You know, some other -- some other examples --

619

1 The -- the culture of compliance typically would
 2 say to me that, you know, the responses and the -- and
 3 the interaction with the licensee would progress, you
 4 know, in -- in a timely manner, would -- would get
 5 the -- the desired outcomes that -- that we're looking
 6 for and -- and ultimately that all licensees are -- are
 7 held to the same standard. The rules are not for --
 8 for one or -- or the other licensees. All licensees
 9 are -- are under the same standards.
 10 The responses from licensee -- sorry -- from
 11 AlphaBow, there's a pattern of -- of delays and staff
 12 shortages and, you know, reasons such as -- as, you
 13 know, we -- we -- we have -- we've let our -- our
 14 third-party environmental contractor go, and -- and we
 15 need to track down another one, so can we have an
 16 extension? That -- those -- those kinds of things,
 17 especially when we're talking incidents, are -- are
 18 very concerning.
 19 I did a quick summary on the response time.
 20 The -- the -- the time to complete an incident, again,
 21 comparing AlphaBow to -- to their peer companies. In
 22 all three categories, so -- so incidents from wells,
 23 incidents from pipelines, and incidents from
 24 facilities, and AlphaBow, in all three of those
 25 categories, was almost double the amount of time on
 26 average to -- to complete an incident is what the rest

618

1 we -- we -- we talked in fair detail about some of the
 2 pipeline concerns. We have reoccurring issues with
 3 storage tanks, so out-of-service storage tanks not
 4 being taken out of service properly, underground
 5 storage tanks not being integrity tested on time or --
 6 or at all.
 7 There was a comment on Monday about a secondary
 8 containment of a -- a compressor lube oil drain tank
 9 that Mr. -- Mr. Ironside spoke about and then maybe
 10 expressed a -- a -- a -- a sentiment that it was a
 11 new -- a new requirement or -- or -- or alluded to
 12 that. That particular requirement has been around
 13 for -- for, you know, if not more than 30 years, nearly
 14 30 years. It's very clear in Directive 55 and has been
 15 there for -- for years and years.
 16 Their emergency response plan, or ERP, we -- we
 17 evaluated that on more than one occasion and found, you
 18 know, concerns with that, one of which was that their
 19 24-hour emergency number, the posted emergency number,
 20 was either not answered, not functioned, did not
 21 initiate an -- an immediate response, is how the -- the
 22 verbiage goes.
 23 Several complaints about odours at different
 24 facilities, including the CO2 facility. Multiple
 25 inspections. Based on those odours, identified that
 26 the -- the sites were noncompliant.

620

1 of their peer group of licensees are.
 2 We have examples of releases not being reported.
 3 And, again, there's been some -- some conversation
 4 around understanding what is reportable, what -- at
 5 what thresholds things need to be reported. Late
 6 reporting of -- of -- of pipeline failures. And I
 7 think the comment from Mr. Ironside was, you know,
 8 There was -- didn't understand that there was a
 9 1 metre -- a 1 cubic metre threshold that had to be
 10 reported. Any unintentional release from a pipeline
 11 has to be reported. And -- and the requirement for
 12 reporting is -- the terminology is "immediately
 13 reported to the licensee". We have some -- some wiggle
 14 room there. It is certainly not days. "Immediately"
 15 basically means, you know, to us, within an hour.
 16 Q Right. I'm just going to move on for a second here, if
 17 you don't --
 18 A Absolutely.
 19 Q Okay. Mr. Ironside also, I believe, in his testimony
 20 indicated that a well cannot be -- that cannot flow on
 21 its own can't be sour. Do you -- is that true?
 22 A No, that's -- that's -- that's not true at all. Any --
 23 any well has the potential to be sour.
 24 Q What's the definition of "sour"?
 25 A The -- yeah. The term -- the term "sour" basically
 26 implies that there -- there is H2S or -- or sour gas

621	<p>1 present in the well. Typically the threshold is</p> <p>2 10 ppm, or 10 parts per million, of -- of H2S present</p> <p>3 in a -- in a gas sample or represented in a gas sample.</p> <p>4 A well that will not flow on its own typically</p> <p>5 means that it requires an artificial lift system of</p> <p>6 some sort, a pump of some sort to -- to pull that</p> <p>7 product, that -- that -- that water, oil, and gas out</p> <p>8 of the formation and -- and lift it to surface. But</p> <p>9 that is not -- that's not exactly where it -- where it</p> <p>10 ends. If that pump goes down and -- and that -- that</p> <p>11 flow of -- of -- of liquid stops coming to surface,</p> <p>12 he's correct in that it -- it won't flow on its own.</p> <p>13 The formation pressure is insufficient to -- to push</p> <p>14 that -- that column of fluid to surface. That's --</p> <p>15 that's absolutely correct.</p> <p>16 The part where it's not correct is -- is the</p> <p>17 gas within that formation, of course, requires very</p> <p>18 little formation pressure to actually get it to</p> <p>19 surface. So on -- on these high-water cut or these</p> <p>20 high-water-content wells that -- that Mr. Ironside</p> <p>21 spoke about, all of those wells have a certain amount</p> <p>22 of gas present within them, and -- and when that pump</p> <p>23 goes down and it stops flowing, the gas tends to</p> <p>24 migrate to surface.</p> <p>25 Now, should a release occur on one of those wells,</p> <p>26 what is likely to be released is, of course, the gas.</p>	622	
623	<p>1 injection -- acid gas injection wells are considered</p> <p>2 very high risk. Those plants require a very high level</p> <p>3 of -- of sort of licensee oversight, if you will,</p> <p>4 dedication to -- to maintenance programs, to monitoring</p> <p>5 programs, to all those sorts of things to ensure that</p> <p>6 those facilities operate safely and -- and, of course,</p> <p>7 within compliance. There's a lot of monitoring</p> <p>8 requirements for -- for -- groundwater monitoring for</p> <p>9 CO2 emissions, all of those kinds of things. You have</p> <p>10 to monitor the acid gas injection well very closely.</p> <p>11 And if a company -- what we have on the board, of</p> <p>12 course, is a -- is a compliance culture. If a company</p> <p>13 does not have a -- a culture of compliance in the</p> <p>14 operation of a facility like that, there's a huge</p> <p>15 potential for things to go wrong, and you won't see it,</p> <p>16 you know, the day after they sort of slash their</p> <p>17 regulatory budget. I'm not trying to say that AlphaBow</p> <p>18 did such a thing, but in an example like that, you're</p> <p>19 not going to see it the very next day. It's a buildup</p> <p>20 over time. As things start to fail and there's not</p> <p>21 money to correct or to repair or to maintain things,</p> <p>22 eventually something happens.</p> <p>23 Q Now, that site, as I understand, was voluntarily</p> <p>24 suspended by AlphaBow prior to the -- the June order;</p> <p>25 is that correct?</p> <p>26 A Yes, it was. On May 31st, AlphaBow sent an email to</p>	<p>1 And if that gas content has H2S present, it is a sour</p> <p>2 gas release. It doesn't have to be considered a sour</p> <p>3 gas well to be considered a sour gas release. If you</p> <p>4 have released sour gas, of course, unintentionally, it</p> <p>5 is a sour gas release regardless of where it's come</p> <p>6 from.</p> <p>7 Q We also heard a bit about the Hastings Coulée sour gas</p> <p>8 plant. Is that a high-risk site, and what are the</p> <p>9 issues with it?</p> <p>10 A Absolutely. So a sour gas plant in the province, of</p> <p>11 course, is -- is considered the highest risk facilities</p> <p>12 that we have, just -- just by their nature. The -- the</p> <p>13 intent of those plants is to take sour gas production</p> <p>14 and -- and strip that H2S out of the gas and, in turn,</p> <p>15 sweeten the gas, so it strips that H2S gas out, and</p> <p>16 it -- for -- for sort of layman's terms, it -- it takes</p> <p>17 all the H2S and puts it into a small amount of gas, and</p> <p>18 then that -- that small amount of gas is -- which is</p> <p>19 acid gas is then injected into an acid gas injection</p> <p>20 well for -- for disposal. So it -- it -- it sweetens</p> <p>21 the gas, or it strips all the H2S out, gets rid of the</p> <p>22 H2S, injects it, disposes of it, and then sells sweet</p> <p>23 gas with no H2S on the -- on the downside of the plant.</p> <p>24 Those facilities are very, very high risk in the</p> <p>25 fact that they have this -- you know, the presence of</p> <p>26 acid gas and -- and -- and that kind of thing. The</p>	624

<p style="text-align: right;">625</p> <p>1 button on the wall and walked away kind of thing. 2 Tanks were still full of fluid, vessels were still 3 under pressure, pipelines were still pressurized, you 4 know, the injection well was -- was -- was not 5 suspended properly. And an acid gas injection well has 6 a very specific set of requirements to suspend a well 7 like that. None of that was done. The site was 8 ultimately just walked away from. 9 Q And given the high-risk nature of that site, what could 10 the result have been? 11 A Should a release happen from a site like that, again, 12 with the presence of acid gas and -- and the fact that 13 this is a sour gas plant, so the entire inlet is -- is 14 sour. The outlet is sweet, but through the middle 15 is -- is the -- the presence of that acid gas, a 16 release on -- on any part of that facility could have 17 been absolutely catastrophic to -- to the public or 18 anybody that's in that area. And there are, in fact, 19 you know, residents and -- and -- and public 20 landowners, hunters, farmers, throughout that area. 21 Q Mr. Dahlgren, you heard Mr. Ironside speak about how 22 AlphaBow has never had a release from the Hastings 23 Coulée gas plant. Do you know that to be true? 24 A Yeah. So I -- I -- I heard that comment as well, 25 and -- and that is, in fact, not true. Late 2019 -- 26 sorry -- early 2019 -- I think it was in</p>	<p style="text-align: right;">626</p> <p>1 February 2019 -- we received a complaint -- an H2S 2 odour complaint, and there's a comment within it that 3 says the complainant has smelt sour gas in that area 4 before, but this was by far the strongest that he has 5 ever -- ever smelled it. The end result of that 6 complaint was that the AlphaBow Hastings Coulée sour 7 gas plant had gone down and was venting sour gas 8 through -- through the unlit flare stack, which is an 9 absolute noncompliance. 10 In that particular case, the inspector made 11 contact with the AlphaBow operator, who -- who 12 admitted, yeah, they -- they're having some issues. 13 They're -- they're down. The operator contacted the -- 14 the inspector a short time later and said, Yeah, we've 15 got the -- the flare stack is lit, but that was -- that 16 was a result -- there was -- there was, in fact, a sour 17 gas release. 18 Q Now, in your field inspection experience, do you feel 19 that the RCAM order -- or the RCAM requirements of the 20 March order were justified and required in order to 21 keep the AlphaBow sites safe? 22 A I -- I do. I -- yeah, I -- I do. Having been involved 23 with, of course, that -- some of those escalating 24 inspection activities or those -- those focused 25 inspections that we were doing ahead of the orders, 26 having conversations with inspectors across the</p>
<p style="text-align: right;">627</p> <p>1 province with their interactions with -- with AlphaBow 2 and the -- the -- the frustration in -- in trying to 3 get things corrected and the delays in -- you know, 4 and -- and sort of the -- the -- the kicking the can 5 down the road, it -- you know, We need an exemption; we 6 need an exemption; or we need an extension for this. 7 Yeah. At -- at -- at some point or another, you know, 8 there -- there has to be a line drawn. You know, we -- 9 we -- we deal with all licensees the same. And, you 10 know, from my perspective and -- and that of the 11 inspectors, I don't care the name that's on the sign 12 going into the gate. The inspections are conducted, 13 you know, fairly and equally for every and all 14 licensees. We're not there to make stuff up. We're 15 not there to find things. We're not there to, you 16 know, hope that we -- we decrease somebody's compliance 17 rating. We -- we have no interest in -- in -- in 18 seeing licensees fail. There's -- there's no -- 19 there's just no interest in that. We would much 20 rather -- I mean, it's -- it's certainly a lot less 21 work on our side to have a satisfactory inspection. 22 But we have absolutely world-class inspectors. 23 They're the best in the industry. And when they 24 identify a noncompliance, it is recorded. And then 25 with some licensees, and -- and AlphaBow in particular, 26 we start the long -- you know, long process of -- of</p>	<p style="text-align: right;">628</p> <p>1 trying to get things corrected, so ... 2 Q Thank you, Mr. Dahlgren. 3 And -- and finally to wrap up, do you adopt the 4 evidence in Exhibits 8.01, 9.01 and 52.01 and 52.02, 5 being the records of decision of both the March and 6 June owners, as well as CLM's submission and 7 attachments? 8 A Yes, I do. 9 Q Thank you. 10 MS. LAVELLE: Thank you, chair. 11 I will be asking questions of Mr. Ryan Green. I 12 understand you would like -- or there's a scheduled 13 break at 12:30. So as close to 12:30 as there is a 14 reasonable point to break, I will break and then resume 15 the testimony after the lunch break. 16 THE CHAIR: Thank you, Ms. Lavelle. 17 MS. LAVELLE: Thank you. 18 I will endeavour to keep my eye on the time. 19 THE CHAIR: I can -- I can remind you when 20 we're getting close as well. 21 MS. LAVELLE: Thank you. 22 Q MS. LAVELLE: Good morning, Mr. Green. Do 23 you accept the evidence and the record of decision at 24 Exhibit 8.01 and 9.01 as well as CLM submissions, 25 Exhibit 52.01 and 52.02, as evidence? 26 A MR. GREEN: I do.</p>

<p style="text-align: right;">629</p> <p>1 Q Can you please tell the Panel a bit about your 2 background, including your education and your previous 3 positions before joining the AER? 4 A Yes. So I graduated my undergrad degree with a 5 bachelor of science with specialization in 6 environmental earth sciences. I also have a master of 7 public policy in which I focused my studies on energy 8 and environmental policy in which my research was 9 focused on the inactive well problem in Alberta. I 10 also have a master of science degree in which my 11 research focused on predicting soil contamination on 12 well sites in Alberta. 13 I started my work experience for an environmental 14 consulting firm in which I was an environmental 15 scientist. And so that work would be completing 16 environmental site assessments. That would be Phase 1 17 environmental site assessments; Phase 2 environmental 18 site assessments. That would be the issues of soil 19 sampling, remediation projects; and then final surface 20 reclamation and preparation of reclamation certificate 21 applications. 22 I worked as a consultant for a number of years 23 working my way up. I went from environmental scientist 24 to a project manager. So I would be taking on more 25 responsibility throughout, seeing the entire aspects of 26 an environmental project. And from there, I also was</p>	<p style="text-align: right;">630</p> <p>1 promoted to become a program manager. So as a program 2 manager, I worked directly with clients. So as a 3 program manager, I had three oil and gas clients and 4 one power generation client for which I took care of -- 5 of their closure programs for them, the full life cycle 6 of -- of that post-abandonment, particularly closures. 7 So again, your Phase 1s, Phase 2s, remediation, and 8 reclamation of those sites. 9 So, again, as a program manager, it was a very 10 busy time in the industry. It was picking up 11 particularly with the increase of work from the site 12 rehabilitation program. It was a very busy time. It 13 was hard to find really good staff, so as a program 14 manager, I also did complete work on some of the more 15 highly complex projects that did come across our table 16 and -- and not just the program work. 17 So one notable project that I worked on was a full 18 winter abandonment closure program for one of my 19 clients. So that would be far northern Alberta, where 20 the sites are winter access only. So I supervised the 21 construction of ice roads in these winter-access-only 22 conditions, well abandonments, remediation of well 23 sites, and the reclamation of well sites. And that is 24 very challenging work. It's -- it's in harsh -- harsh 25 environments under a very limited time frame. So you 26 would start the ice road construction in December, and</p>
<p style="text-align: right;">631</p> <p>1 you basically need to be out of the field by March. So 2 you have three-ish months to complete all your work -- 3 all your closure work for that field. 4 So while I was involved in, you know, client 5 liaison and building out full-scale closure programs, I 6 was also involved with some of the more highly complex 7 projects as well. 8 Then from there, I -- similarly to Jason, starting 9 a family, and I decided that I did want to be present, 10 so -- as a father, so I was looking for a new job with 11 a better work-life balance, and that's when I started 12 at the Alberta Energy Regulator as an advisor in the 13 licensee management team. And so that was in the 14 spring of 2022, and that is where I am now in my 15 current role as advisor of licensee management. 16 Q Thank you. 17 And so through your previous work, are you a 18 qualified environmental professional? 19 A Yes. So I'm a professional geoscientist with APEGA, a 20 member in good standing, and I would meet the 21 qualifications of being an environmental professional. 22 I would have the appropriate knowledge and experience 23 to sign off and stamp environmental assessments, 24 remediation reports, and any other reports that would 25 go into contribute to a reclamation certificate 26 application.</p>	<p style="text-align: right;">632</p> <p>1 Q Thank you. 2 And so you mentioned that your current role at the 3 AER is that of advisor licensee management. What are 4 your responsibilities in -- in that position? 5 A Yes. So I was originally hired to lead the development 6 and operationalization of the licensee management 7 program. So that was one of the key mechanisms that 8 Anita described under the new liability management 9 framework. So a large portion of my job was developing 10 a licensee management program along with a great team 11 from the AER as well. 12 Also I am involved with leading and developing 13 other initiatives of the liability management 14 framework. So I'm currently advising on the project of 15 the new security framework, which Kara mentioned 16 yesterday in her testimony. And so that project is 17 involved with the rescindment of the LLR program, the 18 licensee liability rating program, and replacing it 19 with a new security framework. So I am an advisor on 20 that project. 21 And then I also provide advice to staff and 22 leaders throughout the organization, including the 23 director, Tyler Callicott, to my left. And I also am 24 involved with meeting and working with government -- 25 staff and Government of Alberta and senior industry 26 members as well.</p>

<p style="text-align: right;">633</p> <p>1 Q Thank you.</p> <p>2 So of those various things you -- various</p> <p>3 responsibilities you mentioned, you -- you referenced</p> <p>4 the licensee management program, and we did hear a bit</p> <p>5 about that earlier, I believe, from Ms. Olsen. So what</p> <p>6 is the licensee management program?</p> <p>7 A So the licensee management program is one of the key</p> <p>8 mechanisms under the new liability management</p> <p>9 framework. And it's -- so Government of Alberta</p> <p>10 directed us to complete this project -- or to develop</p> <p>11 this program.</p> <p>12 So the licensee management program is meant to be</p> <p>13 a more proactive way of managing licensees. A lot of</p> <p>14 the other AER systems historically have been more</p> <p>15 reactive. So, for example, an incident would occur,</p> <p>16 and the AER would react to that incident; or a</p> <p>17 licensee's LMR would drop below 1, and we would react</p> <p>18 to that. So the licensee management program is unique</p> <p>19 and was directed by government to be a more proactive</p> <p>20 way to holistically assess a licensee's capabilities to</p> <p>21 meet their obligations throughout the life cycle.</p> <p>22 So I was leading the development of this new</p> <p>23 program. And for the licensee management program, we</p> <p>24 wanted to break out licensees into different groups.</p> <p>25 So not all licensees have the same characteristics. So</p> <p>26 we broke licensees out into three broad groups. So</p>	<p style="text-align: right;">634</p> <p>1 what we would call "Group 1 licensees" would be</p> <p>2 licensees that are financially capable, and we</p> <p>3 determined that by licensees that have a low or medium</p> <p>4 level of financial distress and either -- and TIER 1 or</p> <p>5 TIER 2 with respect to the remaining life span of</p> <p>6 resources as determined by the LCA, licensee capability</p> <p>7 assessment, which Kara described in her testimony</p> <p>8 yesterday as well.</p> <p>9 Then Group 2 licensees are licensees who are in</p> <p>10 financial distress. So that is determined by licensees</p> <p>11 with a high level of financial distress, as determined</p> <p>12 by the licensee capability assessment.</p> <p>13 And then, finally, there are also Group 3</p> <p>14 licensees, and those are licensees with potential</p> <p>15 sustainability concerns. So these are licensees who</p> <p>16 are either in a low or medium level of financial</p> <p>17 distress; however, they rank TIER 3 in the remaining</p> <p>18 life span of resources. So while they're currently</p> <p>19 financially capable, we may have some potential</p> <p>20 concerns with their longevity due to their resources</p> <p>21 and reserves.</p> <p>22 So for the licensee management program, we decided</p> <p>23 to start with the holistic licensee assessments of</p> <p>24 Group 2 licensees -- so those are licensees who are in</p> <p>25 financial distress -- because we would like to start</p> <p>26 this proactive action with those licensees who may be</p>
<p style="text-align: right;">635</p> <p>1 presenting the largest risk, and those may be licensees</p> <p>2 who are in financial distress. So when we look to</p> <p>3 start doing these assessments of the licensees within</p> <p>4 the licensee management program, we -- we rank these</p> <p>5 licensees in Group 2 from the highest total liability</p> <p>6 of magnitude, so these would be your largest licensees</p> <p>7 that are in financial distress, so based off total</p> <p>8 liability magnitude. So when we started the licensee</p> <p>9 management program and completing holistic licensee</p> <p>10 assessments --</p> <p>11 THE COURT REPORTER: Sorry. Can you slow down,</p> <p>12 please.</p> <p>13 A MR. GREEN: Sorry.</p> <p>14 THE COURT REPORTER: "So when we started"?</p> <p>15 A MR. GREEN: So when we started and</p> <p>16 operationalized the licensee management program early</p> <p>17 this year, we started with the licensees in Group 2,</p> <p>18 the financially distressed licensees who have the</p> <p>19 highest total liability magnitude, and we would work</p> <p>20 our way down that list.</p> <p>21 Q MS. LAVELLE: Thank you.</p> <p>22 So you mentioned -- I just want to deal with an</p> <p>23 acronym first. So you mentioned the "holistic licensee</p> <p>24 assessment".</p> <p>25 MS. LAVELLE: We'll be speaking a fair</p> <p>26 amount about that, so I'd just like to have us refer to</p>	<p style="text-align: right;">636</p> <p>1 that as "HLA", if that's appropriate so that we</p> <p>2 don't --</p> <p>3 THE CHAIR: Yes, that's fine. Thank you.</p> <p>4 MS. LAVELLE: Thank you.</p> <p>5 Q MS. LAVELLE: So how do we determine which</p> <p>6 licensee is to do a holistic licensee assessment, or</p> <p>7 HLA?</p> <p>8 A MR. GREEN: Yes. So Anita previously</p> <p>9 described what a holistic licensee assessment is. So a</p> <p>10 holistic licensee assessment looks at the factors under</p> <p>11 Directive 67, Section 4.5 to determine whether it's --</p> <p>12 a licensee is a reasonable risk. The holistic licensee</p> <p>13 assessment also looks at the licensee capability</p> <p>14 assessment factors and parameters, in which Kara</p> <p>15 discussed yesterday, and then additional scrutiny as</p> <p>16 well. Anita described how there are a number of other</p> <p>17 factors that may be applicable to specific licensees,</p> <p>18 and as we go through AlphaBow's holistic licensee</p> <p>19 assessment, I will point those out as well.</p> <p>20 So when we start doing holistic licensee</p> <p>21 assessments, which are done by the compliance assurance</p> <p>22 team, they start for -- Group 2 licensees first, and</p> <p>23 then they're starting at that highest ranked due to</p> <p>24 total magnitude of liability, and they would complete a</p> <p>25 holistic licensee assessment on the -- ranked Number 1,</p> <p>26 so your highest total liability magnitude and then work</p>

637

1 their way down the list as they have the capability.
 2 Q Thank you.
 3 And have you been involved with the HLA of other
 4 licensees?
 5 A Yes. So I am not on the compliance assurance team. I
 6 am on the licensee management team. However, I do sit
 7 in on the compliance assurance teams peer-review
 8 sessions to -- to review and then provide advice to the
 9 compliance assurance specialists, who are completing
 10 the holistic licensee assessments. So I am the only
 11 one on these peer-review sessions who is not on the
 12 compliance assurance team, and I am a representative
 13 from liability management, and my expertise has been
 14 requested due to my experience and development of the
 15 licensee management program.
 16 Q And approximately how many of these HLAs have you been
 17 involved with?
 18 A I don't know the exact number, but it would be dozens.
 19 Q Okay. Thank you.
 20 And when did you first get involved with the
 21 AlphaBow file?
 22 A I first became involved with the AlphaBow file in
 23 May of 2022.
 24 Q And what was your involvement, or what is your
 25 involvement with the file?
 26 A My involvement was as an advisor from the licensee

639

1 And why was an HLA conducted for AlphaBow?
 2 A So it appears that the reason for this 'H' -- or
 3 holistic licensee assessment -- there may be two
 4 reasons. The first, as you can see in the top left of
 5 the document, there is a requestor, Tyler Callicott,
 6 and he requested the date on March 2nd, 2023. Then
 7 also, if you look a couple lines down within the
 8 "Licensee Profile Breakdown", you can see that the LMP,
 9 which is the licensee management program, priority rank
 10 within Group 2, so those are the financially distressed
 11 licensees, AlphaBow ranks Number 6 out of 84
 12 financially distressed licensees, and that's based off
 13 their total liability of magnitude. So they're ranked
 14 Number 6 within the LMP program, and Tyler requested a
 15 holistic licensee assessment on March 2nd, 2023.
 16 Q Okay. Thank you.
 17 So how was this assessment made? Can you walk us
 18 through this assessment, please?
 19 A Yes. So this first page provides a good summary of
 20 AlphaBow Energy Limited. So we can see there's just a
 21 bit of a background and a breakdown of the licensee
 22 profile on the left-hand side of this document. So we
 23 can see that AlphaBow is a high level of financial
 24 risk. They're a licensee peer group. They are a
 25 producer licensee, a junior producer of gas for the
 26 remaining life span of resources, which is a licensee

638

1 management team, and that's within the liability
 2 management group at the AER.
 3 Q Thank you.
 4 So I'd like to bring up Record 8.01, page 11,
 5 please. So, Mr. Green, are -- are you familiar with
 6 this document?
 7 A Yes.
 8 Q Are you able to speak to it?
 9 A Yes.
 10 Q So what -- what is this document? What are we looking
 11 at?
 12 A So this document is a holistic licensee assessment
 13 template, and this holistic -- or -- and this holistic
 14 licensee assessment was completed on AlphaBow Energy,
 15 and that was completed -- the assessment date is
 16 March 3rd, 2023.
 17 Q Okay. Thank you.
 18 A So this document would provide a background on
 19 AlphaBow. It would give the results and all the
 20 details of all of the different factors that were
 21 assessed during the holistic licensee assessment.
 22 Q And did you play a role in this assessment?
 23 A Yes. After this assessment was completed by Temple
 24 Price, I reviewed and provided advice on her
 25 assessment.
 26 Q Thank you.

640

1 capability assessment fact --
 2 THE COURT REPORTER: Sorry. Slow down, please. "A
 3 life span of resources which is a --"
 4 A MR. GREEN: A remaining life span of
 5 resources. They are ranked TIER 3, and that comes from
 6 the licensee capability assessment.
 7 It then details their liability estimates. So
 8 AlphaBow the date of this assessment had a total
 9 liability magnitude of \$267,201,998, of which
 10 153,740,536 was from inactive licences. AlphaBow also
 11 has a marginal well liability magnitude of 40,068,065.
 12 It also then describes what their 2022 mandatory
 13 spend target was and their 2023 mandatory spend target
 14 of approximately 4.8 and \$5.4 million respectively.
 15 And then if we go to the next page, it will
 16 detail --
 17 Q MS. LAVELLE: So let's just hang on till we
 18 get to the next pages --
 19 A Okay.
 20 Q -- so people can follow along.
 21 A Yeah.
 22 Q So that's page 12.
 23 A Yes. So this page 12 that we are currently on now
 24 outlines the two primary risks that we want to identify
 25 with financially distressed Group 2 licensees within
 26 the licensee management program. So the Primary Risk 1

641

1 when dealing with financially distressed licensees in
 2 Group 2 is their inability to meet liability and
 3 regulatory obligations. So, in other words, their
 4 inability to maintain their assets leading to the
 5 impairment and damage of licences potentially resulting
 6 in public safety, environmental protection, and
 7 escalating liability concerns. So that's -- that's
 8 Primary Risk 1 with Group 2 licensees.
 9 And Primary Risk 2 is their inability to meet
 10 end-of-life obligations. So that is their closure and
 11 liability reduction.
 12 Q Mr. Green -- sorry -- I'll just stop you for a minute.
 13 So these -- just I want to be clear on the
 14 understanding. So these primary risks, 1 and 2, are
 15 consistently applied against -- for all Group 2
 16 licensees; is that correct?
 17 A That is correct.
 18 Q Okay. Thank you.
 19 Please go on.
 20 A So this -- so this page 12, which is the second page of
 21 the holistic licensee assessment, gives the results in
 22 how AlphaBow was ranked, and then there are recommended
 23 regulatory actions. And then the justification and
 24 what was actually assessed is provided later.
 25 So if we look at the risk matrix in front of us,
 26 it plots the two primary risks for Group 2 licensees,

642

1 and you can see they're the dots, and it's hard to see
 2 on the screen, but one -- the black dot in the centre
 3 has a "1" in it, and the dot to the right has a "2" in
 4 it. So that indicates the Primary Risk 1, Primary
 5 Risk 2.
 6 So when we think of the concept of risk, risk is
 7 the intersection of impact and likelihood. So we would
 8 like to for this assessment look at the impact of -- of
 9 Primary Risk 1 for this licensee and the likelihood of
 10 that primary risk, and we would do the same for Primary
 11 Risk 2. We would evaluate the impact and likelihood of
 12 Primary Risk 2 separately from Primary Risk 1, and then
 13 we plot that on this risk matrix.
 14 So for Primary Risk 1, their inability to maintain
 15 assets leading to the impairment and damage of licences
 16 potentially resulting in public safety, environmental
 17 protection, and escalating liability concerns. We --
 18 we risked this impact at the catastrophic level with a
 19 possible likelihood. And then for Primary Risk 2, we
 20 ranked that at a major impact with an almost certain
 21 likelihood. So both of those risks are in that dark
 22 red, which is extreme or critical risk.
 23 And the way we do this risk matrix is we rely on a
 24 tool called the "common risk management framework". So
 25 that's -- the acronym for that is the CRMF. And this
 26 is a -- a risk management framework developed by the

643

1 Government of Alberta so that the Government of Alberta
 2 and its agencies are assessing risk at similar ways,
 3 depending on, you know, if you're in Environment and
 4 Parks or if you're at the AER. It's a tool to allow
 5 consistency between organizations when assessing risk.
 6 So we use the common risk management framework to help
 7 inform our decisions and determine whether or not the
 8 level of impact is catastrophic all the way down to
 9 insignificant or what the likelihood is at. So this
 10 allows for a consistent and fair approach for risk
 11 ranking licensees within the holistic licensee
 12 assessment.
 13 So as we see, both Primary Risk 1 and Primary
 14 Risk 2 for AlphaBow during this assessment were rated
 15 at extreme or critical risk. And when you have an
 16 extreme or critical risk, it shows you that action is
 17 required to mitigate against this risk. So --
 18 Q So thank you.
 19 And so on that topic, then, what regulatory action
 20 flowed from this assessment?
 21 A Yeah. So if we scroll down slightly still on the same
 22 page. The holistic licensee provides recommendations
 23 for both primary risk. There's a -- both primary risks
 24 were in that extreme or critical. We need to make sure
 25 that recommended actions are taken to address not just
 26 one of those risks, but both of those risks in order

644

1 to -- to mitigate that.
 2 So for Primary Risk 1, the recommended regulatory
 3 action was a reasonable care and measures order. And
 4 part of that is updating working interest participants'
 5 information in one stop.
 6 And then the recommended regulatory action for
 7 Primary Risk 2, which is the inability to complete
 8 closure and liability reduction, was to collect
 9 security.
 10 Q Thank you.
 11 So could you speak to the remaining pages of the
 12 HLA?
 13 A Yeah. So I think if we go two pages down to page 14.
 14 So these -- this is the information that was reviewed
 15 that contributes to that determination of risk. So
 16 this includes the licensee capability assessment
 17 factors. It provides information on the -- the factors
 18 listed in Section 4.5 of Directive 67. And then also
 19 that additional scrutiny factors that we talked about
 20 as well. So it's a lot of information. I'm not going
 21 to go through this entirely. I'm going to talk about a
 22 few specific instances.
 23 So part of the things that we look at is -- is the
 24 amount of contaminated sites status and counts that a
 25 licensee may have. So in this contamination section,
 26 something that really sticks out to me is that the

645

1 licensee did not complete groundwater monitoring in
 2 2022, and that's something that we will -- I'll expand
 3 on a little bit later. So that's a concern for me
 4 because that does not look like they are, you know,
 5 managing that risk necessarily. And -- and we'll go
 6 into more information about that. And -- and the fact
 7 that AlphaBow has informed AER that remediation is
 8 delayed and not completed due to a lack of funds and
 9 failure to pay their environmental contractors. So
 10 these are all concerning things that inform our
 11 decision in our assessment of risk.
 12 We also, a few lines down, talk about the specific
 13 crossover timeline, which was discussed yesterday.
 14 We can continue scrolling down to the next page.
 15 This is a summary of -- or AlphaBow's financial review
 16 that we've already discussed.
 17 So we take this -- all this information into
 18 consideration when we're determining this level of
 19 risk. This is a printout of their financial health
 20 history. So we can see AlphaBow has been financially
 21 distressed for a period of time, and they are very --
 22 on the high end of the high financial distress. And
 23 these are -- these are just a lot of the factors that
 24 make up our decision. There's pages and pages of this,
 25 but I just wanted to touch on a few of those things, as
 26 you all have read this document already.

647

1 And could we move ahead in this email string to
 2 page 244, please. So, Mr. Green, have you reviewed
 3 this table before?
 4 A Yes.
 5 Q And what is this table about?
 6 A So this table was an attachment from that previous
 7 email string. So this table was provided to the AER
 8 from AlphaBow's qualified environmental professionals.
 9 So what is described and written in this table is not
 10 my interpretation, but these are the comments from
 11 AlphaBow's qualified environmental professional.
 12 I would like to highlight a few of these sites.
 13 So if we look at the fourth site down, which is the
 14 Site 100, 6-1-31-14-W4. And this is Facility Licence
 15 4191. We see that in 2022, groundwater monitoring was
 16 cancelled. And when we look at the -- the comments
 17 from AlphaBow -- I will read AlphaBow's comments here:
 18 (as read)
 19 Contaminated site. High-risk site. Off-site
 20 groundwater contamination and delineation is
 21 not complete. Free product in the water
 22 wells should be bailed.
 23 And then I would like to draw attention to the next
 24 site down, which is the 100, 2-4-32-24-W4 sites,
 25 Facility 4364. 2022 groundwater monitoring was
 26 cancelled. And just for clarification, whenever you

646

1 Q Thank you.
 2 So you -- you spoke about groundwater monitoring.
 3 So I'd like to turn to a series of emails beginning at
 4 page 237 of this same record.
 5 So, Mr. Green, I see your name on the "From" line
 6 of this email string. Do you recall forwarding this
 7 email string?
 8 A Yes.
 9 Q Okay. And what are these emails about?
 10 A So this email string is communication from the
 11 qualified environmental professional from AlphaBow that
 12 Mr. Ironside referenced to in his testimony and Heather
 13 Jones, who works in our remediation and contamination
 14 team at the AER.
 15 And so these emails from AlphaBow's qualified
 16 environmental professional discuss how groundwater
 17 monitoring was not completed on AlphaBow's sites in
 18 2022 due to the fact that AlphaBow owed the consultant
 19 money and was not paying. This included one EPEA gas
 20 plant site, which is the Hastings Coulée site. So that
 21 site has an approval under the Environmental Protection
 22 and Enhancement Act. That's what "EPEA" stands for.
 23 Then they also let us know that AlphaBow subsequently
 24 fired Cogent, their environmental consultant, after the
 25 failure to pay.
 26 Q Thank you.

648

1 see "GWM", that stands for "groundwater monitoring".
 2 (as read)
 3 Contaminated site. Pengrowth lawsuit.
 4 Undisclosed salt contamination soil and
 5 groundwater. Has not been monitored since
 6 2007. Record of site condition required in
 7 one stop.
 8 The next site down is the 100, 14-32-55-14-W5 sites.
 9 This looks to be from a well site with Well Licence
 10 0150547. Groundwater monitoring in 2022 was also
 11 cancelled. AlphaBow's qualified environmental
 12 professional described this site as: (as read)
 13 Contaminated site. Pengrowth lawsuit.
 14 Undisclosed hydrocarbon -- hydrocarbon
 15 contaminated groundwater. LNAPL present.
 16 ["LNAPL" stands for light nonaqueous phase
 17 liquid. So LNAPL is present.] Has not been
 18 monitored since 2015. Record of site
 19 condition required in one stop.
 20 So, again, I would like to make it clear that this is
 21 not my assessment. This is the assessment from
 22 AlphaBow's qualified environmental professional. So
 23 when I read this, AlphaBow's qualified environmental
 24 professional clearly has concerns about these sites,
 25 describing them as high-risk and often with groundwater
 26 monitoring contamination and delineation not complete,

<p style="text-align: right;">649</p> <p>1 and this is -- this is really concerning for me. 2 We -- we hear that there's free product in these 3 wells on the one site. There's hydrocarbon 4 contaminated groundwater with LNAPLs present. So 5 when -- when we think about groundwater contamination, 6 when you have a release of a substance on a site, if -- 7 if it's a smaller release, the release will penetrate 8 into the subsurface into the unsaturated zone. And if 9 it's a small release, the contamination will likely be 10 contained within that soil -- the soil pores, and 11 that's due to the retention from capillary forces. 12 However, if you have a substantial release, this 13 release will travel through that unsaturated zone, and 14 that will continue until it encounters a physical 15 barrier, so a very low permeability layer within the 16 subsurface, or it is affected by the groundwater and 17 the water table. So for the instance of LNAPL, a light 18 nonaqueous phase liquid, this would be a hydrocarbon -- 19 a hydrocarbon with -- that is immiscible with water. 20 So it does not mix with water. It's not soluble with 21 water. And so when an LNAPL hits -- or when a 22 sufficient volume of LNAPL is -- is released, it 23 migrates downwards until it hits a -- a physical 24 barrier or groundwater. And, in this case, it appears 25 that it has hit groundwater. So it migrates downwards, 26 and it -- it is affected by the buoyancy on the water</p>	<p style="text-align: right;">650</p> <p>1 table since it is less dense than water. And then 2 it's -- it's really concerning because once it hits 3 this groundwater level, then instead of migrating 4 predominantly downwards, it is then able to travel 5 laterally on top of the groundwater. Instead of 6 travelling from gravity, it travels laterally across 7 the upper boundary of the water saturated layer due to 8 gravity and capillary forces. So if it's a 9 continuously leaking source, it'll kind of mound on top 10 of that groundwater table. And then if that source is 11 removed, then it will stop mounding and start 12 transporting laterally, and that is likely how you see 13 that there is off-site groundwater contamination. 14 So for the 6-1 site, AlphaBow acknowledges that 15 off-site groundwater contamination is present, and they 16 have not delineated this contamination. That's 17 extremely concerning for me. So they don't know the 18 extent of the contamination on this site. They know 19 it's off-site. It is not apparent that they know how 20 far off-site it goes. They don't mention whether they 21 have vertical or lateral delineation. So we don't know 22 if it's impacting deeper groundwater zones, and we 23 don't know how far off-site it goes. 24 So these are -- these are AlphaBow's 25 interpretations of these sites, and when I read this, 26 I'm -- I'm pretty concerned.</p>
<p style="text-align: right;">651</p> <p>1 Q Thank you, Mr. Green. 2 So Mr. Ironside testified yesterday to the effect 3 that these sites all have a long history and there is 4 no issue of contamination spread. Would you agree with 5 his assessment? 6 A I would not agree with his assessment. 7 Q And in AlphaBow's submissions at Tab 5, and they're 8 looking at Recital 9 of the March order, they say: 9 (as read) 10 This clause relates to self-reporting by 11 AlphaBow, and only one site actually had a 12 specific deadline for groundwater sampling. 13 Many of the sites that AlphaBow mentioned had 14 a long and clear history of diminishing 15 contamination and/or no real risk of plume 16 migration and all reporting was made current 17 by May 2023. 18 What is your view of AlphaBow's response? 19 A I don't think it reflects the reality that's been 20 presented to us from AlphaBow's qualified environmental 21 professional. 22 Q Thank you. 23 A And they do -- they do make mention that they did 24 submit the report late for their appeal approval site, 25 the Hastings Coulée gas plant. AlphaBow did submit 26 that report late, and they also self-reported a</p>	<p style="text-align: right;">652</p> <p>1 noncompliance with that Approval 11796 to the AER. So 2 in their late submission, they included a groundwater 3 report which included groundwater sample analysis from 4 2018, 2019, and 2023. No sample analysis from 5 groundwater was included from 2020, 2021, or 2022. 6 Q Thank you. And -- 7 THE CHAIR: Ms. Lavelle, just -- just to 8 give you a time check. 9 MS. LAVELLE: Yeah. 10 THE CHAIR: We're at 12:25, so we could 11 probably go till about quarter to 1. I'll leave it to 12 you to find -- find where -- where -- where you're 13 suited to wrap up. 14 MS. LAVELLE: Thank you, chair. 15 In fact, I have just one more question in this 16 section, so we could, in fact, finish at 12:30, and 17 then -- 18 THE CHAIR: Thank you. 19 MS. LAVELLE: -- pick it up after lunch, if 20 that's preferable. Thank you. 21 So could we please pull up page 18 of Record 9.01. 22 And if we can please scroll down to Recital 9, which I 23 believe is -- it's a "whereas" clause that begins 24 March 9th, 2023. 25 Q MS. LAVELLE: So, Mr. Green, how did 26 AlphaBow's failure to provide groundwater monitoring</p>

653	<p>1 figure into the March order?</p> <p>2 A MR. GREEN: So it was included as one of</p> <p>3 these "whereas" clauses that led the statutory</p> <p>4 decision-maker to believe that AlphaBow may not be</p> <p>5 providing reasonable care and measures for their sites.</p> <p>6 Q Thank you.</p> <p>7 MS. LAVELLE: So, chair, that's a convenient</p> <p>8 spot to break, if you'd like, and ...</p> <p>9 THE CHAIR: Thank you. Let's do so.</p> <p>10 So we will break now for 45 minutes roughly. So</p> <p>11 we will come back at 1:15 to continue on. Thank you.</p> <p>12 MS. LAVELLE: Thank you.</p> <p>13 THE CHAIR: And -- sorry -- just a</p> <p>14 reminder to the witness panel that you're still all</p> <p>15 under oath. Please don't discuss amongst yourselves in</p> <p>16 relation to the testimony. Thank you.</p> <p>17 (WITNESS STANDS DOWN)</p> <p>18</p> <p>19 PROCEEDINGS ADJOURNED UNTIL 1:15 PM</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>26</p>	654	
655	<p>1 to move in sort of two-hour chunks, so in terms of</p> <p>2 that, that would take us to about 20 past 3 or so.</p> <p>3 MS. DOEBELE: Commissioner Chiasson --</p> <p>4 sorry -- Ms. Lavelle, I was just going to indicate that</p> <p>5 AlphaBow has provided undertaking responses for</p> <p>6 Undertakings 2, 3, and then we have not marked it yet,</p> <p>7 but Number 4, and that's in relation to the list of</p> <p>8 actual abandonment done on lease expired wells after</p> <p>9 the March order.</p> <p>10 And before we mark those -- or that document as an</p> <p>11 exhibit, I just wanted to confirm with CLM that</p> <p>12 Undertaking 2, which was verifying the tax balances</p> <p>13 owed to the municipalities, and Undertaking 4 contain</p> <p>14 the information that -- that was expected? And do you</p> <p>15 have those documents -- I should confirm first --</p> <p>16 Ms. Lavelle and Ms. Ross?</p> <p>17 MS. LAVELLE: I believe they were emailed to</p> <p>18 us, but I haven't had an opportunity to review them.</p> <p>19 MS. DOEBELE: Okay.</p> <p>20 MS. ROSS: The only thing that I see in</p> <p>21 the undertaking that I received is, I think, a -- the</p> <p>22 PowerPoint.</p> <p>23 THE CHAIR: That would have been</p> <p>24 Undertaking 3, I believe.</p> <p>25 MS. DOEBELE: Number 3, yeah. And the</p> <p>26 document that we have included both 2 and -- and</p>	<p>1 Proceedings taken at Govier Hall, Calgary, Alberta.</p> <p>2</p> <p>3 November 29, 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 E. Arruda AER Staff</p> <p>15 A. Stanislavski AER Staff</p> <p>16</p> <p>17 G. Stapon For AlphaBow Energy Ltd.</p> <p>18 K. Cameron For AlphaBow Energy Ltd.</p> <p>19</p> <p>20 R.M. Johanson, CSR(A) Official Court Reporter</p> <p>21 A. Porco, CSR(A) Official Court Reporter</p> <p>22</p> <p>23 (PROCEEDINGS COMMENCED AT 1:20 PM)</p> <p>24 THE CHAIR: Okay. Thank you. We're back.</p> <p>25 Please continue, Ms. Lavelle. I think -- I'll --</p> <p>26 I'll just -- just repeat it because we've been trying</p>	656

657

1 document. Thank you.
 2 So, Mr. -- Mr. Green, why was AlphaBow required to
 3 submit an abandonment plan as part of the March order?
 4 A MR. GREEN: So AlphaBow had a large number
 5 of mineral lease expired wells, and the director --
 6 this led the director, Tyler Callicott, the statutory
 7 decision-maker on the file, to lead to the decision
 8 that AlphaBow needs to be directed to abandon these
 9 wells within six months of the date of the order.
 10 Q Thank you.
 11 And, now, if we could please turn to page 306 of
 12 Exhibit 9.01. So are you familiar with this document,
 13 Mr. Green?
 14 A Yes.
 15 Q And have you reviewed it before today?
 16 A Yes.
 17 Q And what is this document?
 18 A This document is from AlphaBow to the AER as a response
 19 to Item Number 3, which we just discussed, which is the
 20 requirement for an abandonment plan for the mineral
 21 lease expired wells.
 22 Q And -- and does it include the abandonment plan?
 23 A Yes. They did propose an abandonment plan with this
 24 letter, I believe.
 25 Q Okay. And did you review the abandonment plan?
 26 A Yes, I did.

659

1 So I did a little bit of a quick analysis once I saw
 2 that statement. So I looked at all the wells that
 3 industry abandoned in 2022. And so in 2022, in that
 4 calendar year, industry abandoned 10,969 wells in
 5 Alberta. And just under half, 48.2 percent, of those
 6 wells were abandoned in the six months April through
 7 September. So I thought this -- this was a clear sign
 8 that the rest of industry is not having any issues
 9 completing abandonment work within those months and
 10 that they are not, in fact, the worst months of the
 11 year to complete abandonment work. In fact, closure
 12 work in the summer is often very preferable in the
 13 summer months. Typically you have dryer weather,
 14 particularly at the end of the summer. This makes
 15 access to sites very reasonable to -- to get out to and
 16 easy to get into. In the winter months, you are
 17 dealing with freezing conditions; you have to clear
 18 snow, and that adds extra costs and complications. You
 19 might need a steamer on-site. You're worried about
 20 water freezing, snowfall, and -- and -- and cold
 21 temperatures can -- can have adverse effects on -- on
 22 your workers. So working in the summer is quite nice.
 23 It's warm. It's dry. Sites are generally easy to
 24 access. So I just wanted to make that very clear to
 25 the statutory decision-maker.
 26 Looking at the actual plan, in this actual plan,

658

1 Q Okay. I'd like to turn to page 320 -- 320 of
 2 Record 9.01. And are you familiar with this document?
 3 A Yes.
 4 Q And what is it?
 5 A This is a email that I sent to Tyler Callicott. He
 6 asked me to review the abandonment plan that AlphaBow
 7 submitted, and this email describes my review and, as
 8 you can see in the first line, my recommendation that
 9 Tyler should deem this abandonment plan not
 10 satisfactory. I provide multiple reasons why I
 11 believed the abandonment plan submitted by AlphaBow was
 12 not satisfactory.
 13 It's -- it's important to realize that the March
 14 order was very clear that the abandonment plan should
 15 contain specific actions and timelines for all mineral
 16 lease expired wells.
 17 AlphaBow's response with their abandonment plan I
 18 do not believe contained specific actions and timelines
 19 for all mineral lease expired wells. Additionally,
 20 AlphaBow had the assertion that -- and I quote this
 21 in my email here -- (as read)
 22 The months April through September are
 23 probably the worst months of the year that
 24 the AER or anyone, for that matter, could
 25 have selected as a six-month period to
 26 require wells must be abandoned.

660

1 AlphaBow only proposed of abandoning 70 wells and not
 2 within 6 months, but within 12 months, by March 31st,
 3 2024. Abandoning 70 -- or 70 wells within a 12-month
 4 period, I didn't consider that specific enough.
 5 When -- when we see a closure plan or abandonment plan
 6 like this, we would like to know what month and year
 7 that activity would occur and what actual activities
 8 are required. So they're not providing whether this
 9 well just needs a cut and cap or if it actually needs a
 10 total abandonment, including some downhole work as
 11 well.
 12 Furthermore, AlphaBow stated that it would like to
 13 obtain the mineral rights back to 53 of these wells. I
 14 would have liked to see a plan in place; if they failed
 15 to obtain those mineral rights back, what would they do
 16 then to abandon the well. No details were provided on
 17 this.
 18 Further down, AlphaBow had -- or in their
 19 abandonment plan, they provided a list of wells that
 20 they said were already abandoned. I looked through
 21 that list. One of the wells, Well Licence 0252080, was
 22 not abandoned -- or the status was not abandoned; the
 23 current status of that well was suspended.
 24 And then there were no additional details on -- on
 25 the remaining 94 wells. They didn't include a list of
 26 them, so there's no specific action or timelines to --

661

1 on those wells to determine as part of the plan.
 2 And if we scroll down further, AlphaBow stated
 3 that a number of these wells were within cultivated
 4 lands with "no entry" before November. And as I talked
 5 about at the beginning of this, the summer months are a
 6 great time, and as we can see, industry as a whole are
 7 completing abandonments during this period. So the
 8 fact that they just said there's no entry on these
 9 sites I didn't think was appropriate either.
 10 They also provided a list of sites that were
 11 muskeg or winter-access only. I also reviewed these
 12 sites, and I noted that not all of them, but a majority
 13 of these sites were not actually located in muskeg, and
 14 I included a survey plan for one of those wells as
 15 attached as an example for the director to see. And
 16 this survey plan clearly indicated that the wellsite
 17 was not in muskeg but, rather, in a pasture adjacent to
 18 a poplar forest. And those who are familiar with
 19 poplars, they don't grow in wet environments; they grow
 20 in dry, upland environments. So that's -- they're not
 21 winter access -- not all of them were winter-access
 22 only or muskeg condition -- or conditions. So I didn't
 23 think it was appropriate to -- to categorize them that
 24 way.
 25 I then provided some advice of what should be done
 26 to amend the proposed plan to -- to make it

663

1 we wanted the details I described here: the month and
 2 year of the anticipated work, and the type of work that
 3 is going on, whether that's a zonal abandonment, a
 4 total abandonment, or -- or cut and cap.
 5 Q And have other licensees experienced difficulties
 6 with landowners preventing them access to land as part
 7 of their abandonment plans?
 8 A Yes. AlphaBow is probably not the only licensee who
 9 has had trouble accessing their sites through landowner
 10 issues; however, I would expect that the licensees'
 11 land departments resolve those issues with those
 12 landowners in order to -- to get access to those sites.
 13 Q Okay. And if we could please turn to page 349 of this
 14 same record. Thank you.
 15 Okay. Actually, if we could just scroll to page 1
 16 so we can see what this is. Thank you. Oh -- yeah.
 17 So are you -- are you familiar with this document,
 18 Mr. Green?
 19 A Yes.
 20 Q And have you reviewed it before today?
 21 A Yes.
 22 Q What is this document?
 23 A This is a reply to Mr. Callicott from AlphaBow after, I
 24 believe, Mr. Callicott determined their abandonment
 25 plan previously submitted to be unsatisfactory.
 26 Q And specifically in relation to the abandonment plan,

662

1 satisfactory. So I -- I note at the bottom of the
 2 email I like to see the month and year and the
 3 description of the activities for all the wells and,
 4 you know, a plan, if you -- if they failed, to reobtain
 5 the mineral rights for the list that they provided;
 6 what would they do if they failed to do that. We would
 7 like to see a plan.
 8 Additionally, there were a number of sites on this
 9 list that AlphaBow previously communicated to me that
 10 they had access issues, and this was caused by upset
 11 landowners, which we heard a little bit about
 12 previously, and upset landowners preventing access to
 13 these sites. So I would also like to see what plan
 14 AlphaBow had to resolve these access issues with their
 15 landowners in order to [sic] them to gain access to
 16 these sites to complete the activities. The plan that
 17 they provided gave no details on that.
 18 Q Thank you.
 19 And have you assessed abandonment plans from other
 20 licensees?
 21 A Yes.
 22 Q And what level of detail do you require of other
 23 licensees?
 24 A I would require the same level of detail that I
 25 outlined here. In fact, I have reviewed and approved a
 26 separate closure plan for AlphaBow previously in which

664

1 so if we could scroll now to, actually, page 349 --
 2 what -- what did AlphaBow propose?
 3 A So, as we can see here, AlphaBow is arguing some of the
 4 reasons that we provided for their abandonment plan to
 5 be deficient, but then I believe if we scroll to the
 6 next page, AlphaBow states that regardless of those
 7 bullet points in your letter, AlphaBow is appreciative
 8 of the list of deficiencies that the AER has provided
 9 and that they would by the end of the week, provide an
 10 updated plan that will address all of the issues
 11 highlighted below in the snips from Mr. Callicott's
 12 letter.
 13 Q Thank you.
 14 And if we could go to page 602, please, of the
 15 same record. Okay. And, again, do you recognize this
 16 document?
 17 A Yes.
 18 Q And have you reviewed it before today?
 19 A Yes.
 20 Q And so what -- what in relation to the abandonment plan
 21 topic is -- was referred to in this letter?
 22 A So this was a response to the AER draft suspension
 23 order, and I believe in this document, they also
 24 included an updated abandonment plan.
 25 Q Yeah. And I think that is at page 70 -- no. Do you
 26 have a page reference, or we can scroll down?

<p style="text-align: right;">665</p> <p>1 A Scroll down just -- maybe go to 610 to start. Yeah. 2 So this is the updated plan that AlphaBow provided us. 3 As you can see, it's -- it's on a different template. 4 It provides us significantly more detail but includes 5 quite a few more sites, so then I provide advice to 6 Tyler on the adequacy of this updated plan I believe on 7 page 702 of this. 8 Q Yeah. If we can turn to page 702, please. 9 A You can scroll down a little bit, please. 10 Q And so -- oops. And so what advice did you -- did you 11 provide Mr. Callicott in relation to the -- the revised 12 plan that we just found on page 610? 13 A Yes. So I provide the comments that are actually in 14 blue text. So if we could scroll down, I believe they 15 straddle these next two pages. Yeah. That's good 16 right there. 17 So I -- I noted that the previous abandonment plan 18 had 6 -- 76 wells abandoned, 53 to require mineral 19 rights, and then an unknown amount totalling 260 and 20 the -- the new plan had 118 wells to abandon, 101 now 21 to reacquire mineral rights, for a total of 219. So 22 there's a little bit of discrepancy in the numbers, and 23 I wasn't sure what this was due to. 24 A large part of their plan was to, as you can see, 25 try to reacquire more mineral rights, and, again, they 26 didn't provide a plan if they failed to reacquire those</p>	<p style="text-align: right;">666</p> <p>1 mineral rights when they would abandon the wells, so 2 that's some of the feedback I provided them. 3 Q And then what decision did the statutory decision-maker 4 do with respect to the abandonment plan, the revised 5 proposal? 6 A I believe he also determined it not to be satisfactory. 7 Q Thank you. 8 I'd like to pull up page 189 of the same record, 9 please. Okay. Now, we have seen this letter 10 previously in Mr. Ironside's testimony. Have you 11 reviewed this document before today? 12 A Yes. 13 Q And if we could look at -- sorry. If we could look at 14 the -- the paragraph that begins with a "1" there and 15 says "Above-average progress on asset retirement". How 16 would you assess AlphaBow's progress on closure work? 17 A So Mr. Ironside went through this in detail. I'm not 18 going to read it out to you. And he asserted that 19 AlphaBow did complete a large amount of closure work, 20 and I will agree, AlphaBow has done quite a bit of 21 closure work. They have made some positive closure 22 progress. And I've got some numbers just in front of 23 me as well. 24 So in the year 2020, the calendar year 2020, 25 AlphaBow completed 463 well abandonments. And that's a 26 significant amount, and that's -- that's good work that</p>
<p style="text-align: right;">667</p> <p>1 was completed. In the following years they abandoned 2 88 wells. In 2022, they abandoned 34 wells; in 2023, 3 they abandoned 63 wells. So they are making closure 4 progress, and they are spending some money on closure, 5 and that is what we like to see. 6 But when we look to see how that closure work was 7 funded, as we've talked a little bit about in this 8 proceeding so far is the site rehabilitation program 9 that was administered through the Government of 10 Alberta. So AlphaBow did a really good job of working 11 with their contractors to apply for grants under the 12 SRP program, the site rehabilitation program. In fact, 13 they did -- and this is very positive. This is what we 14 like to see. A financially distressed company 15 utilizing this grant program to complete closure work 16 on their sites. 17 So in total, AlphaBow, through their applications 18 through their service providers, were allocated 19 \$25.2 million in grant funding through the site 20 rehabilitation program, and in the three years that the 21 program ran, they spent \$20.8 million of the 25.2 that 22 was allocated. So there was a portion that they did 23 not spend. It was left on the table, so to speak. 24 And in that -- those three years, they did spend 25 some of their own capital as well on closure work. So 26 in 2020, they spent approximately \$2.7 million of their</p>	<p style="text-align: right;">668</p> <p>1 own closure work. In 2021, they spent approximately 2 \$200,000, and in 2022, they spent approximately 3 \$6 million on closure work. In 2023, approximately 4 \$3.8 million on closure work. So when we look at those 5 numbers combined, they spent about \$10 million of their 6 own funds and about \$21 million of grant funding 7 through the site rehabilitation program. So 8 \$31 million in three years is quite a significant 9 amount of closure work to be completed. So they -- 10 they did complete a lot of closure work. 11 However, I would like to note that during this 12 time, they -- while they spent \$31 million, they only 13 reduced their deemed liability by \$17.3 million with 14 the spend, so they spent \$31 million on closure work, 15 and that resulted in a reduction in deemed liability of 16 \$17.3 million for that same period. 17 Q And, Mr. Green, what conclusion do you draw from that 18 fact? 19 A We'll talk about this a little bit more, but that may 20 lead you to indicate that -- well, they are completing 21 closure work at a higher cost than AER estimates. 22 Q Okay. Thank you. 23 And if we look at -- if we scroll down and look at 24 paragraph 6 of the same document. So here AlphaBow -- 25 the heading is "AlphaBow Ranks TIER Number 1 in 26 Severity According to Elements of the AER's Peer Group</p>

<p style="text-align: right;">669</p> <p>1 Assessment". How would you assess AlphaBow's closure 2 work relative to its peers? 3 A So AlphaBow makes an interesting statement in this 4 first paragraph under Section 6. They state: 5 (as read) 6 If you are very efficient in how you abandon 7 wells, you may not have the highest closure 8 spend, but you may still be making a lot of 9 closure progress. 10 And since they're referring to the AER's peer group 11 assessment, I believe they're referring to the closure 12 spend parameter within the licensee capability 13 assessment. And the way the closure spend parameter is 14 calculated, it's not calculated on how much you're 15 actually spending, but it's calculated based on your 16 reduction of deemed liability compared to your deemed 17 inactive liability. 18 So, in reality, if you're very efficient in how 19 you abandon wells, you're going to have a higher 20 closure spend rate parameter for that parameter in the 21 licensee capability assessment because you're -- you're 22 doing work for less than what the AER is estimating 23 that closure work to cost, and that would give you a 24 higher parameter value for that. 25 So to make this point a little bit clearer, I 26 think we should actually look at AlphaBow's licensee</p>	<p style="text-align: right;">670</p> <p>1 capability assessment, which I believe you can see on 2 page 46 of Exhibit 8. 3 MS. LAVELLE: 46 of Exhibit 8. 4 A MR. GREEN: So this is the licensee 5 capability assessment that AlphaBow has access to. So 6 this is what AlphaBow can see. And this, as you can 7 see, report date was -- it's hard to see, but it's in 8 the top left-hand corner, March 20th, 2023. And when 9 we look at -- we're going to -- it's very at the -- 10 right at the bottom. 11 So when you look at closure work, closure spend 12 rate parameter, and it's near the bottom, very small 13 text. It says, "Closure Spend Rate". The parameter 14 rate for that parameter within the closure factor is 15 20 percent, and the parameter value for AlphaBow's 16 closure spend rate is 0.80 percent. And compared to 17 their peers, they're in the 3 percent compared to their 18 peers, which is TIER 3, which is the bottom. 19 So if you have a closure spend rate of 0.80, that 20 means you're only reducing your inactive liability in 21 the past year 0.8 percent of your inactive liability in 22 a year. So -- whereas in 2022, AlphaBow, I said, spent 23 approximately \$6 million, which would equate to close 24 to 4 percent of their inactive liability, so they spent 25 close to 4 percent, but their closure spend rate 26 parameter value here is 0.8 percent.</p>
<p style="text-align: right;">671</p> <p>1 So they compare themselves as -- or they assert 2 that they're the best of their peers, but specifically 3 in closure spend rate, we see that's not the case. And 4 we look at the closure factor in general. They're 5 ranked TIER 2. So TIER 1 being the best, TIER 2 being 6 the middle, and TIER 3 being the worst. So based off 7 the licensee capability assessment and these 8 parameters, I don't think it's appropriate to say they 9 are better than all of their peers. 10 Q Thank you. 11 And did you do an analysis of AlphaBow's spending 12 on closure work relative to its peers -- 13 A I did a quick analysis for Mr. Callicott, yes. 14 Q And so if we go to page 705 of Record 9.01. And if we 15 scroll down, it's the -- if you scroll down to the sort 16 of indented text towards the bottom there, beginning 17 with "For their closure plan". Now, is that the 18 analysis that you did? 19 A Yes, the section that is in quotes. Yes. 20 Q All right. And what was the conclusion you came to? 21 A So I directed AlphaBow to complete a closure plan of 22 some mineral lease expired wells from January to March 23 31st, 2023, and this was part of an approved closure 24 plan or approved payment plan as a result of their 25 failure to comply with the 2021 ABC program. So 26 AlphaBow was to spend approximately \$3.8 million by --</p>	<p style="text-align: right;">672</p> <p>1 from January to March 31st, 2023, on mineral lease 2 expired wells, and I directed them that the work was to 3 be done on -- 4 THE COURT REPORTER: Was to be done on which? 5 A Well abandonments. 6 THE COURT REPORTER: Thank you. 7 A MR. GREEN: So after AlphaBow completed 8 this -- and a part of the conditions of that closure 9 plan was that they submit the costs through OneStop so 10 that we could see what their costs were in their 11 closure spend. 12 And what I did, which was a quick just general 13 analysis, was I compared the spend submissions from 14 AlphaBow for that closure plan to what the averages 15 were for the rest of industry in 2021 for those same 16 spend category types, but I also compared it to what 17 AlphaBow had budgeted for that closure plan because 18 they provided me with cost estimates prior to me 19 approving that plan. 20 So when it comes to total well abandonments 21 completed by AlphaBow, on average AlphaBow's spend 22 submissions were 112 percent greater than industry 23 average, so that is over double; however, they were 24 11 percent under their own internal budgeted amount. 25 For cut and cap spend submissions, AlphaBow was, 26 on average, 121 percent greater than the industry</p>

673

1 average. Again, that's over double.
 2 And for their own internal budgets, they're
 3 17 percent over budget, on average.
 4 For zonal abandonment spend submissions,
 5 AlphaBow's were on average 90 percent greater than
 6 industry average, or they were 40 percent under their
 7 own budget.
 8 When it comes to surface equipment removal spend
 9 submissions, AlphaBow's were on average 89 percent
 10 higher than the industry average and 77 percent over
 11 budget from their estimates that they provided me. And
 12 the reason why I did analysis on these four spend
 13 categories is because these were the only four spend
 14 categories that were a part of the closure plan that
 15 ran from January to March 2023.
 16 I want to qualify particularly the total well
 17 abandonments and the zonal abandonments. These costs
 18 can vary significantly based on geographical location
 19 and the well itself, the characteristics of the well,
 20 but this -- so there may be some degree of error in
 21 this calculation, but it was meant to be a quick
 22 analysis to see really where AlphaBow's costs were in
 23 comparison to the rest of industry. So this was a
 24 quick and simple analysis to give a general idea of
 25 AlphaBow's closure spends compared to their peers.
 26 Q Thank you.

675

1 under the liability management framework. So that is
 2 separate from the licensee management program and is
 3 all focused on completing closure work and reducing
 4 inventory. It is not a method to calculate security.
 5 So the fact that they're saying there's no
 6 requirement for licensees to post 10 percent of their
 7 inactive liability in comparing it to the spend rates,
 8 it's just simply two completely separate issues that
 9 they are confusing. The 10 percent security
 10 requirement was a onetime 10 percent security of their
 11 inactive liability, whereas these closure spend rates
 12 are the amount of closure that licensees must complete
 13 year after year.
 14 So as you can see in the year 2022, if you're in a
 15 lower spend rate, such as AlphaBow, you would have had
 16 to spend 3.3 percent of your active liability in 2022.
 17 The following year you would have had to spend another
 18 3.6 percent of your inactive liability. And then if
 19 you scroll down, I think there is a line for 2024 as
 20 well, in which the lower spend rate is also 6. -- or
 21 3.6 percent.
 22 So the closure spend rate is an annual requirement
 23 for closure to be completed, and they are confusing
 24 that with the requirement to post 10 percent of their
 25 inactive security as required in Clause 8 of the March
 26 order.

674

1 I'd like to pull up Exhibit 56.01 and,
 2 specifically, the bottom of page 6. And if you scroll
 3 down to the bottom, please. Okay.
 4 So in -- in -- this is AlphaBow's reply
 5 submission. They compare the 10 percent of inactive
 6 liability that was requested as security with the
 7 industry spend rates for mandatory closure work. What
 8 are these closure spend rates that you see in this
 9 chart at the bottom?
 10 A So these closure spend rates represent the amount of
 11 closure that licensees need to complete in a calendar
 12 year. So these percentages would be a percentage of
 13 your inactive liability. So for 2022, if you were in
 14 the lower spend rates, you would have had to spend
 15 3.3 percent of your inactive liability on closure work
 16 in that calendar year. And then it gives the different
 17 rates for the different years and then the lower and
 18 higher spend rate.
 19 The issue with what AlphaBow is presenting here is
 20 that they are comparing apples to oranges. They are
 21 comparing the AER's discretion to request security with
 22 closure spend rates for industry. And these closure
 23 spend rates are from the industry-wide closure spend
 24 quotas, which is, as Ms. Lewis described earlier, under
 25 the inventory reduction program. And inventory
 26 reduction program is a completely separate mechanism

676

1 Q Thank you.
 2 And what about AlphaBow's criticism that security
 3 serves no useful purpose; it's better to spend annually
 4 on closure work than hold security? Do you -- well,
 5 you've spoken a bit about it, but can you respond to
 6 that criticism?
 7 A Yes. So closure work and security are two different
 8 things, and they serve two different purposes. So when
 9 you complete closure work, you're actively reducing
 10 liability off the landscape, whereas security serves
 11 the purpose to mitigate the risk of a licensee not
 12 fulfilling their liability and end-of-life obligations
 13 in the future. So they are two different things.
 14 Closure work is actively reducing liability now, and
 15 security is used to offset the risk of closure work not
 16 occurring in the future.
 17 Q Thank you.
 18 And what was your advice to the statutory
 19 decision-maker as to whether it would be appropriate to
 20 collect security from AlphaBow in the March order?
 21 A I recommended that it was appropriate to collect
 22 security from AlphaBow in order to mitigate the risk
 23 that was identified in the holistic licensee
 24 assessment, which was an extreme or critical risk of
 25 AlphaBow's inability to fulfill its end-of-life
 26 obligations.

<p style="text-align: right;">677</p> <p>1 Q Thank you.</p> <p>2 So I'd like to turn to the topic of the 2021</p> <p>3 area-based closure approval. Yesterday, Mr. --</p> <p>4 sorry -- not Mr. AlphaBow -- Mr. Ironside spoke about</p> <p>5 how AlphaBow -- spoke regarding AlphaBow's 2021 ABC</p> <p>6 commitment. Did AlphaBow meet their commitment for the</p> <p>7 21 -- 2021 ABC program?</p> <p>8 A No.</p> <p>9 Q And was AlphaBow ever advised of the consequences of</p> <p>10 not meeting that commitment?</p> <p>11 A Yes. Before you committed to the 2021 ABC program,</p> <p>12 again, that's the area-based closure program, it's done</p> <p>13 through OneStop, and a -- a -- a pop-up when you go to</p> <p>14 submit your area-based closure project comes up. And</p> <p>15 it states that a failure to meet the commitments of the</p> <p>16 program may result in the removal of the alternative</p> <p>17 requirements provided, so that would be your three-year</p> <p>18 mineral lease extension, and that security may be</p> <p>19 required as well. And then those statements are also</p> <p>20 provided in the approval letter that AlphaBow would</p> <p>21 have received after committing to the 2021 area-based</p> <p>22 closure program.</p> <p>23 Q And what was the consequence of AlphaBow not meeting</p> <p>24 their 2021 ABC program commitment?</p> <p>25 A AlphaBow was sent a failure to comply and a notice of</p> <p>26 security deposit owing on October 5th, 2022, in which</p>	<p style="text-align: right;">678</p> <p>1 they were required to post security for the shortfall</p> <p>2 of this closure work or the amount of closure spend</p> <p>3 that ought to have been completed in 2021, which was</p> <p>4 the security of \$3.8 million. And then at such a time</p> <p>5 as well, the three-year mineral lease expiry extension</p> <p>6 was no longer valid.</p> <p>7 Q And did AlphaBow pay the security that was requested?</p> <p>8 A So AlphaBow approached the AER after being issued the</p> <p>9 notice of security deposit owing in association with a</p> <p>10 failure to comply with the 2021 area-based closure</p> <p>11 program, and they proposed an alternative payment plan.</p> <p>12 So the alternative payment plan that AlphaBow proposed</p> <p>13 was that they would post 5 percent of the security</p> <p>14 required up front, which I believe amounted to</p> <p>15 approximately \$192,000. Then they would complete the</p> <p>16 remainder amount in closure work to be completed from</p> <p>17 January to March 31st, 2023.</p> <p>18 Q And -- thank you.</p> <p>19 And yesterday, do you recall Mr. Ironside spoke</p> <p>20 about -- he made reference to the moving of goalposts</p> <p>21 by the AER in relation to the removal of the MLE</p> <p>22 extension, mineral lease expiry extension?</p> <p>23 A Yeah --</p> <p>24 Q Do you recall that?</p> <p>25 A Yes, I do recall that Mr. Ironside -- I believe the</p> <p>26 words he used were a "policy change" --</p>
<p style="text-align: right;">679</p> <p>1 Q Thank you.</p> <p>2 A -- stating that Manual twenty --</p> <p>3 Q We'll just come -- I have a few more questions before</p> <p>4 we get there, if you just hang on.</p> <p>5 So what decision was made with respect to SRP</p> <p>6 funding and the area-based closure program?</p> <p>7 A So as Ms. Lewis described earlier, after discussions</p> <p>8 with government, it was -- at the onset of the site</p> <p>9 rehabilitation program, it was decided that SRP grant</p> <p>10 funding would not be eligible spend towards a</p> <p>11 licensee's 2021 area-based closure commitment, nor</p> <p>12 would it be eligible spending for the mandatory closure</p> <p>13 spend quotas.</p> <p>14 Q And do you know when that decision was made?</p> <p>15 A I believe that decision was made in 2020.</p> <p>16 Q And do you know when it was communicated to licensees?</p> <p>17 A Well, it was communicated to licensees multiple times.</p> <p>18 I believe the first communication was in 2020. Then</p> <p>19 there was multiple communications, including direct</p> <p>20 emails, to licensees who were ABC participants in 2021.</p> <p>21 It was also posted on our website and issued at a</p> <p>22 number of other areas. It was brought up in meetings</p> <p>23 that we had with licensees. It was communicated very</p> <p>24 thoroughly.</p> <p>25 Q So going back to the discussion Mr. Ironside had</p> <p>26 yesterday. He said that -- to the effect -- I'm not</p>	<p style="text-align: right;">680</p> <p>1 quoting -- that Manual 23 was released in January 2023,</p> <p>2 and that was sort of what -- how they became aware that</p> <p>3 they were no longer eligible for these mineral lease</p> <p>4 expiry extensions.</p> <p>5 So is -- is -- is -- is that consistent with what</p> <p>6 you've just told us?</p> <p>7 A No.</p> <p>8 Q And when was Manual 23 released?</p> <p>9 A Manual 2023 was released in December of 2021, not</p> <p>10 January 2023.</p> <p>11 Q Thank you.</p> <p>12 MS. LAVELLE: So subject to any re-direct,</p> <p>13 those are my questions, chair.</p> <p>14 THE CHAIR: Thank you.</p> <p>15 And I believe now we're turning it over to</p> <p>16 Ms. Ross. Thank you.</p> <p>17 MS. ROSS: Thank you. Good afternoon,</p> <p>18 chair and distinguished Panel Members. I'll be</p> <p>19 presenting Mr. Tyler Callicott's evidence.</p> <p>20 Mr. Callicott, as you know, was the SDM for the March</p> <p>21 and June orders.</p> <p>22 Q MS. ROSS: Mr. Callicott, could you</p> <p>23 please tell us about your background, including your</p> <p>24 education and previous roles with the AER?</p> <p>25 A MR. CALLICOTT: Sure. So my education, I have</p> <p>26 a diploma in engineering -- petroleum engineering</p>

<p style="text-align: right;">681</p> <p>1 technology from SAIT, which I received in 1999. I've 2 been employed with the Regulator and the predecessor 3 Regulator since 2002, so I started with the Energy 4 Utilities Board then as a field inspector. I've worked 5 in multiple different areas across the province as a 6 field inspector: the Medicine Hat area, Drayton Valley 7 area, and the Red Deer area. In that role, I inspected 8 energy operations, and through the years, I progressed 9 through many different types. I would inspect oil and 10 gas facilities, gas plants, pipelines, waste disposal, 11 drilling operations, well servicing operations. I also 12 spent a lot of time responding to releases that 13 licensees had, ensuring that cleanup was complete, and 14 I responded to public complaints and followed up with 15 public complaints received about licensees. Part of 16 the job as an inspector was also to do a certain amount 17 of stakeholder engagement, attend stakeholder meetings. 18 During my nine years as a field inspector, I also 19 spent three years on the Manual 1 project, and that was 20 the project developing the oil and gas and well 21 facility inspection manual. 22 In 2011, I was successful getting the job as the 23 assistant team leader of the Red Deer field centre, 24 which was the role overseeing the team that did field 25 inspections primarily but also community and Aboriginal 26 relations at the time. So I was providing oversight of</p>	<p style="text-align: right;">682</p> <p>1 the team, organizing priorities, inspections, reviewing 2 files of the team, mentoring the inspectors, training 3 inspectors, helping out with the more complex public 4 complaints, attending stakeholder meetings, et cetera. 5 And I was in that role for approximately a year before 6 I was successful on getting the team leader job of the 7 same team. 8 And -- and then approximately one year later in 9 2013, we became the AER. I essentially stayed in the 10 same role. It was now called "manager". So I was 11 manager of the Red Deer field centre, so continued to 12 look after the field operations team, inspectors, 13 manage the office, and have those duties. Part of 14 those duties was making decisions on compliance files, 15 helping the inspectors work through different 16 compliance files, dealing with licensees directly, and 17 also being the -- the lead on incident response. So if 18 there was an emergency, you would lead the -- the 19 response to that emergency for the team. 20 In approximately -- so I did that for a few more 21 years in Red Deer. In 2016, I transferred in the same 22 role but to the Edmonton area. I conducted the same 23 role there until 2020. We did a bit of restructuring, 24 maintained the same role, but the size of the area was 25 doubled. So I essentially took on more staff, and at 26 that time, I think I had 20 -- 20 inspectors reporting</p>
<p style="text-align: right;">683</p> <p>1 to me, handling compliance assurance for basically the 2 whole centre area of the province from Edmonton to the 3 Northwest Territories. 4 Moving on, in twenty -- sort of mid-2021, I was 5 successful of getting the role as director of 6 enforcement emergency management. That's the role I'm 7 currently in. I've been in that role for two years 8 now. In that role, I am responsible for three 9 different teams. So I provide leadership to the 10 compliance assurance team, the major investigations 11 team, and the emergency management team. 12 And I -- I handle planning, budgeting, resourcing, 13 all those sorts of things for those teams, work with 14 the managers in the management of those teams, and a 15 part of that role is also being a statutory 16 decision-maker, where I am a decision-maker for many 17 different compliance files. So I'm a decision-maker to 18 issue orders or make other decisions, like limiting 19 eligibility, and I also make decisions on 20 administrative penalties that often will come as a 21 result of -- of one of the major investigations. 22 Q And what do you do as an SDM, and how do you make 23 decisions as an SDM generally? 24 A So generally, as an SDM, it's my responsibility to 25 review the file that's -- so there's a couple different 26 ways it can happen, actually, but sometimes you are --</p>	<p style="text-align: right;">684</p> <p>1 in my role, I will be working with my team on a file, 2 and eventually I may become the SDM because a decision 3 has been recommended, or, at times, it just -- I 4 haven't been previously involved with the file, and a 5 team has recognized the need for a decision, an SDM, 6 and then I'm requested. So my vice president, she 7 would select for different files who would be the SDM, 8 and sometimes that is me. And in this -- in this 9 particular case with AlphaBow, I had been somewhat 10 involved prior to being -- being assigned the SDM. So 11 I started my role. The previous director that was in 12 my role had been attending the AlphaBow regular 13 compliance meetings. I continued that. 14 Directors don't always attend compliance meetings. 15 It's usually something that happens once it's 16 progressed to a point where the team may be concerned, 17 and they want somebody -- they want another level of 18 authority there to provide support. So I -- that was 19 my role at the time. I joined the meetings, provided 20 support, and -- until mid-2022, when Maria Skog, the 21 vice president of compliance and liability management, 22 assigned me to be the SDM on the file because the 23 compliance assurance team at the time had made a 24 recommendation that an SDM was required and a decision 25 was required. 26 So in the SDM role, I'm provided assessments from</p>

685

1 the different subject matter experts, some of whom are
 2 in this Panel here. The compliance assurance team will
 3 normally provide their review and assessment, so we've
 4 seen that, their compliance file and the different
 5 recommendations. I -- I'll see the holistic licensee
 6 assessment like I did in this case with the file and
 7 recommendations. I usually talk to different subject
 8 matter experts that have been involved into the file up
 9 to that point. I'll discuss the varying issues with
 10 them and try to get insight from them into what's gone
 11 on, what actions have been taken.
 12 I -- I also spend a great deal of my own time
 13 reviewing the history of the files, whatever
 14 information I have access to. So although I rely
 15 heavily on the expertise of my team and the subject
 16 matter experts, I also like to verify information on my
 17 own to the extent that I can, so I use the different
 18 systems that the AER has. For example, I spent a lot
 19 of time on this file reviewing and understanding the
 20 field compliance issues. So reviewing -- going back,
 21 reviewing the actual compliance issues in the file,
 22 looking at those inspections. What were the issues?
 23 What were the reoccurring issues that were happening?
 24 How was the company responding to the inspectors? What
 25 were the different types of incidents they were having?
 26 How were they responding, et cetera? What were the

687

1 Q And so is that when you first sort of became involved
 2 with AlphaBow?
 3 A No. I was -- I did attend one or two meetings prior to
 4 this. I started taking these notes. I started having
 5 more concerns and started taking these notes, and then
 6 you'll see once I'm assigned as the SDM, I think the
 7 extensiveness of my notes increases.
 8 Q And, Mr. Callicott, what was your role with respect to
 9 the limiting of the eligibility order issued in July of
 10 2022 with respect to AlphaBow?
 11 A So I was the decision-maker that made that decision.
 12 Q And, similarly, did you engage your team and -- and
 13 other subject matter experts to make that decision?
 14 A I did.
 15 Q And do you recall who made up that team at the time?
 16 A Ms. Olsen. I -- I'm not sure I fully recall the whole
 17 team at the time. There was -- I'm probably mixing up
 18 in my head who was part of the team for the recent
 19 orders and this decision.
 20 Q Would it help to review Ms. Olsen's meeting notes?
 21 A The -- the team that primarily helped me with this
 22 decision were the attendees at the pre-issuance meeting
 23 for the -- for the decision.
 24 Q And would that have been July 21st, 2022?
 25 A That sounds correct.
 26 Q Could we pull up Exhibit 8, page 22. If you look at

686

1 complaints? What was the content of -- of those
 2 complaints? How serious were the matters? So I -- I
 3 go through that whole process before I make a decision.
 4 And at that time, I usually will, based on the
 5 recommendations -- you could see in the record that for
 6 this case, I -- I drafted -- I drafted my own draft set
 7 of recommendations that I felt would make up the order
 8 that I did end up issuing in this case.
 9 Q And when you're referring to your own records, are you
 10 referring to Exhibit 9.01? If you could pull up
 11 page 733.
 12 A If that's my notes.
 13 Q And would that be in there?
 14 A Yeah. So that -- that exhibit is -- are my own
 15 personal notes. So it's a summarization essentially of
 16 the notes I took throughout the file. It's my thought
 17 process.
 18 Q Okay.
 19 A And it -- it shows a summary of the various things that
 20 I learnt from reviewing the file. It shows various
 21 things -- various information that I considered prior
 22 to making a decision. It -- it really is my -- it's my
 23 personal notes and my thought process, so ...
 24 Q Sorry. It looks like it actually starts at 732.
 25 A So you could see there the notes start on one of the
 26 regular AlphaBow update meetings in May 2022.

688

1 July 21, 2022, there, it looks like it was you,
 2 Mr. Callicott; Maria Lavelle; Lonny Olsen; Ryan Green
 3 in attendance for the AER; is that correct?
 4 A That's correct. Leading up to that decision, I had
 5 attended the May regular update meeting with AlphaBow.
 6 They presented information. Following that meeting, I
 7 didn't feel comfortable with the -- the level of
 8 information I had. I went back, I recall, talked to
 9 Ms. Olsen, and I drafted a -- a letter to AlphaBow
 10 requesting additional information. I wanted to have a
 11 better set of information. I was considering action
 12 may be required at the time. I wasn't sure. I
 13 compiled a list of information I wanted to know. I
 14 sent that ahead of time to AlphaBow for them to prepare
 15 for the meeting, and I asked them to present that and
 16 any -- and any applicable documentation in the meeting.
 17 So we held that meeting. I can see here on the
 18 page it was July 13th. That was an opportunity for
 19 them to answer my questions and provide further
 20 information. I recall they did provide some
 21 information. A lot of the detail that I was
 22 requesting, in my opinion, was lacking. I left that
 23 meeting feeling like additional action was warranted,
 24 and that's when I worked with the team to draft the
 25 decision to limit AlphaBow's eligibility at the time.
 26 From there -- I can stop here if you ...

689

1 Q And what was the reason for limiting their eligibility
 2 at that time?
 3 A So the main reasons at that time is I had seen an
 4 assessment that showed they were in financial distress.
 5 In the -- in the previous meeting, they had stated it
 6 was unlikely they were going to meet their mandatory
 7 closure spend for the year. In fact, it didn't seem
 8 like they were even going to be close to meeting it.
 9 So it was approximately \$5 million required that year,
 10 and the first meeting in May, they said they might
 11 spend 1 million; in the July 13th meeting, it was
 12 approximately 2.5 million. It didn't seem like they
 13 had a good plan in place to do that closure work. They
 14 weren't committing to even -- even coming close to the
 15 spend. So that was a concern.
 16 They had a very poor field noncompliance rate at
 17 the time, so I was concerned about that. It had been
 18 decreasing. And they had a very -- and I also reviewed
 19 their history of noncompliance, which was concerning to
 20 me. There was reoccurring noncompliances and high-risk
 21 noncompliances in the past. And also from the
 22 assessment that I had seen from Ms. Olsen and from my
 23 own review from the field inspection system files, I
 24 could see that there was many open files; many were
 25 past due; inspectors were struggling to get responses
 26 at the time; incident files had been left open for a

691

1 to be able to apply for certain licences or
 2 authorizations. One second. There's one -- there was
 3 one more thing that they, at the time, wanted. If it
 4 comes to me, I'll bring it up.
 5 But I considered those, and I actually did rework
 6 the draft decision. And what I did was, like I said, I
 7 removed Ben Li's experience as a reason. I tried to
 8 make the expectations as clear as possible. There were
 9 certain things that were in the draft that would
 10 have -- there was a timeline; in other words, it said
 11 they couldn't reapply for, I believe, six months. So
 12 in previous decisions to limit eligibility, it's -- it
 13 was fairly common. I had done it only once before, but
 14 you would give a timeline; in other words, you wanted
 15 to see a certain amount of time that demonstrated
 16 behaviour change or action before they could apply to
 17 regain full eligibility. I removed that. I wanted to
 18 set it up so that if AlphaBow chose to, they could
 19 conduct the expected actions of the decision at their
 20 own pace; in other words, if they were able to meet the
 21 expectations of the decision in a month and demonstrate
 22 that, then I -- I felt comfortable with that, that they
 23 could do -- if they wanted to do that in a month, they
 24 could do that and apply for eligibility as quickly as
 25 possible. So I wasn't -- I heard their concerns that
 26 this could impact their ability to grow, so I left it

690

1 long time, et cetera. So I was concerned about that
 2 record as well.
 3 MS. ROSS: Can I have page 28 of
 4 Exhibit 8 pulled up, please?
 5 Q MS. ROSS: At the time of that decision,
 6 did AlphaBow make certain requests of you?
 7 A MR. CALLICOTT: They did. We -- we held a
 8 pre-issuance meeting. They asked for additional time
 9 to review the draft decision and provide feedback. I
 10 recall that I did allow additional time. I don't
 11 remember the exact amount. I think it was five days.
 12 They provided me a response back. They did make a -- a
 13 number of requests. One of those requests at the -- in
 14 my draft -- I had put -- I was concerned about Ben Li's
 15 limited oil and gas experience, and I used that as a
 16 reason to limit their eligibility at the time.
 17 They provided me information that showed other
 18 staff with AlphaBow had oil and gas experience. I
 19 considered that and decided to remove Mr. Ben Li's lack
 20 of oil and gas experience as a reason to limit
 21 eligibility. So I did remove that from there.
 22 They had expressed at the time also that the
 23 expectations to regain eligibility weren't clear. I
 24 believe they expressed the -- that the expectations
 25 weren't necessarily clear, and I think they also wanted
 26 to -- if I remember correctly, they wanted flexibility

692

1 in a way that they could address their -- the concerns
 2 that I had, address the risks I felt were there, and --
 3 and at their own pace.
 4 Q And what was your hope for AlphaBow at the time that
 5 their eligibility was limited?
 6 A Well, my hope for AlphaBow or any other licensee that I
 7 work with is that -- my hope for AlphaBow at the time
 8 was that they would change their behaviour, that they
 9 would meet the expectations of the decision, improve
 10 their performance, and turn things around.
 11 Q And did they improve their performance and come into
 12 compliance?
 13 A In my opinion, they did not improve their performance.
 14 Their compliance -- field compliance rate continued to
 15 get worse over time. Initially, following the
 16 decision, they did provide a number of plans and
 17 commitments. I didn't see the follow-through.
 18 So, for example, I believe Mr. Li mentioned that
 19 they hired a former AER employee to help them with
 20 their compliance. I didn't ever see that employee,
 21 hear that that person was hired, see any product, any
 22 plan. I saw the PowerPoint presentation that we
 23 actually saw earlier today that showed they were
 24 committing to doing a number of things, but I didn't
 25 see the follow-through, and I didn't see the change.
 26 And as far as the incident files go, we didn't see

693

1 an improvement in their timeliness of closing-out
 2 incidents; I didn't see a change in their ability to
 3 respond to inspectors in a timely way, and we continued
 4 to see reoccurring higher risk noncompliances occur.
 5 Q And so, as I understand it, the AER continued to
 6 monitor AlphaBow from July on prior to the March order;
 7 is that right?
 8 A We did. I -- I -- I monitored the file. Ms. Olsen
 9 really coordinated the monitoring of the file, so she's
 10 really the one window where all of the different SMEs
 11 were -- there's many different aspects or parts of the
 12 AER that were monitoring components of AlphaBow's
 13 performance and activities. So Ms. Olsen was really
 14 the centre point for that, and then I worked closely
 15 with her.
 16 So there was the -- the field operations part of
 17 it. We were -- there's the audit team that monitors
 18 their compliance with the mineral lease expired wells.
 19 There's the contamination specialist team that monitors
 20 their performance related to contaminated sites.
 21 All of those people were feeding information into
 22 Lonny, and then Lonny's keeping me updated.
 23 Also, there was some regular update meetings that
 24 continued with AlphaBow. So that gave us, as you could
 25 see in the -- in the submission, there's notes where
 26 we're asking questions. We're still stating our

695

1 paid our contractor, et cetera. So they're not
 2 following up on these incidents. So I'm getting those
 3 messages coming in to me.
 4 At the same time, from the contaminated site
 5 specialists, we heard that AlphaBow had not submitted
 6 groundwater monitoring reports. We just heard
 7 Mr. Green testify to that where they had not submitted
 8 groundwater monitoring reports.
 9 I also received -- no. Apologies. That was after
 10 the meeting. So prior to the meeting, I was getting
 11 that sort of information coming in. So I was already
 12 getting concerned about the risk that was being
 13 presented at that time. I knew the meeting was coming
 14 up. I -- you could see on the holistic assessment that
 15 was presented earlier today that I requested it. So
 16 even though it was coming, it was in the schedule,
 17 they -- they were part of Group 2, financially
 18 distressed. That was the group that the licencing
 19 management team was -- was working on. I -- the reason
 20 you see the request is 'cause I actually wanted it done
 21 sooner.
 22 However, it was -- it wasn't actually presented to
 23 me until after that meeting, so I didn't have that. I
 24 didn't see the results of that holistic assessment
 25 until after the meeting. So we continued with the
 26 regular update meeting. You can see in the notes

694

1 concerns to them, we're still expressing our concerns
 2 about timelines not being met, et cetera.
 3 There was an expectation of the decision also was
 4 for AlphaBow to provide monthly updates. They -- they
 5 did provide some. They were inconsistent in that
 6 manner, though. They -- some months, we received them;
 7 some months, they were partial; and some months, we
 8 didn't receive them at all. There was an expectation
 9 to provide quarterly financials, which after repeated
 10 requests were -- were not received.
 11 Q And, eventually, as we heard from Ms. Olsen earlier, we
 12 heard that her recommendation to you from monitoring
 13 had changed to taking further action; is that correct?
 14 A That is correct.
 15 Q And so how -- how did you decide to make the March
 16 order?
 17 A So in the record, you can see we had a regular meeting
 18 with AlphaBow in -- March 7th of this year. Just prior
 19 in the month or two leading up to that meeting, you'll
 20 see in my notes a -- there's a number of things
 21 happening at that time. We're getting information in.
 22 There's information coming in from inspectors --
 23 multiple inspectors and multiple files. AlphaBow is --
 24 one of AlphaBow's employees was giving the reason for
 25 not following through on incident response, so spill
 26 cleanups, as lack of funds. You know, in a -- haven't

696

1 there's a number of questions back and forth. They had
 2 some concerns.
 3 Following that meeting is when we had a review
 4 meeting where the holistic assessment was presented to
 5 me, as we saw today, and I saw a number -- a number of
 6 risks that was -- I -- at the time, I was quite
 7 concerned. In fact, I was -- after the holistic
 8 assessment meeting, I would say I was concerned about
 9 the risks that AlphaBow presented. I was concerned as
 10 the decision-maker that perhaps I should have made --
 11 or should have compelled action sooner. I felt I
 12 may -- I may have waited too long. So those were the
 13 sorts of things I was thinking at the time.
 14 Q And I think we've heard a lot of this already, but just
 15 to confirm, who was on the team that advised you in
 16 relation to the March order?
 17 A Sure. So it's -- it's the other witnesses on the
 18 panel. And apologies. It's Ms. Langlois, Ms. Olsen,
 19 Ms. Lewis, Mr. Green. I had Mr. Darren Antos from
 20 field operations assist ; I had Mr. Chris Schacher, the
 21 manager of compliance assurance team; and Ms. Temple
 22 Price, who was on the licensee management team. She's
 23 the one who prepared the holistic assessment.
 24 Q And how is an order prepared from your team?
 25 A So what -- what happened was -- is based on the
 26 recommendations, I actually put together an outline of

697

1 what I felt should be in the order, so what we should
 2 be compelling AlphaBow to do at that time. I sent that
 3 outline on to Ms. Olsen, and her and the team began
 4 drafting the order, so -- in other words, putting
 5 together the applicable legislation and helping to
 6 start with the different whereas clauses in the order
 7 and then using the expectations that I had put in the
 8 outline as the requirements of the order.

9 Q And so similarly to the limiting of eligibility order,
 10 did you go through your own assessment of why you were
 11 making the order?

12 A I did, and you can review my notes. Leading up to the
 13 order, I have quite extensive notes of the different
 14 factors and the risks that I considered at the time.
 15 It's really my thought process about why I required the
 16 different parts of the order and what -- how the
 17 decision was made.

18 Q And you've heard the evidence of Mr. Dahlgren today.
 19 Does his evidence accord with your own review of AER
 20 records with respect to AlphaBow's field compliance?

21 A It does. I -- I myself spent an extensive amount of
 22 time reviewing the compliance file, and my former work
 23 as an inspector and as a manager of an inspection team,
 24 I am very familiar with the field inspection system and
 25 the files and how to review them. So I spent a lot of
 26 time reviewing the -- I did focus primarily in the year

699

1 met would be reduced. So I felt it was important to be
 2 requesting at least some security. So although I knew
 3 from our assessment they were financially distressed, I
 4 saw that there was opinions that they may not be able
 5 to pay security. I -- I was actually of the mindset
 6 that there actually was a real possibility they could
 7 pay security. I -- I felt strongly that the owners of
 8 AlphaBow, if they were committed to the company, that
 9 they would fund security, that they would finance
 10 security or fund security, and the fact that if they
 11 felt strongly about the company and continuing its
 12 operations, benefitting from the company operating in
 13 this province, that they would find everything that was
 14 required, whether it be security, whether it be actions
 15 for reasonable care and measures, whether it be their
 16 ongoing closure obligations, et cetera.

17 Q And how did you arrive at the \$15,374,050 amount?

18 A So, as I said, I -- I did -- I felt it was quite
 19 important that we -- that -- that we at least start
 20 reducing the risk that was presented, that they were
 21 not going to meet their end-of-life obligations. But I
 22 did recognize they were financially distressed. So I
 23 started by -- quite simply, Directive 88, Section 6
 24 outlines the parameters for how we will assess and
 25 collect security. There's not a whole framework there
 26 yet, though. That's in development. So -- but the

698

1 leading up to the order. I reviewed the inspection
 2 files and the incidents. As I stated earlier, I saw a
 3 number of higher risk, noncompliant -- noncompliances
 4 being identified at AlphaBow sites. A lot of them
 5 actually were -- there's a lot of pipeline
 6 noncompliances related -- related to their management
 7 of internal corrosion, external corrosion, leak
 8 detection, testing of those systems, testing of
 9 emergency response valves, et cetera. And those were
 10 particularly concerning to me. And I also saw a number
 11 of incidents related to pipeline failures.

12 Q Was there a particular part of the March order that you
 13 considered the most important?

14 A The reasonable care and measures, Clause 1, the
 15 thing -- the -- the parts of the order that are most
 16 closely related to the protection of the environment
 17 and public safety.

18 Q And with respect to the requirement to provide
 19 security, we heard from Ms. Olsen earlier that in her
 20 recommendations, she stated that it was possible that
 21 AlphaBow could not pay that and it could divert funds
 22 away from RCAM. Did you consider that as well?

23 A I did consider that. I -- I -- I knew that that was a
 24 possibility; however, I felt strongly that ensuring --
 25 at least taking partial steps to ensuring the
 26 end-of-life obligations, the risks to those not being

700

1 directive has been out for a couple years. It's -- it
 2 gives a good outline of how we can request security. I
 3 didn't want to -- the old LLR program, the licensee
 4 liability rating program, and the licensee management
 5 rating is still in place -- could have still used that.
 6 I didn't want to. I wanted to use the new policy.

7 So I -- I read the factors in Section 6 of
 8 Directive 88. I -- I looked at the amount of inactive
 9 liability that AlphaBow had. It was approximately
 10 \$153 million at the time. I saw that I was able to
 11 also consider their marginal liability, which was an
 12 additional 40 million at the time. So you add those
 13 two up, it's approximately \$193 million in inactive or
 14 marked "no liability" out of a total of --
 15 approximately 260 million at the time.

16 Because I was -- I was really focused on a fair
 17 starting point, I only looked at the inactive, and,
 18 quite frankly, I selected a small percentage. I
 19 selected 10 percent, which was approximately
 20 \$15 million, which you'll see in the -- in the order.

21 I compared that \$15 million to some other numbers.
 22 I compared it to the old LMR rating, which actually at
 23 the time was approximately the same amount. So if I
 24 was using the old program at the time, which you have
 25 heard in most cases was deemed to be inadequate, it
 26 would have been approximately a \$15 million security

701

1 collection at the time through that program. So I
 2 reviewed it to that. I felt that was fair. It wasn't
 3 more than that. If anything, it was inadequate.
 4 I then reviewed it to the -- the percentage that
 5 we -- the framework for transfers. I know this wasn't
 6 the transfer, but I reviewed it to that. If it -- if
 7 this was a transfer of the AlphaBow assets to another
 8 licensee and -- with their risk factors, we would have,
 9 I recall, been -- the window of percentage of liability
 10 would have been 90 to 95. So there would have been
 11 significantly more security required if it was being
 12 transferred.
 13 So I felt comfortable with \$15 million. I -- I
 14 felt it was a reasonable starting point, and I really
 15 did believe that that was a starting point.
 16 I -- although we would always continue to assess
 17 with new information, at that time, I felt this was a
 18 first step and that more security was likely required
 19 in the future.
 20 Q And did that number have anything to do with the amount
 21 of municipal taxes owed by AlphaBow at the time, as
 22 they have claimed?
 23 A Not at all. It's purely coincident.
 24 Q Have you ever requested security from other licensees?
 25 A I have.
 26 Q Have you ever requested security of any other

703

1 A It's a common practice. It's not necessarily a
 2 requirement. In most cases, we -- we do offer a
 3 pre-issuance meeting prior to a decision or an order.
 4 There are some cases where we may not due to the
 5 urgency of the matter. A good example would be
 6 environmental protection order where there was
 7 immediate impact to the environment or a potential
 8 threat to the environment occurring, where we may just
 9 go right ahead and issue the -- the order without
 10 having a -- a pre-issuance meeting first.
 11 Q And if I could have page 454 of Exhibit 8 pulled up.
 12 We've looked at this document earlier today, but can
 13 you tell me from your own perspective, Mr. Callicott,
 14 what happened with AlphaBow, why there was no
 15 pre-issuance meeting?
 16 A A pre-issuance meeting was offered. So it was my
 17 intent -- I -- to offer the meeting with AlphaBow, meet
 18 with them, and give them the opportunity to review the
 19 order in a meeting; however, as you can see from the
 20 email strings, they -- they requested -- so there's a
 21 bit of back-and-forth there, but it was requested from
 22 Mr. Ben Li to delay the meeting, I believe, for
 23 approximately 12 or 13 days until they were back from
 24 vacation. And in that email, he says that he is
 25 leaving for a vacation, and Jay was leaving for a
 26 vacation.

702

1 financially distressed licensees?
 2 A I have. I've -- in the last two years, I have been the
 3 statutory decision-maker on -- for two other licensees,
 4 of which I've requested security. Both were
 5 financially distressed. In both cases, it was a higher
 6 percentage of security, and, actually, in both cases,
 7 the licensees paid the requested security.
 8 Q So just to be clear, it wasn't clear to you at the time
 9 you requested security that doing so would make
 10 AlphaBow a dead duck, as per Mr. Stapon's earlier
 11 analogy; correct?
 12 A It was not. It was my goal to have them meet all of
 13 their obligations.
 14 Q Is it common for licensees to request additional time
 15 to pay security or a payment plan?
 16 A It is common. And, in fact, I -- from my understanding
 17 on other files and my own, it -- it happens quite
 18 often. We will make a request of security. Often the
 19 licensee will come to the decision-maker and request a
 20 payment plan, because, as we see in many of these
 21 licensees, this -- and AlphaBow -- was financially
 22 distressed. So -- so you -- I expected that they would
 23 come to me and request a payment plan for security;
 24 however, they did not.
 25 Q Now, going to the issuance of the order. Is there a
 26 requirement for the AER to hold a pre-issuance meeting?

704

1 I did not feel that 12 or 13 days was a reasonable
 2 amount of time. I explained that I did -- I was
 3 concerned with the risks that I had seen in the
 4 holistic assessment. I didn't want to wait 13 days to
 5 issue the -- or I didn't feel that was a reasonable
 6 amount of time. We did offer to be flexible and meet
 7 anytime that day or -- or the next day. I felt it was
 8 reasonable for the CEO of a company -- an energy
 9 company to make themselves available for a 30- to
 10 60-minute meeting with the Regulator. Like I said,
 11 there's potential regulatory action or an order about
 12 to be -- potentially to be issued. I felt it was
 13 reasonable that Mr. Li could have made himself
 14 available or -- and could have contacted me to work out
 15 a more reasonable time, but at no time did Mr. Li
 16 actually contact me to try to work out a more
 17 reasonable time.
 18 Q And we've heard about the insurance potentially lapsing
 19 at the end of March. Was there a concern that AlphaBow
 20 might cease ops at that time, and was the fact that no
 21 one was available an exacerbating factor?
 22 A Yeah. So just prior to this, the -- we had asked
 23 AlphaBow to provide proof. We -- we knew their
 24 insurance policy was ending at the end of March.
 25 Ms. Price asked for them to provide proof of renewal.
 26 When you review the file, you can see that, I

705

1 believe, Mr. Li at the time said he was working on it,
 2 and he needed more time. Ms. Price then said, Okay.
 3 Please provide the proof of insurance renewal by a
 4 certain date. They did not. So I was concerned at
 5 that time that they may not be renewing their
 6 insurance. And that is a concern -- a big concern that
 7 we don't want a licensee to have their insurance lapse.
 8 They're already struggling financially. To me, it was
 9 questionable whether they could respond, for example,
 10 to a major incident or a spill financially. If they
 11 had -- if they didn't have a valid insurance, I mean,
 12 obviously that risk is -- is enhanced even more.

13 Q So after you advised Mr. Li that you'd made a decision
 14 to issue the order later on March 29th, did you also
 15 advise him you were still willing to meet the following
 16 day?

17 A I did. I -- in the afternoon of March 29th, I sent an
 18 email, so -- actually, let me just back up a little bit
 19 there. I think I missed a bit.

20 Following the email from AlphaBow's legal counsel
 21 saying that Mr. Li was travelling, would be unable to
 22 immediately respond, I did have a feeling that they
 23 were intentionally delaying. There's -- it's not -- I
 24 can't prove that. I felt that. But I also had the
 25 desire to have the order out in a timely manner and
 26 before the end of the month. I was concerned about the

707

1 The previous decision to limit their eligibility.
 2 And, in fact, gave them many of the exact same things
 3 in the March order as expectations to do without --
 4 without us prescribing it. We gave expectations. It
 5 was left to them to show that they could change the
 6 performance. They were made aware, and there were --
 7 many of those issues are the same. So I'm, like,
 8 they -- they had good awareness of our concern; they
 9 had good awareness of the expectations at the time;
 10 they had awareness of all the existing noncompliances
 11 at the time. We had had many meetings with them. We
 12 had expressed our concerns. They were aware that if
 13 they didn't improve, that there was potential for
 14 regulatory action. That was noted in many of the
 15 different meetings you can see in the notes.

16 So I factored that in. I looked at -- then I
 17 considered -- so those were basically RCAM provisions.
 18 Then I considered what about -- what about security?
 19 They -- they have been aware of -- of -- that they've
 20 owed security. You -- you've heard that since 2019,
 21 they -- they had been assessed security. They were
 22 aware that with their position, they would owe
 23 security, yet we hadn't demanded it from them.
 24 Previously we accepted a plan. So -- so that shouldn't
 25 have been a big surprise to them, that they owed
 26 security.

706

1 insurance lapsing. I was concerned about all the other
 2 things that I had was -- that I had stated in the
 3 order.

4 So I considered -- I considered all that at the
 5 time. If you actually look at my notes, you'll see a
 6 lot of things I considered at the time. I mean,
 7 whether or not it was fair to go ahead and issue the
 8 order without the -- without the pre-issuance meeting.
 9 So I considered a number of factors.

10 Number 1. What was I actually requiring in the
 11 order? And was AlphaBow already aware of those things,
 12 of the -- all of the different issues we noted in the
 13 order. Were they aware? And I went through that in my
 14 head. I spent probably an hour or two going through
 15 the file and -- and looking at it from that angle. Was
 16 it fair? Were they aware of the concerns? And what
 17 I -- what I determined was -- is that related to
 18 compliance, they were well aware of all of their
 19 compliance issues. In fact, every noncompliance has a
 20 notice sent. So they -- they were well aware of all of
 21 those.

22 Every incident they were aware of previously. All
 23 of our expectations for the incidents. They were aware
 24 of each and every file. Mineral lease expired wells,
 25 they had been provided notice of the noncompliance for
 26 the mineral lease expired wells previously.

708

1 And then related to financials, we had repeatedly
 2 requested interim financials. They were aware of that.

3 Audited financials. Although I hadn't requested
 4 that previously, if you look back at the decision to
 5 limit their eligibility in 2022, it clearly states
 6 above the -- the expectations that I noted, there's a
 7 paragraph that says, In order to regain eligibility,
 8 you must follow the process in Directive 67. So if you
 9 go back and look at Directive 67, it's very clear that
 10 part of that process is providing financial
 11 information. Part of providing financial information
 12 is audited financials. So if they had been doing their
 13 work to -- to prove that they could regain eligibility,
 14 they -- in my opinion, they should have been aware that
 15 they would have to provide that sort of information.
 16 So me now requiring it in the order, I felt that that
 17 was fair.

18 So I factored all those different things in. I
 19 factored the risks that they presented. You see the --
 20 the -- their -- the responses that we -- they couldn't
 21 continue cleanup of spills because of lack of funds, an
 22 inability to pay contractors. I was very concerned
 23 about that. I wanted to get the order out and the
 24 expectations out so that AlphaBow would be aware of the
 25 expectations and could begin work on it -- begin
 26 addressing those concerns, reducing those risks

<p style="text-align: right;">709</p> <p>1 immediately. I was concerned about the risks that was 2 presented to public health, safety, environment, 3 apparent damage of the sites. I wanted them to start 4 working on it. And I wanted them to be well aware that 5 we required the insurance renewal before the end of the 6 month. I was quite concerned about that as a risk as 7 well. 8 Q So I'm not sure, then, that you answered my question 9 with respect to after you advised Mr. Li that you'd 10 made a decision to issue the order, did you still, in 11 your mind -- 12 A Oh. 13 Q -- offer him -- like, did you offer him a chance to 14 meet still, and in your mind, what was your thought 15 process at that time? 16 A I did offer the opportunity to meet. I -- I sent an 17 email. I -- I -- I said I was leaving the 10:30 AM 18 time slot open to meet, and I would have -- if Mr. Li 19 had contacted me, I would have -- I would have met with 20 him anytime that afternoon, anytime the next day. I -- 21 I didn't proceed with issuing the order immediately. I 22 waited, at, I believe, the results of a -- an email 23 from AlphaBow's legal counsel asking if we could wait. 24 They said there would be a response forthcoming the 25 next -- the next morning. And -- and I did wait. I 26 waited until approximately noon the next morning.</p>	<p style="text-align: right;">710</p> <p>1 Mr. Li did not take me up on the offer to meet at 10:30 2 in the morning. In fact, I would have -- I would have 3 gone through the normal pre-issuance process meeting. 4 I know I had said I made a decision, but I -- by no 5 means would I not have met with him and still reviewed 6 the order in full and considered anything he would have 7 had to have said. 8 Q And having heard from Mr. Li that he was actually in 9 town that day and could have met, how do you feel about 10 that now? 11 A I'm surprised -- I'm surprised that Mr. Li would not 12 have met with me. I'm -- I'm concerned that -- if I 13 understood Mr. Li's testimony, he wanted to not meet 14 with me alone. I'm -- I'm -- in my opinion, the CEO of 15 an energy company should be able to meet with the 16 Regulator, even on their own. I understand why he 17 would want other people there with him, though, but 18 it's concerning to me that there was nobody -- one 19 person was on vacation. The vice president of 20 production was on vacation. There was nobody else for 21 Mr. Li to bring to a meeting with me. That's what 22 surprises me. He -- Mr. Li, in his testimony, 23 mentioned they hired Mr. Erin Maczuga, regulatory 24 specialist -- in fact, he used to have my role at the 25 AER. I would expect -- why would he not bring that 26 person to the meeting? I mean -- so it's surprising.</p>
<p style="text-align: right;">711</p> <p>1 And at the same time -- at the time, before knowing 2 that, I was concerned that -- to me -- you'll see in my 3 notes -- I wrote it -- I was concerned there was nobody 4 available to meet with me, even if they were both on 5 vacation. Who was responsible for AlphaBow Energy 6 during that 13-day period if they couldn't have a 7 one-hour meeting with the Regulator about regulatory 8 action? Who -- if there was an incident or anything 9 major going on, who was going to handle it? 10 Q Now, as I understand the testimony of other witnesses, 11 some of the elements of the order AlphaBow met within 12 the first month of the order; however, did you receive 13 any responses on the RCAM portion of the order in 14 April? 15 A On the RCAM portion, I did not receive any responses in 16 April. 17 Q And was the May 12th letter from Mr. Ironside the first 18 time they responded to you in writing with respect to 19 the RCAM? 20 A It was. 21 Q Okay. And do you recall that AlphaBow had requested a 22 stay of the order? 23 A I recall that. So the -- the order was made on 24 March 30th. So most of the -- a lot of the 25 requirements of the order had a 30-day timeline, which 26 would have meant the responses were due at the end of</p>	<p style="text-align: right;">712</p> <p>1 April, and AlphaBow had requested a stay. I don't 2 recall the date that that was decided on, though. 3 Q I think it's in the record somewhere that it was 4 May 10th, but ... 5 MS. ROSS: Chair, when did you want to 6 break? 7 THE CHAIR: We were looking at about 3:15 8 or 3:20, but if this is a convenient spot for you, we 9 can break here. 10 MS. ROSS: Yeah. This would be a 11 convenient spot. I could use a small break. 12 THE CHAIR: Definitely. Let's break, 13 then, and we'll return at 3:20. 14 MS. ROSS: Thank you. 15 (ADJOURNMENT) 16 THE CHAIR: So, Ms. Ross, before we 17 restart, we just need to hear from Ms. Doebele for a 18 moment. 19 MS. ROSS: Oh, sure. 20 MS. DOEBELE: We just -- thank you, 21 Commissioner Chiasson. We just have to mark as an 22 exhibit a further undertaking submitted by CLM for an 23 individual in -- in their offices to review the 24 confidential transcripts. We've talked to both parties 25 and -- and no concerns. So we'll exhibit that as 26 Exhibit 71.01.</p>

<p style="text-align: right;">713</p> <p>1 EXHIBIT 71.01 - 2023-11-29 - Confidential 2 Undertaking from CLM.pdf 3 THE CHAIR: Thank you, Ms. Doebele. And 4 just for clarity, are the undertakings going onto the 5 public record or onto the confidential portion of the 6 record? 7 MS. DOEBELE: They're on the public record. 8 THE CHAIR: Okay. Thank you. 9 MS. DOEBELE: Yeah. 10 THE CHAIR: All right. Please proceed, 11 Ms. Ross. 12 MS. ROSS: If I could have Exhibit 9, 13 page 239 pulled up, please. 14 Q MS. ROSS: Mr. Callicott, before the 15 break, you talked about the first response from 16 AlphaBow with respect to the request for the RCAM plan. 17 Is this the document you were referring to? 18 A MR. CALLICOTT: Yes, it is. 19 Q And can you tell me just generally what you did each 20 time AlphaBow submitted these written plans to you? 21 A So each plan, I -- as received, I'd review the plan in 22 full, and, depending on what was submitted in the plan, 23 it would be passed on to the various SMEs on the team 24 to review portions that apply to their expertise, and 25 then -- with the intent that they would review and 26 provide advice back to me as well.</p>	<p style="text-align: right;">714</p> <p>1 Q And did you respond specifically to this letter, 2 Mr. Callicott? 3 A Yes, I did. The May -- the May 12 submission, I 4 responded back on May 16th and I believe May 23rd as 5 well. 6 Q Can we pull up page 271? Is this your first response? 7 A Yes. 8 Q And do you have these documents in front of you that 9 you can read or ... 10 A I have notes of my review of those documents. So 11 you -- in the record, I -- after reviewing each 12 response, I wrote notes, and it's all in -- it's all in 13 there. 14 In front of me right now, though, are pointers of 15 the dates that the submissions came in and some of the 16 reasons why I either accepted or didn't accept the 17 plans. And I have these notes because, if I'm correct, 18 there was eight -- eight separate submissions that came 19 in related to the March 30th order. So there's quite a 20 lot of information. 21 Q And are you comfortable talking about what parts of 22 this particular letter you found acceptable or not 23 acceptable? 24 A Yes, I am. 25 Q Can you go ahead and do so? 26 A So, in general -- actually, in general, many of the</p>
<p style="text-align: right;">715</p> <p>1 plans submitted, a lot of the plan is AlphaBow 2 disagreeing with the content of the order or 3 disagreeing with many of the requirements; however, 4 within the plans, there are also submissions that do 5 respond to the -- to the order requirements. 6 So regarding this first May 12th submission, in 7 general, the plan as a whole, I found, lacked specific 8 actions and timelines. Just generally failed to 9 provide actions and identify changes that were going to 10 result in improvement to AlphaBow's behaviour and 11 performance. What I found in general was it was 12 responding to existing issues that the AER had already 13 identified. It wasn't showing to me how AlphaBow was 14 going to proactively identify their own issues. 15 What was AlphaBow going to do to assess their own 16 compliance without the AER having to do it? What was 17 AlphaBow -- how were they going to rectify those 18 noncompliances? Who was going to do that work? When 19 were they going to do that work? How often? It didn't 20 show to me how AlphaBow was planning on being aware of 21 the rules and requirements. It wasn't showing to me 22 any plan on how, if, and when AlphaBow did improve -- 23 change their behaviour; or if they improve their 24 performance, how are they going to maintain that? How 25 are they going to sustain that? These are all the 26 sorts of things that I was looking for in a plan, not</p>	<p style="text-align: right;">716</p> <p>1 just them listing items the AER had already identified 2 and say, We fixed this; we fixed this; we fixed this, 3 because if you look at the file, there's a history of 4 the AER identifying the issues for AlphaBow, AlphaBow 5 fixing that one issue, and then we go out again and 6 find the same issue. And I was -- the intent is -- is 7 for that not to be happening. A responsible licensee 8 is -- is aware of the rules, is monitoring their own 9 compliance, and taking their own steps to -- to prevent 10 noncompliance and to address them. I didn't see that 11 in this plan. 12 I'll give you an example of one clause to our 13 submission to Clause 1(e), which was asking for 14 specific actions and timelines and resourcing details 15 to ensure that they would meet their 2023 mandatory 16 spend. The response to that was one paragraph in which 17 they stated: (as read) 18 In 2023, the program is already underway and 19 will be funded from cash flow. 20 So that's an example of -- of their plan. 21 This is a company that, for mandatory spend in 22 2023, they have to spend approximately, I believe, 23 4 and a half, \$5 million. This is already -- this is 24 May 16th, a good portion into the year. You don't have 25 a plan -- a detailed plan on how you're going to spend 26 \$5 million in closure? One paragraph is what was</p>

717

1 submitted to me.
 2 Another good example of why this plan was
 3 inadequate, in the year leading up to the order, as I
 4 had already mentioned, the AER had repeatedly found
 5 similar high-risk noncompliances related to AlphaBow's
 6 pipeline operations and integrity management. There's
 7 not a mention in this plan of a pipeline issue, of a
 8 plan to improve -- improve pipeline compliance, not --
 9 it's not in there.
 10 So -- and then I'll follow up with one more
 11 example. 700 -- almost 750 inactive wells are
 12 noncompliant -- AlphaBow wells are noncompliant with
 13 suspension requirements. The plan just completely left
 14 out how it was going to bring many of those wells into
 15 compliance; in other words, it was just general terms.
 16 It said 50 wells require a pressure test. We'll --
 17 and -- and then a date. We'll have this done by this
 18 time. Who's doing it? How are you doing it? When?
 19 Which wells? There's so many questions left
 20 unanswered. It's -- I would have expected a -- a plan
 21 in relation to an -- an order -- an RCAM order to have
 22 far more detail to show what the company was actually
 23 going to do to come into compliance.
 24 Q And then if we turn to page 291, please. And this is a
 25 May 23rd, '23 -- 2023, letter in which -- it starts off
 26 by saying: (as read)

719

1 acceptable timelines. I believe in that meeting I -- I
 2 had said I felt that I would be willing to extend the
 3 6-month timeline to 12 months at that time, but -- and
 4 they committed to providing more detail on that plan at
 5 that time.
 6 Q And then further in this May 23rd, 2023, letter from
 7 AlphaBow, it discussed Item 8 of the order, being the
 8 request for security, and says: (as read)
 9 For the following reasons, AlphaBow contends
 10 that this is an unreasonable and unfair
 11 request --
 12 and then goes on. Did you review this letter, and --
 13 and what did you think about this response?
 14 A I did review the May 23rd submission related to
 15 Clause 8, which was security. I did send a response
 16 back to AlphaBow. It -- their -- their submission was
 17 not accepted. My opinion was the plan essentially said
 18 they did not agree with the requirement to pay
 19 security, and their plan was to continue with what they
 20 had been doing, which I -- the intent was they would
 21 continue to do closure work and not pay security. The
 22 plan didn't contain any details on how they would pay
 23 security. It didn't make any requests for a payment
 24 plan or anything like that. It's just, We're not
 25 paying security.
 26 Q And then if you turn to page 297, please. And this is

718

1 We wish to thank you for meeting with us in
 2 person for a brief discussion of these
 3 matters on May 18th, 2023.
 4 What can you tell me about that meeting, Mr. Callicott?
 5 A So if I recall correctly, in the response to the
 6 May 12th -- so in AlphaBow's May 12th -- in my response
 7 to AlphaBow's May 12th submission, I believe there was
 8 a paragraph where I stated I was willing to hear --
 9 meet with AlphaBow and consider alternatives; in other
 10 words -- I think I even mentioned security payment
 11 plan, et cetera. So they took us up on the offer and
 12 did request a meeting, and that was on -- held on
 13 May 18th. This was the first time that anyone from
 14 AlphaBow had actually met with me following the
 15 issuance of the order to discuss the order and its
 16 requirements.
 17 So we met on May 18th, and from my recollection,
 18 time-wise, a good portion of that meeting was spent --
 19 I -- Mr. Rick Ironside was presenting the various
 20 future plans they -- business plans they have. So a
 21 large portion of the meeting was taken up with future
 22 business plans. And then there were some questions
 23 related to terms of the order and how they could meet
 24 them and specifically around -- from my recollection,
 25 was the mineral lease expired well abandonment plan on
 26 what we would expect for that, and we did talk about

720

1 another response from you, Mr. Callicott, in which, at
 2 the end of paragraph 1, it states: (as read)
 3 The RCAM plan submitted is not sufficient for
 4 approval.
 5 Was this in response to the May 12th letter again?
 6 A Yes. This is a response back to the May 12th
 7 submission where we have outlined a summary of why I
 8 was not accepting their -- their plan.
 9 Q And the details of that are what you already discussed;
 10 correct?
 11 A They are.
 12 Q Okay. And if you turn to page 301. We have another
 13 letter from AlphaBow dated May 24th, 2023, in relation
 14 to RCAM order Item Number 7. Did you review this
 15 response as well, Mr. Callicott?
 16 A I did, and I responded back on May 26th. This plan
 17 related to Clause 7, which is financials. I did
 18 approve part of this request. So they had requested, I
 19 believe in the content, to allow 60 to 75 days to
 20 provide interim quarterly financials -- at the end, 60
 21 to 75 days following the end of the quarter. I did
 22 accept that extension. I said -- and I allowed 60
 23 days. So in the order, I had said they must be
 24 provided -- they must be -- the quarterly financials
 25 must be provided in 30 days.
 26 After consulting with Ms. Langlois, I understood

<p style="text-align: right;">721</p> <p>1 that that was not necessarily a reasonable time frame. 2 She gave me an acceptable time frame, which -- and I -- 3 which was 60 to 75, and I selected 60. 4 A part of this plan I did not accept. They were 5 proposing to submit management-prepared financial 6 statements. And, once again, after consulting with 7 Ms. Langlois and seeing her response back and her 8 recommendations, I -- I did not accept 9 management-prepared financial statements instead of 10 audited financial statements. I -- I felt strongly 11 that audited financial statements were -- were needed 12 in this case. We -- we rely on the accuracy of the 13 information provided by the licensee to make many 14 decisions related to our assessments, related to their 15 compliance. 16 One of my thoughts was as well that we were seeing 17 their -- their closure reporting. Some of their 18 numbers were inflated. So this is -- that's one 19 example of why I would like to see actual audited 20 financial statements to know what we're seeing is -- 21 is -- is accurate so that we can then assess compliance 22 on -- on their financial state but also on things like 23 their closure activities to see if what they're saying 24 they're actually reporting. So, yes, they're reporting 25 they met the mandatory spend. Again, was that 26 accurate? I want to know that.</p>	<p style="text-align: right;">722</p> <p>1 Q And if you turn to page 306, please. This is another 2 submission from AlphaBow, from Rick Ironside, dated 3 May 25th with respect to RCAM order Item Number 3. Did 4 you review this response? 5 A I did. 6 Q And what did Item Number 3 relate to? 7 A This is -- Clause 3 was related to the mineral lease 8 expired well abandonments. So I requested all their 9 mineral lease expired wells to be abandoned within six 10 months, and this is their submission. 11 So I did review this submission in full. I did 12 respond back to this submission on May 26th. They 13 requested a 12-month time frame rather than the 6 that 14 I had required, and they had requested to regain 15 mineral rights for some wells if they could. At this 16 point in time, I did not accept the plan; however, I 17 did accept -- I did accept that later on, you'll see -- 18 when we get to it, I did accept them to have a chance 19 to regain mineral rights, and I did extend the -- the 20 time frame to 12 months eventually. 21 But at this time, the plan was lacking a lot of 22 detail. It did not commit to completing all the 23 abandonments. So it was missing wells completely. So 24 it didn't mention every well they had mineral lease 25 expiries on and how they were going to abandon them, 26 and it didn't state what they were going to do if they</p>
<p style="text-align: right;">723</p> <p>1 were unable to regain the mineral rights. So I didn't 2 feel it was complete enough to approve at this time. 3 Q And if you could turn to 327, please. Sorry. 326. 4 And is this the response that you're referring to, 5 Mr. Callicott? 6 A Yes, it is. 7 Q And I believe we heard from Mr. Green earlier that he 8 also gave advice with respect to this response; is that 9 correct? 10 A Yes, it is. Mr. Green's testimony -- he went through 11 this in detail of his recommendation to me on this 12 plan. 13 Q And then could we turn to page 330 of that exhibit. 14 And -- and what is this letter, Mr. Callicott? 15 A This appears to be a response back to AlphaBow's 16 submission related to Clause 7. 17 Q And is this where you were talking about how you 18 eventually accepted the change to the timeline for the 19 interim financials? 20 A Yes, it is. Actually, I was mistaken. I can see I 21 accepted for them to submit their quarterly financial 22 statements within 75 days. I was mistaken. I said 23 "60". And then their -- their plan to -- plan 24 regarding the audited financials you could see in this 25 response I did not accept. 26 Q And then if you could go to page 334, please. This is</p>	<p style="text-align: right;">724</p> <p>1 another response from AlphaBow. Quite a lengthy one, 2 12 pages. I'm not sure who signed it. Oh, yeah. 3 Mr. Ironside signed it. Did you review this 4 submission, Mr. Callicott? 5 A I did. 6 Q And what did you find with respect to this submission 7 from AlphaBow? 8 A So this submission, I believe, was related to 9 Clause 1.8(f). 10 Q And that's the RCAM provisions? 11 A Yes, it is. I'm -- I believe it was also related to 12 Clause 3, the mineral lease expired well abandonment, 13 and Clause 8, security. However, in my notes here, 14 there was a submission I received on May 28th and 15 May 29th -- I believe I received two on May 29th, and I 16 have them lumped together here. So I -- I have here 17 that I -- in my notes, that I responded back to the 18 May 28th decision that -- on May 31st. 19 So regarding the RCAM submission, though, which I 20 believe is -- is the one in front of us right now, it 21 did -- I noted that it relied heavily on the previous 22 plan that was submitted on May 12th. It still lacked 23 specific actions and timelines and generally overall 24 failed to provide the actions that they were going to 25 take and -- and identify changes that would result in 26 overall improvement.</p>

<p style="text-align: right;">725</p> <p>1 I'll give a few examples of how I found this plan 2 to be inadequate. Once again, this plan focused on 3 fixing existing noncompliances that the AER had already 4 identified. It did not show how AlphaBow would improve 5 to proactively identify, rectify, and prevent new 6 issues across their operations, rather than rely on the 7 AER to continually identify issues and have AlphaBow 8 only fix the one issue only to have the same issue 9 occur again and again. 10 I found this exact same issue with the suspended 11 well compliance. There was no change. I didn't see -- 12 I'm going to repeat myself. As many of the same 13 comments from the May 12th submission, I just didn't 14 see how they were going to demonstrate they are 15 proactively identifying their own issues, how they were 16 going to respond, how they were going to improve, how 17 they were going to do their own internal compliance 18 assessments, how they would follow up, how they would 19 ensure deficiencies are followed up on, who would do 20 the work, et cetera. 21 I would have liked to have seen how they would 22 demonstrate their own field compliance rating. They 23 had expressed to me that, you know, this was a big 24 impact to their operations. So you would -- to me, I 25 wouldn't want to wait for the AER to assess my 26 operations. I would provide part of my plan how</p>	<p style="text-align: right;">726</p> <p>1 AlphaBow was going to assess their own operations and 2 show how they were improving. 3 And, I mean, a big part of the -- the problems 4 we'd had in the past with AlphaBow was a poor history 5 of them meeting our deadlines for achieving compliance, 6 answering information requests, providing reporting. 7 You have seen in the history they struggled to meet 8 their administrative responsibilities, and part of that 9 was in 2021 and 2022, they failed to pay their orphan 10 well levy and their AR min levy on time. Both of those 11 years I believe they requested payment plans. I 12 believe in 2022 they requested a plan; it was denied. 13 However, they did not pay; they created their own 14 payment plan and eventually did pay. 15 This year, once again, even though it's an expense 16 that comes every year, they did not -- they did not pay 17 their levies on time. I know they were issued a notice 18 of noncompliance this year for that, and they were -- I 19 believe they did request a payment plan. My 20 understanding is AER finance this year offered a 21 payment plan if they would provide a down payment of 22 the owed amounts. Mr. Ben Li committed to doing that, 23 however, did not do that. So those are examples of 24 things I would expect to see in this plan. How are you 25 going to plan for an expense that occurs every single 26 year that every other licensee is expected to do?</p>
<p style="text-align: right;">727</p> <p>1 So within this plan, they had submitted more -- 2 they had not -- sorry. I apologize. I -- I have my 3 notes that the mineral lease expired abandonment plan 4 was not accepted, as they had not provided an updated 5 plan yet. So I believe they maybe had -- perhaps had 6 committed to providing a plan. I hadn't received it 7 yet. So at this point in time, it was not accepted. 8 Once again, they had provided more information on 9 Clause 7 related to financials. It was not accepted 10 by -- by me at that time. They were still proposing 11 what I found was an unacceptable alternative. It was 12 not -- it was not submitting audited financials. It 13 was a -- it was another alternative that didn't meet 14 the intent of the requirement. 15 This plan also submitted more information for 16 Clause 8 related to security. It was also not 17 accepted. They still were not proposing to submit any 18 form of security to the AER, so I did not accept the 19 plan at that time. 20 Q And just for clarity, can you pull up page 338, please? 21 48. 348. So this is the May 29th, 2023, letter, which 22 followed the May 28th letter that you were referring 23 to, and you discussed Items 7, 3, and 8, which are in 24 this letter; is that right? 25 A I did. So, yes, my -- my response I just stated was -- 26 Q For both?</p>	<p style="text-align: right;">728</p> <p>1 A For both. 2 Q Yeah. 3 A May 28th and May 29th. 4 Q That's right. 5 And so after you received these, what was your 6 thought process on next steps for AlphaBow? 7 A I felt AlphaBow was either unwilling or unable to 8 comply with the terms of the order, and I felt it was 9 time to escalate our action in relation to that. 10 Q And so what was the escalation that you decided upon? 11 A The escalation I decided upon was to draft the 12 suspension order, which would require AlphaBow Energy 13 to suspend all of their operations until they could 14 come into compliance with the terms of the March order. 15 Q And did you offer AlphaBow a pre-issuance meeting for 16 this order? 17 A I did. 18 Q And was one conducted? 19 A Yes, it was. They accepted the offer, and we held the 20 meeting. 21 Q Can we pull up page 587, please? And did you provide 22 AlphaBow with a draft of the order prior to the 23 meeting? 24 A I did. 25 Q And so what happened when CLM met with AlphaBow for the 26 pre-issuance meeting?</p>

729

1 A I reviewed the order in full with AlphaBow. I -- from
 2 my recollection, AlphaBow requested time to further
 3 review the order and provide a submission back. I
 4 agreed to that and provided an additional few days. So
 5 I asked for them to provide a submission by end of day
 6 June 2nd.
 7 Q And the document in front of you is dated May 30th,
 8 2023. Does that reflect that the meeting with AlphaBow
 9 occurred that day?
 10 A That's what I recall, Tuesday, May 30th.
 11 Q And it states in there: (as read)
 12 AlphaBow Energy Ltd. may provide information
 13 for the statutory decision-maker
 14 consideration until the end of day Friday,
 15 June 2nd, 2023.
 16 Does that accord with your recollection?
 17 A Yes, it does.
 18 Q And then if we turn to page 593. Can you tell me what
 19 this letter is, Mr. Callicott? Would this be your
 20 response to the May 28th and 29th letters from
 21 AlphaBow?
 22 A Yes, it is. You can see in that response I provided a
 23 list of examples of how the submissions -- why the
 24 submissions weren't accepted.
 25 Q And could you turn to page 602, please. This letter is
 26 dated June 2nd, 2023, from AlphaBow. Is that the

730

1 response that they asked to provide?
 2 A Yes, it is.
 3 Q And did you review this response, Mr. Callicott?
 4 A I did review this response in full.
 5 Q And were any changes made to the order as a result of
 6 this letter?
 7 A Yes. There were a number of changes made to the draft
 8 order as a response to this submission. I -- I
 9 actually -- in response to this submission, I did end
 10 up accepting some of their submissions related to the
 11 March order.
 12 So Clause 3 related to the mineral lease expired
 13 wells. This time, I accepted their plan. There was a
 14 review done by Mr. Green, and he provided me some
 15 feedback. He may have recommended not to accept it. I
 16 considered his feedback, and I accepted it. I recall
 17 they still had missed explaining, for example, why it
 18 wasn't possible to complete abandonments during the
 19 summer months. I factored the information and decided
 20 I would accept it, and they had shown dates when they
 21 were planning on abandoning the wells. It was within
 22 12 months, and they showed alternative dates. So on
 23 the wells they were going to regain or attempt to
 24 regain mineral rights, they showed the date, and they
 25 showed if that wasn't done, they would then abandon it
 26 by this date. And it was acceptable to me at that

731

1 point.
 2 In this June 2nd submission, you would see that --
 3 actually, what's not been noted is prior to this, I
 4 advised -- I offered to AlphaBow that I would extend
 5 the 180 days from year-end to provide audited
 6 financials. At some point in time, I offered that. In
 7 this submission, they accept that. They agree that
 8 from this point -- I -- I believe the date I accepted
 9 was August 31st. So I extended that 180-day timeline.
 10 From my recollection, I had talked to Ms. Langlois, and
 11 I had said, Provide the audited financial statements
 12 from 180 days from year-end, but I had issued the order
 13 in March. So after considering that more, I felt it
 14 was fair to extend that timeline. I did that -- I
 15 offered that, they accepted it and committed to
 16 provided audited financials by August 31st of this
 17 year.
 18 I -- some of this plan was responded back to in
 19 the "whereas" clauses of the June order, so I adjusted
 20 the June order and noted some information that had been
 21 submitted in this plan. So some of the "whereas"
 22 clauses were adjusted.
 23 I believe also AlphaBow had requested extension
 24 for the amount of time it would take to suspend some of
 25 their wells where they had limited access. At the
 26 time, there were wildfires occurring across the

732

1 province, and I believe they couldn't necessarily
 2 access some of their sites, so I accepted that. It was
 3 completely reasonable that it could take longer to go
 4 in, suspend some of those sites.
 5 Parts of this plan related to RCAM. Specifically
 6 RCAM provisions 1(a) and (b) were still not accepted.
 7 They still had not provided the additional detail I had
 8 requested in the previous responses back.
 9 Related to RCAM Clause 1(c), it was still not
 10 accepted. They had not provided additional information
 11 based on the responses I had provided them back
 12 previously. The specific note I have is: How was
 13 AlphaBow planning on meeting requirements for past and
 14 future releases without the AER having to repeatedly
 15 monitor and request follow-up? And how would AlphaBow
 16 meet deadlines for submissions? So it's kind of a
 17 repeat of the comments I had made multiple times
 18 previous related to the same clauses.
 19 Related to Clause 1(d), I had asked for
 20 site-by-site accounting with specific timelines. They
 21 had not provided that yet, so I did not accept their
 22 response to Clause 1(d).
 23 Related to Clause 1 (e), they also did not provide
 24 any additional information, and I did not accept their
 25 response to Clause 1 (e).
 26 This particular submission was sent by Mr. Rick

<p style="text-align: right;">733</p> <p>1 Ironside with a cover email.</p> <p>2 Q Can you turn to page 599. Did you want to talk about</p> <p>3 that email, Mr. Callicott?</p> <p>4 A Yes. In that -- in that email, this is all -- the</p> <p>5 cover contains some information I did consider. In the</p> <p>6 email, Mr. Ironside states: "This" -- and I'm kind of</p> <p>7 quoting -- "This last action" --</p> <p>8 So let me back up. He stated that AlphaBow had</p> <p>9 shut in approximately 60 percent of its sites before</p> <p>10 the order was issued, so sometime following the</p> <p>11 pre-issuance meeting and June 2nd, AlphaBow shut in, as</p> <p>12 far as their email says, 60 -- approximately 60 percent</p> <p>13 of their sites. Mr. Ironside noted that: (as read)</p> <p>14 This last action of shutting in 60 percent of</p> <p>15 sites is AlphaBow's final action to address</p> <p>16 stated AER concerns to ensure proper custody</p> <p>17 and care of sites, protect the environment,</p> <p>18 and ensure safety.</p> <p>19 I considered that statement. I did not see how that</p> <p>20 statement addressed the requirements of the March</p> <p>21 order. There was no details on what wells they had</p> <p>22 shut in, whether they had suspended them appropriately</p> <p>23 or not. I did not see how that addressed all of the</p> <p>24 concerns that were noted in the March order.</p> <p>25 Q And so when was the order issued, then?</p> <p>26 A The submission came in on June 2nd -- you can see by</p>	<p style="text-align: right;">734</p> <p>1 the date -- later in the afternoon. I considered this</p> <p>2 information over the weekend. I believe I spent more</p> <p>3 time reviewing it Monday morning, and the order was --</p> <p>4 was issued, from my recollection, June 5th -- the</p> <p>5 afternoon of June 5th.</p> <p>6 Q And did you receive a call from an insolvency lawyer at</p> <p>7 DLA Piper on June 2nd?</p> <p>8 A I did prior to this submission.</p> <p>9 Q And what -- what came out of that discussion?</p> <p>10 A Not a lot. I received the call from Carole Hunter from</p> <p>11 DL -- I have DLA Piper in my notes. I'm not sure if</p> <p>12 that's correct. But she identified herself as</p> <p>13 insolvency counsel. I believe she identified herself</p> <p>14 as having been retained by AlphaBow Energy. She asked</p> <p>15 me a couple questions. She said -- she noted to me</p> <p>16 that AlphaBow Energy was hoping to restructure. She</p> <p>17 asked what I expected of AlphaBow Energy -- and I'm</p> <p>18 summarizing -- and I recall advising to her I expected</p> <p>19 AlphaBow Energy to meet the terms of the March 30th</p> <p>20 order. That was essentially the end of the</p> <p>21 conversation.</p> <p>22 Q And was a meeting requested with Ms. Hunter and</p> <p>23 AlphaBow at a later date?</p> <p>24 A Yes. The next week, we received a request from Carole</p> <p>25 Hunter and a representative from Deloitte. They wanted</p> <p>26 to meet with the AER to discuss AlphaBow Energy and</p>
<p style="text-align: right;">735</p> <p>1 potential insolvency proceedings.</p> <p>2 Q And I believe Mr. Li had stated that the purpose of</p> <p>3 this meeting was -- was to meet the AER's requirements,</p> <p>4 and it was basically at the AER's request. Is that</p> <p>5 true?</p> <p>6 A I don't recall it that way. I believe they requested</p> <p>7 the meeting.</p> <p>8 Q And do you recall what, if anything, came out of that</p> <p>9 meeting?</p> <p>10 A Yes. They -- they asked if the AER would consider</p> <p>11 allowing partial operations of AlphaBow's sites while</p> <p>12 they restructured. I answered that question and said</p> <p>13 in order to remain operational, I expected AlphaBow</p> <p>14 Energy to meet the terms of the March 30th order, so,</p> <p>15 in other words, no, I did not -- I did not see it as</p> <p>16 acceptable to allow AlphaBow to partially operate while</p> <p>17 remaining in noncompliance with the order. I believe</p> <p>18 they also requested if AER had any comments or input on</p> <p>19 their proposed insolvency plan, and -- to which I said</p> <p>20 we did not. It was -- that was not something we were</p> <p>21 prepared to comment on.</p> <p>22 Q AlphaBow also seems to place a lot of importance on</p> <p>23 their plan for carbon capture credits, and that's</p> <p>24 discussed in the June 2nd response to -- to the</p> <p>25 potential order. Did you consider that plan,</p> <p>26 Mr. Callicott?</p>	<p style="text-align: right;">736</p> <p>1 A I did consider the plan. It was actually mentioned in</p> <p>2 various forms in multiple submissions, so the May -- if</p> <p>3 I recall correctly, the May 12th submission noted</p> <p>4 plans -- future business plans related to carbon</p> <p>5 capture. There was one other submission that noted it</p> <p>6 as well, and then I recall a summary regarding future</p> <p>7 business plans related to the carbon tax that was noted</p> <p>8 in the June 2nd submission as well. I reviewed all of</p> <p>9 those plans.</p> <p>10 Q And, in fact, the June 2nd letter attached the contract</p> <p>11 that AlphaBow had with -- for the Prentiss CO2 stream</p> <p>12 with -- with MEGlobal; is that correct?</p> <p>13 A It did. Mr. Ironside did submit the contract related</p> <p>14 to their carbon capture deal. I believe the contract</p> <p>15 actually says Dow Chemical, which I believe now is</p> <p>16 MEGlobal. I did review that. I reviewed that</p> <p>17 contract, but not in detail. I reviewed certain parts</p> <p>18 of that contract. I did note a couple things from that</p> <p>19 contract.</p> <p>20 Q What did you note?</p> <p>21 A As it -- I found that -- this part to be important</p> <p>22 because it related to Mr. Ironside's submissions in</p> <p>23 that the -- the contract for MEGlobal to provide CO2 to</p> <p>24 AlphaBow Energy could be terminated with two years'</p> <p>25 notice. So I just -- it factored into my consideration</p> <p>26 of their plans.</p>

737

1 I think that the plans they submit regarding CO2
 2 capture and the earnings they could potentially make --
 3 I thought it sounds like a great opportunity for
 4 AlphaBow, but it's a future opportunity. It's not a
 5 sure thing. It's -- there are steps AlphaBow would
 6 have to take, Number 1, to get that in place,
 7 regulatory steps, regulatory approvals, and their
 8 supply of CO2, from what I can see, isn't guaranteed.
 9 Q Mr. Callicott, when you issued the June order, did you
 10 intend for the suspension of AlphaBow sites to be
 11 permanent?
 12 A Not at all. The -- the suspension order is intended to
 13 be temporary. I fully expected AlphaBow could comply
 14 with that and restart operations. There's a clause in
 15 the -- in the order for them to submit a reactivation
 16 plan.
 17 Q And why would you consider it important to issue the
 18 suspension order under Section 27?
 19 A I -- it's an escalation for not complying with the
 20 March 30th order. The March 30 -- the intent of the
 21 March 30th order was to protect or prevent impacts --
 22 potential impacts to public safety and the environment,
 23 to prevent impairment or damage to the sites. I felt
 24 if AlphaBow couldn't comply with those, the
 25 requirements in that order to do that, it wasn't
 26 appropriate for them to continue operating. I felt

739

1 A Not in my opinion. We generally use the same -- we
 2 have the same rules and requirements for all licensees,
 3 and we conduct the same assessments and try to apply
 4 the same level of fairness to all licensees.
 5 Q Was the goal of either the March order or the June
 6 order to push AlphaBow into insolvency?
 7 A No, it was not. That's never been my goal. My goal is
 8 always to see a licensee comply. My goal from the very
 9 beginning -- it's been years -- was to hopefully see
 10 AlphaBow change their behaviour, improve their
 11 operations, and turn things around, as I said before.
 12 I mean, that's -- that's what we're always working to
 13 achieve, and I have seen it done in -- in multiple
 14 cases with other licensees.
 15 Q Thank you, Mr. Callicott.
 16 And one final question, an easy one. Do you adopt
 17 the evidence in Exhibits 8.01, 9.01, being the March
 18 and June order records, as well as 52.01 and 52.02,
 19 being CLM's submission and attachments as part of your
 20 evidence in this hearing?
 21 A I do.
 22 MS. ROSS: Subject to any re-direct,
 23 those are all my questions for Mr. Callicott.
 24 THE CHAIR: Thank you, Ms. Ross.
 25 AlphaBow, do you need -- it looks like you could
 26 move on to your cross-examination. Do you need to -- a

738

1 that at that point in time, the safest status for
 2 AlphaBow's sites would be in a suspended state, to be
 3 properly suspended until they had the means to comply.
 4 Q And if you had intended on this suspension being
 5 permanent, what would you have done?
 6 A Well, to me, I would have issued an abandonment order.
 7 An abandonment order would be -- would signal that I
 8 intended on it being permanent. Although, with that
 9 said, I've issued an abandonment order to a licensee in
 10 the past, and they presented me plans after -- after
 11 that, and I've considered it, accepted it, and
 12 rescinded the abandonment order. So I wouldn't say
 13 anything's final. I've demonstrated I'm willing to
 14 review information at any time and consider it.
 15 Q And yesterday when I was speaking with Mr. Ironside, he
 16 mentioned that they couldn't complete the mineral lease
 17 abandonments at this time because they were banned from
 18 their sites because of the OWA; is that correct?
 19 A The order doesn't ban AlphaBow Energy from accessing
 20 its sites. It requires them to gain permission from
 21 the Orphan Well Association first. I -- AlphaBow
 22 Energy never came to me with any concerns related -- or
 23 questions related to gaining access to their sites at
 24 any time.
 25 Q Was AlphaBow treated any differently than other
 26 similarly risk licensee, in your opinion?

740

1 short break?
 2 MR. STAPON: Yes. We would appreciate a
 3 short break, commissioners.
 4 THE CHAIR: 10, 15 minutes?
 5 MR. STAPON: 15 minutes, please.
 6 THE CHAIR: 15 minutes? All right. So it
 7 is 20 past 4. We'll reconvene at 4:35.
 8 So time on our schedule, we had allotted roughly
 9 an hour and a half today for your cross-examination.
 10 MR. STAPON: Yes.
 11 THE CHAIR: We'll proceed with that plan?
 12 MR. STAPON: That's agreed.
 13 THE CHAIR: All right. Thank you.
 14 (ADJOURNMENT)
 15 Discussion
 16 THE CHAIR: So before we get started with
 17 your piece, Mr. Stapon, we have an update, I believe,
 18 from Ms. Doebele in relation to undertakings.
 19 MS. DOEBELE: Thank you, Commissioner
 20 Chiasson.
 21 We just had a housekeeping item in relation to the
 22 undertakings. So we received responses to 2, 3, and 4
 23 from AlphaBow earlier this morning, and we're just --
 24 we've spoken with counsel for CLM and understand that
 25 Undertaking 2 in relation to the outstanding amount
 26 owed to municipalities and Undertaking 3 in relation to

741

1 Mr. Ironside's presentation are acceptable to them.
 2 And then there were some concerns -- and I'll let
 3 CLM speak to it -- in relation to Undertaking Number 4.
 4 MS. LAVELLE: Thank you, Ms. Doebele.
 5 Thank you, chair.
 6 Undertaking Number 4 was to be a list of actual
 7 abandonment that occurred with respect to the
 8 abandonment of wellsites between the March 30th, 2023,
 9 order and the June 5th, 2023, order, but it appears
 10 that there's no mention of wells -- or abandonment of
 11 wellsites in the information provided, and, in fact, it
 12 appears that the information included is not
 13 abandonment related at all. So it doesn't seem
 14 responsive to the Undertaking Number 4. Thank you.
 15 THE CHAIR: AlphaBow?
 16 MS. CAMERON: The response included provides
 17 information in terms of the environmental activities
 18 that were undertaken since the order that was issued.
 19 That is the extent of the activities that were carried
 20 out. It does include some soil remediation work.
 21 MS. LAVELLE: With respect, the undertaking
 22 was not with relation to environmental activities
 23 taken. It was in relation to the abandonment of
 24 wellsites that occurred between the March 30th, 2023,
 25 order and the June 5th, 2023, order, so it doesn't
 26 include that information.

743

1 back to us what -- the wording of the undertaking?
 2 Undertaking 4?
 3 MS. DOEBELE: Yes. We can do that, and we
 4 actually do -- I believe -- if I can ask the
 5 coordinator to find that in the transcripts?
 6 MS. PARSONS: We can bring the transcripts
 7 up.
 8 MS. DOEBELE: Perfect. Could you do that
 9 right now? I think we had looked at the page earlier
 10 as well. Thank you.
 11 MS. PARSONS: We can look for that,
 12 yes.
 13 THE CHAIR: Thank you.
 14 MS. DOEBELE: So we can do that, yeah.
 15 MS. LAVELLE: And it's -- it's actually --
 16 the content of the undertaking is -- we don't -- is --
 17 seems to be accurately reflected in the left-hand
 18 column. It's just that the -- of the response provided
 19 by AlphaBow. It's just there -- the -- the left-hand
 20 column says what the -- what the undertaking is, and
 21 then the right-hand column doesn't respond to what's in
 22 that undertaking.
 23 THE COURT REPORTER: Sorry. Who's talking? I
 24 can't hear you.
 25 MS. DOEBELE: It's in the bottom left-hand
 26 corner of page 389, Volume 2 of Tuesday's transcript,

742

1 THE CHAIR: So, Ms. Lavelle, given that we
 2 heard this afternoon from Mr. Callicott that he had
 3 accepted AlphaBow's plan on Clause 3, which was the
 4 mineral lease abandonment, and given them a timeline
 5 through 2024, can you help the Panel to understand the
 6 relevance of this -- of this piece now?
 7 MS. LAVELLE: Well, I think we were just
 8 seeking information as to what abandonment activity --
 9 it had extended it -- as he said, he'd extended it to
 10 '24, but we were wanting -- that doesn't mean that
 11 there could be no abandonment activity during that
 12 interim period. So we were seeking to understand what
 13 abandonment work had taken place between the -- the
 14 March order and the June order. And so whether --
 15 irrespective of the extension to the abandonment plan
 16 that Mr. Callicott had granted, we were seeking to
 17 understand what they had done in the interim period.
 18 THE CHAIR: And the relevance of that to
 19 the hearing issues as we've set them?
 20 MS. LAVELLE: I'd have to look back to when
 21 this undertaking was undertaken. But I believe that
 22 there was some reference to abandonment work occurring
 23 during that period, and so we were seeking to know what
 24 that was. And -- and the other relevance being the
 25 undertaking was accepted. Thank you.
 26 THE CHAIR: Is it possible to have read

744

1 and then the top right-hand corner on page 390.
 2 THE CHAIR: Oh, okay. And -- sorry --
 3 just for clarity on this, because I can't see on the
 4 page, this Q and A, this is cross-examination of
 5 Mr. Ironside?
 6 MS. DOEBELE: Ms. Ross or Ms. Lavelle, can
 7 you help with that? I know it's the cross-examination.
 8 I'm just not sure in terms of which witness.
 9 THE CHAIR: Okay. Thank you. Scrolling
 10 up, that helps me see where it is. So if we can just
 11 scroll back down to the bottom half of the page,
 12 please. Thank you.
 13 Okay. So Commissioner Barker has a question in
 14 relation to -- to this.
 15 COMMISSIONER BARKER: Thank you. Thank you,
 16 commissioner.
 17 Ms. Cameron, I just want to confirm, then, what
 18 you were saying, then, that the extent of the work that
 19 was done was the environmental work, and so just to
 20 confirm, are we to understand, then, that there was no
 21 well abandonment work that -- that was done to any of
 22 the -- the wells in that period between the March and
 23 the June order?
 24 MS. CAMERON: Correct, and that's consistent
 25 too if you read the evidence on that left-hand column
 26 of the page where it says something was occurring;

<p style="text-align: right;">745</p> <p>1 references remedying a surface casing vent flow. 2 COMMISSIONER BARKER: Right. Okay. So there were 3 no actual well abandonments that were conducted during 4 that period? 5 MS. CAMERON: No. It was -- it -- 'cause 6 that period was prior to even when the plan had to 7 be -- the abandonment plan had to be provided. 8 COMMISSIONER BARKER: Okay. Thank you. 9 MS. ROSS: If that's the answer, there 10 was no well abandonment, that's fine. 11 THE CHAIR: Okay. So then is that -- 12 that -- that's acceptable, then? 13 MS. DOEBELE: And we can proceed, subject to 14 any objections from the parties, with marking that 15 undertaking as Exhibit 72.01. We're marking 16 Undertaking 234 as 72.01. Seeing no objections, we'll 17 do that. Thank you. 18 EXHIBIT 72.01 - 2023-11-29 - AlphaBow 19 Undertaking Responses (Undertakings 2, 3, 20 and 4).pdf 21 THE CHAIR: All right, then. Mr. Stapon, 22 we said an hour and a half for -- for this piece, so we 23 will do an hour and a half, so we will looking at 20 24 past 6 to wind things up for the day. 25 MR. STAPON: Thank you. I'll attempt to 26 weigh in and be efficient in that regard.</p>	<p style="text-align: right;">746</p> <p>1 Mr. Stapon Cross-examines Closure and Liability 2 Management Branch 3 Q MR. STAPON: Ms. Lewis, you were very 4 helpful this morning in connection with giving some of 5 the history of your work with the AER over the course 6 of the years and, in particular, in connection with the 7 issue of financing and security. Would you be the one 8 from the panel that I should explore that process with? 9 A MS. LEWIS: I am not sure what type of 10 questions you're thinking of. My background isn't -- 11 Q How over the course of time the obligation to consider 12 and post security for oil and gas operations has 13 developed in this province through the AER and with 14 the -- the provincial government. 15 A Oh, from -- you mean the historical portion of it? 16 Q Yes. 17 A I'm actually probably not the best person for it, but I 18 don't believe there's anybody on this panel that can 19 speak to it, because that's based on work that was 20 probably done -- historically that was with the 21 creation of the original LLR programs and the LMR. 22 Q Well, let's maybe start -- you started working in this 23 particular area in about 2009? 24 A Yes, focusing on mostly closure requirements. 25 Q And, of course, there has been various programs over 26 the course of time in connection with the obligation of</p>
<p style="text-align: right;">747</p> <p>1 various oil and gas companies to take care of their 2 legacy assets. Is that fair? 3 A It depends what your definition of "legacy assets" are. 4 Q Well, for example, a suspended or abandoned well. 5 A Right. We don't consider that "legacy assets", but, 6 yes, there's -- 7 Q What do you -- 8 A -- been requirements for suspending and abandoning 9 wells for quite some time. 10 Q Let me use your terms, then. If you don't regard it as 11 a legacy asset, would you regard it as a spent asset or 12 what? 13 A Well, they're -- they're inactive assets that need -- 14 are required to go through closure. 15 Q Inactive assets requiring closure. I can work on that. 16 And initially the obligation of oil and gas 17 companies was not tracked particularly closely, as I 18 understand it, by the various versions of the 19 Alberta -- or current Alberta Energy Regulator, but 20 that's changed over the course of time, and for a 21 period of time, I think, probably from when you were 22 involved in the system, there was the LMR process; is 23 that right? 24 A Yes. 25 Q And, briefly, what did that require by way of an 26 obligated spend of an oil company that was actually</p>	<p style="text-align: right;">748</p> <p>1 proposing to continue to do business? 2 A I don't believe there was a direct correlation on how 3 we assessed LMR with the actual closure requirements 4 that were in place. They were two sort of separate 5 programs. The LLR was about managing the liabilities 6 that a company possessed, and the LMR was really 7 looking at the value of their deemed assets over deemed 8 liability. 9 Q So the LLR then? 10 A The LMR -- yeah, so LMR is part of the LLR program, so 11 it was looking and assessing overall liability that 12 companies possess in the different LOM program. So I'm 13 not an expert in the old programs. 14 Q Yes. 15 A I can help answer as best as I can. 16 Q However, the old program did evolve and change over the 17 course of time; is that right? 18 A I believe so. 19 Q So we've heard evidence that this company, actually -- 20 that is, AlphaBow Energy -- was actually formed by 21 virtue of some amalgamated assets and started doing 22 business in about 2019. When -- what was the state of 23 affairs with respect to closure obligations at that 24 time? 25 A We -- well, the closure obligations is we had our 26 closure requirements that were set out, but in respect</p>

<p style="text-align: right;">749</p> <p>1 to -- like, an inventory reduction program, that was a 2 requirement. There was no requirements. Around 2019, 3 we started the voluntary area-based closure program 4 where licensees chose to participate. 5 Q So at the time that this company started its 6 operations, there was no obligation to have a specific 7 spend for annual closures; is that right? 8 A That is correct. 9 Q All right. And when did that start to change? 10 A That was -- that start -- that changed with the 11 introduction of the new liability management framework. 12 Q And when was that? 13 A In the summer of 2020. 14 Q So that was a change that -- I understand that was 15 ultimately announced to the industry, and industry was 16 told, Look, get your act together. Here's what you're 17 going to have to plan for; here's what you're going to 18 have to do. Is that fair? 19 A Yes, and we put those requirements into Directive 88. 20 Q And there were minimum spend obligations associated 21 with that; is that right? 22 A Correct. 23 Q And over the course of time, as I understand it, in 24 consultation with the Alberta Government, it was 25 learned that that system was not working as effectively 26 as it might do, for example, predict the insolvency or</p>	<p style="text-align: right;">750</p> <p>1 failure of companies with respect to their ability to 2 meet their obligations? 3 A That's the LLR program. 4 Q LLR. 5 And as a result of that, there were actually 6 changes put into place by the Regulator to try and 7 address those issues; correct? 8 A What changes are you speaking about specifically? 9 Q Well, in fact, there was a -- there's been a lot of 10 work, and I think you described it this morning as the 11 "liability management framework"; is that right? 12 A Right. So that -- that was the introduction from the 13 government in 2020. 14 Q All right. And so the government actually said, We're 15 going to have a liability management framework? 16 A A new liability management framework. 17 Q And the Regulator was requested to actually work on 18 that and come up with a plan; correct? 19 A Yes. 20 Q And, in fact, that plan is still in progress, isn't it? 21 A Yes. 22 Q And so when you say -- or when the panel has said that 23 there's been announcements to the industry about the 24 holistic management process in connection with this, 25 there's still no specifics; correct? 26 A I don't believe that's correct.</p>
<p style="text-align: right;">751</p> <p>1 Q What are the specifics? 2 A So with the introduction of Directive 88, we introduced 3 the holistic licencing assessment with the associated 4 Manual 23. That actually outlines all of the criteria 5 that we -- factors -- sorry -- the factors that we use 6 to assess -- we can -- sorry -- that we can assess a 7 licensee. So there were those assessments that I 8 already indicated -- the factors that I already 9 indicated in Directive 67, which is Section 4.5, the 10 components of the LCA. 11 Q Right. So you've outlined to the industry the factors 12 that you can assess? 13 A M-hm. 14 Q But you haven't actually put the framework into place 15 so that industry knows what you're going to do with 16 those factors; correct? 17 A I don't -- I don't agree with that either. 18 Q Well -- so, for example, how could AlphaBow have 19 anticipated that there would be an order for security 20 for \$15.375 million based on the existing publications 21 and materials that this Regulator has got in place? 22 A Right. So you're asking what the difference is because 23 the LMR/LLR program gave a very specific value versus 24 the new framework, which does not give a specific 25 value, and we have addressed the risk that we see with 26 the licencing.</p>	<p style="text-align: right;">752</p> <p>1 Q Right. But if you're in industry, you can't tell what 2 the Regulator might do or might be able to do -- 3 correct -- until it's actually done? 4 A Well, I think we indicate -- indicate what are the 5 actions that we can take. I mean, it's -- none -- none 6 of the actions we've taken are -- are items that are 7 outside our regulatory authority that are already 8 listed in our different directives -- 9 Q I understand that you have very substantial 10 authorities, and one of the issues here is whether or 11 not those authorities have been exercised reasonably, 12 properly, fairly, in the full public interest, and so 13 on. 14 A M-hm. 15 Q But my point is this: In terms of what an industry 16 player might be faced with, you can't tell until the 17 order is issued; correct? 18 A For the specific value? Correct. 19 Q Yes. 20 A But we do indicate in Directive 88, when you are 21 looking at a licensee and we're trying to identify the 22 risks associated with them, that we do indicate that we 23 could and can ask for full security on their liability. 24 Q You could and can ask for that, but you don't tell them 25 when and how or if you will; correct? 26 A No. It's not explicit.</p>

753

1 Q Well, in fact, it's -- you can't find it in your
 2 regulations. I've looked at them.
 3 A M-hm. It's not explicit.
 4 Q Well, it's not -- it's not spelled out, period. Never
 5 mind -- you'd have to guess; right?
 6 A I'm not sure about the guessing. I mean, I think the
 7 licensees have a good understanding of what their
 8 liability is, both active and inactive.
 9 Q And in connection with the mandate of the AER, you're
 10 primarily focused -- and your focus has been on
 11 developing this new framework for posting of security;
 12 correct?
 13 A I've been focused on the entire framework, so it's not
 14 just the posting of security. It's all of the factors
 15 I discussed. So I've been involved with the
 16 development of the holistic licensee assessment, with
 17 the licensee management program. So as one of the
 18 senior advisors, I have oversight and some oversight on
 19 all of the programs as they develop. Because they're
 20 not completely individual programs; they're all under
 21 the framework.
 22 Q And the framework is primarily developed for the
 23 purpose of addressing asset retirement obligations;
 24 correct?
 25 A The purpose of the framework from the government was to
 26 ensure that we had a system in place to be able to

754

1 effectively assess a licensee's capability to ensure
 2 that they can meet their liability and regulatory
 3 obligations throughout the entire development --
 4 Q All right.
 5 A -- life cycle.
 6 Q So fundamentally the government has requested that you,
 7 in fact, exercise more oversight and jurisdiction in
 8 connection with companies like AlphaBow. Isn't that
 9 fair?
 10 A As with -- with all companies.
 11 Q All right. And in connection with the -- do you
 12 understand what the mandate of the AER is? That is,
 13 having worked to develop this manage -- or this
 14 liability management framework, do you understand what
 15 the sort of mandate of the AER is in that regard? Is
 16 that something that you would have focused on for the
 17 purpose of your work?
 18 A Well, our mandate of the AER is the safe
 19 environmentally -- sorry -- I'm going to get this
 20 wrong -- safe, orderly environmental protection. So
 21 there's a -- there's a safety aspect around it to
 22 ensure the environmental protection and the orderly
 23 development of energy development life cycle, which
 24 includes the management of liability through that
 25 entire cycle.
 26 Q I understand. And the stakeholders in that regard are,

755

1 of course, the AER with respect to its closure
 2 obligations and those who are impacted by that.
 3 There's also the government. There are creditors of
 4 the individual organizations. There's, for example,
 5 the municipalities where taxes are owed, the landowners
 6 who may be owed surface rentals. There's a number of
 7 individuals who are impacted by the decisions and
 8 progress of the AER; correct?
 9 A I believe so.
 10 Q And in that regard, are you familiar with the Redwater
 11 decision which recently came out?
 12 A I am not. I have not read the full Redwater decision,
 13 so I am not an expert in what that decision was and the
 14 results of it.
 15 Q Just on a high-level basis, though, can we agree that
 16 what it fundamentally does is gives the Regulator
 17 priority in connection with the assets of an oil and
 18 gas company for the purpose of, for example, making
 19 sure that its environmental and closure obligations are
 20 met?
 21 A I believe so.
 22 Q Indeed. So in terms of political activity associated
 23 with the operations of the AER, were you aware of and
 24 were you involved in the work of the Auditor General
 25 which was done this last year -- or -- pardon me --
 26 earlier this year?

756

1 A Yes. I helped compile some of the information that
 2 went to the OAG.
 3 Q In fact, I've -- I've actually worked for agencies that
 4 are involved with like processes, and correct me if I'm
 5 wrong, but you would have been engaged by the Auditor
 6 General probably four or five months before they were
 7 actually looking at their work or looking to do their
 8 work; is that right?
 9 A I believe, in our case, it was almost a year before
 10 that.
 11 Q Indeed. And so I assume that there would have been a
 12 special team within the AER put together to work with
 13 the Auditor General. Is that fair?
 14 A Yes. Well, we had some core people that were involved
 15 with ensuring the collection of it, 'cause it was quite
 16 extensive.
 17 Q Indeed. Ordinarily in connection with any significant
 18 concerns with the Auditor General, they'll dedicate
 19 several individuals, and they'll actually ask the
 20 involved organization to participate carefully in the
 21 exercise and give them full disclosure. Is that fair?
 22 A I believe so.
 23 Q And were you part of the team that was responding to
 24 the Auditor General?
 25 A I wouldn't say I was part of the core team. I did
 26 provide information to the core team that was involved,

<p style="text-align: right;">757</p> <p>1 which included sort of our internal auditors. 2 Q And did you -- in that regard, did you get to see the 3 draft of the Auditor General's report before it was 4 issued? Because that's their ordinary policy. 5 A I was not part of that team that reviewed the core, the 6 draft. Sorry. 7 Q And do you know when the draft was received? We know, 8 for example, because March of 2023 is a critical time. 9 A M-hm. 10 Q And we know that the Auditor General's report with 11 respect to the operations of the AER, which we've 12 produced in Exhibit Number 47 at Tab 15, was also 13 released in March of 2023. So -- 14 A I -- I don't know when we received the draft from the 15 OAG. 16 Q What I'd like to find out is this, and that is -- I'm 17 asking the whole panel this -- when it was learned that 18 the Auditor General was going to be quite critical of 19 the operations of the AER, whether there were 20 directions from anyone senior in the AER or any of you 21 that you'd have to change the way that you were 22 managing ongoing liability for licensees? 23 A I don't believe with respect to the OAG audit. When 24 the OAG audit came -- when the OAG came in to do their 25 audit, it was in the process of us -- the process of 26 the -- the new LMF being announced, and we were in the</p>	<p style="text-align: right;">758</p> <p>1 process of starting to develop the new framework and 2 the programs attached to it. So when the OAG did their 3 audit, they actually looked at mostly the components of 4 the existing LLR program and LMR. 5 Q Right. 6 A And few aspects of the new LMF, but they weren't fully 7 implemented. 8 Q I'm looking at the conclusion of the report, which I'm 9 assuming would have been received in draft form, 10 because the ordinary process is that the Auditor 11 General provides their draft for comment three or four 12 months before they actually issue their final. Is that 13 consistent with your understanding? 14 A I've never -- I'm not usually involved with the OAG 15 audits for -- in other aspects of our organization, so 16 I can't tell you what the typical process is. 17 Q So I'm looking at page 16 of that document, and I'm 18 looking at the conclusion, and the conclusion 19 is: (as read) 20 We conclude, based on our audit criteria and 21 findings, AER has a system to mitigate the 22 risks for the closure of oil and gas 23 infrastructure where parts of the system have 24 not operated efficiently. 25 Were you aware that that was, in fact, one of the 26 conclusions that the Auditor General had determined?</p>
<p style="text-align: right;">759</p> <p>1 A It depends if they were referring to the old program or 2 the new program. 3 Q It's the program that was being audited at the time. 4 A Which they did portions of both, so -- and I believe 5 that was a bit of the confusion in it. So some of the 6 recommendations are related to the old, and there could 7 be some potential to the new. So I -- I -- out of 8 context, until I read the entire part, I really can't 9 respond to that question. 10 Q Well, I'll help you -- or we can pull it up maybe for 11 the benefit of the Panel. Let's pull up Exhibit 12 Number 45, Tab Number 15, and it's page 16 of the 13 Auditor General's report on liability management of 14 non-oil sands oil and gas infrastructure. 15 It's Exhibit 47. I apologize. Exhibit 47 is the 16 initial submission of AlphaBow in these proceedings. 17 THE CHAIR: And -- sorry -- can you point 18 our staff more specifically to where within Exhibit 47 19 again? 20 MR. STAPON: Yes. It is at Tab Number 15, 21 page 16 of that report. 22 THE CHAIR: There is no Tab 15 showing on 23 that -- on that exhibit. 24 MR. STAPON: It is Exhibit 15. 25 MS. CAMERON: It's Tab 7. 26 MR. STAPON: Pardon?</p>	<p style="text-align: right;">760</p> <p>1 MS. CAMERON: It's Tab 7 under Exhibit 15. 2 MR. STAPON: Tab 7, Exhibit 15. 3 THE CHAIR: Thank you. 4 And where within the OAG report? 5 MR. STAPON: Page 16. And, unfortunately, 6 there are segments -- there is -- the first one is the 7 report of the Auditor General generally, and the second 8 one is liability management of non-oil sands oil and 9 gas infrastructure. 10 Q MR. STAPON: And, Ms. Lewis, you will see 11 there that the Auditor General states what was 12 examined, and that is they use the following methods to 13 gather evidence and complete our work: The first one 14 is that they examined relevant legislation and 15 government liability management activities, closure 16 requirements and infrastructure activity or integrity. 17 They also interviewed key staff involved in the 18 liability management program. They involved, they 19 admit, executive level management and subject-matter 20 experts and support staff. So you were one of the 21 parties that were interviewed? 22 A MS. LEWIS: Was I interviewed 23 specifically? I don't believe so. Like I said, we had 24 our subject-matter experts that were -- that talked to 25 them on the different elements -- 26 Q Ms. --</p>

<p style="text-align: right;">761</p> <p>1 A -- because they encompassed both closure, and it also 2 encompassed liability. So I helped with gathering some 3 of the information. 4 Q Okay. 5 A And I was at some of those meetings with -- our 6 subject-matter experts spoke to those different 7 elements. 8 Q I'll return to this momentarily, but, Mr. Callicott, 9 were you interviewed in connection with this process? 10 A MR. CALLICOTT: No. 11 Q Was anyone else on the panel interviewed? 12 THE CHAIR: Let's just let the record show 13 that the panel all indicated no. 14 MR. STAPON: Thank you. That is a correct 15 correction. 16 Q MR. STAPON: And looking at the conclusion, 17 they found that the criteria of proper management was 18 not being fully met in the following areas, and that is 19 risk management practices, goals performance 20 measurement and public accountability, assessing 21 information from the Orphan Well Association, timely 22 closure of inactive sites, collecting sufficient 23 financial security, and minimizing the risk of 24 inappropriate licence transfers. Do you see that? 25 A MS. LEWIS: I see that. 26 Q And suspension abandonment, remediation, and</p>	<p style="text-align: right;">762</p> <p>1 reclamation regulatory processes. What, if any, 2 directions came down from senior management of the 3 Alberta Energy Regulator regarding -- to the effect of 4 generally, We've got to get on top of this. Look at 5 what the Auditor General is saying about what we're 6 doing and how we're not doing it well. 7 A We were told to continue implementing the new liability 8 management framework, which was going to address most 9 of these issues. 10 Q Right. And one of them is that -- the bullet point 11 from -- (as read) 12 The Auditor General is collecting sufficient 13 financial security and minimizing the risk of 14 inappropriate licence transfers. 15 Do you see that? 16 A M-hm. 17 Q And that's exactly what was done about two weeks after 18 the issuance of this report. There was an effort to do 19 that to AlphaBow, wasn't there? 20 A We were assessing AlphaBow against our new liability 21 management framework. 22 Q Right. And there had never been any indication to 23 AlphaBow that that was being done before the order was 24 issued regarding -- regarding the obligation to post 25 \$15,375,000 in security; correct? 26 A I can't speak to the specific of the AlphaBow file, as</p>
<p style="text-align: right;">763</p> <p>1 I was not involved through the whole file. 2 Q Well -- 3 A You'd have to ask -- 4 Q -- let me ask this whole panel. There was never any 5 advance indication that that order would be given, was 6 there? 7 A MS. OLSEN: There was in 2019 a security 8 assessment, and AlphaBow was under an LMR compliance 9 plan, so -- 10 Q That is -- 11 A -- AlphaBow was aware that security could have been 12 collected under the LMR. 13 Q Right. 14 A But I don't know -- are you referring specifically to 15 the 15 million? 16 Q So, Ms. Olsen, I'll just -- I'll jump ahead and ask you 17 about that. The bottom line is this, and that is that 18 AlphaBow, in fact, failed to meet its statutory 19 obligation, which was a positive obligation regarding 20 LMR. It fell below the level which required the 21 posting of security; correct? 22 A That's correct. 23 Q And the Regulator waived that; correct? 24 A We varied that on direction. I believe it was from the 25 government. We accepted plans in lieu of security. 26 Q Indeed.</p>	<p style="text-align: right;">764</p> <p>1 So the one experience that AlphaBow had with the 2 plan was that if they fall -- fell under a specific 3 statutory criteria, that the obligation was waived in 4 their favour; correct? 5 A I'm not entirely sure what you're asking. Could you 6 rephrase that maybe? 7 Q Well, what I'm asking is this: You said that AlphaBow 8 is aware that the security could be ordered and posted, 9 and I'm putting it to you that, in the circumstances, 10 unlike the order which was issued by Mr. Callicott and 11 prepared by you, as I understand it, that was a 12 positive statutory obligation, that is, the law said if 13 you fell below 1 with your LMR, here's what you had to 14 post. That was the law; correct? 15 A I -- I'm not entirely sure what you mean by "that was 16 the law". It was required in our directive, so it's a 17 requirement. 18 Q So it's a positive requirement? 19 A Sure. 20 Q And the positive requirement was waived; correct? 21 A It was varied. It was not waived. It was not, You 22 don't ever have to pay it. There was a plan in 23 place -- 24 Q All right. 25 A -- to ensure compliance. 26 Q And in connection with the \$15,375,000, there was no</p>

765

1 directive or plan in place. That was simply a
 2 discretionary choice; right? That is, AlphaBow had no
 3 notice that that was coming; correct?
 4 A Quite likely they did not know.
 5 Q Indeed.
 6 Let's take a look, while we have this document
 7 from the Auditor General up, at page 17. And there's a
 8 specific point that says why this conclusion matters to
 9 Albertans, and it says: (as read)
 10 Inactive oil and gas infrastructure that
 11 isn't properly closed can pose serious
 12 environmental public health and economic risk
 13 to Albertans. Improperly abandoned wells,
 14 for example, can leak contaminants into the
 15 soil and into the air that people breathe and
 16 into the water they drink. Failure to ensure
 17 that operation and industry conduct to pay
 18 for the safe shutdown of their infrastructure
 19 increases the risk that extensive closure
 20 costs could be shifted to the public.
 21 Albertans need an effective liability
 22 management system in place to hold industry
 23 accountable for meeting their environmental
 24 obligations to the province and to ensure
 25 that industry's liability management risks
 26 are being properly managed.

766

1 So that -- the focus that the Auditor General was
 2 recommending in circumstances -- in these circumstances
 3 was that you don't want to shift these obligations to
 4 the attention of the public; right?
 5 A MS. LEWIS: Correct. It's always been our
 6 mandate not to have the industry liability shift to the
 7 public.
 8 Q And the Auditor General, you're aware, also found that
 9 the Regulator, in fact, was coming to these sorts of
 10 decisions too late because by the time the company was
 11 being requested to post security, they couldn't do it
 12 anymore; right?
 13 A Based on the LMR, correct.
 14 Q And so the suggestion was you shouldn't be doing that
 15 because it's fundamentally waiting too long and putting
 16 the operation out of business; right?
 17 A No, that was not the recommendation. What it indicated
 18 is that there was insufficient security collected on
 19 those licensees to fund their own closure.
 20 Q I'd like you to go to page 33 of that very document --
 21 is the Auditor General report. And it says: (as read)
 22 Consequences of not taking action.
 23 Do you see that?
 24 A Yes.
 25 Q (as read)
 26 The licensee liability rating program has

767

1 been central to the AER's liability
 2 management efforts. Timely connection -- or
 3 correction of its shortcomings is critical
 4 for the AER to ensure that future approaches
 5 to security collection actually meet the
 6 objectives of reducing the number of Orphan
 7 Well sites transferred to the OWA and
 8 minimizing the risk that the public will
 9 eventually have to pay up to clean up sites.
 10 If the liability management strategies do not
 11 focus on the development of improved measures
 12 to evaluate the effectiveness of the licensee
 13 program, lessons learned from previous
 14 decisions of licence transfers will not
 15 benefit the future decisions.
 16 So did the Regulator take that to heart?
 17 A I believe that was part of what was being addressed
 18 through the new liability management framework.
 19 Q And I'd like you to look at page 39 of the Auditor
 20 General's report, the consequences of not taking
 21 action: (as read)
 22 If weaknesses in regulatory compliance
 23 activities are not resolved, there's an
 24 increased likelihood that inactive oil and
 25 gas infrastructure is not properly closed
 26 within a reasonable amount of time, which

768

1 potentially increases the risk to the
 2 environment or to the public health and
 3 safety.
 4 Was that a factor that was being considered by your
 5 group as well?
 6 A Yes. And if you read from the last statement that you
 7 indicated, it's with respect to the licensee liability
 8 rating program.
 9 Q Okay.
 10 A Which is being replaced with the new liability
 11 management framework.
 12 Q And in connection with companies like AlphaBow that had
 13 been on the financial risk list since 2019 -- were you
 14 aware of that?
 15 A This is what I've heard today.
 16 Q Well, were you aware of that at the time or as part of
 17 your work?
 18 A In 2019 -- no, I was not actively involved with the
 19 compliance assurance team at the time.
 20 Q When did you learn about AlphaBow's sort of
 21 participation in that process?
 22 A Sorry. Participation in what?
 23 Q That is, when it was -- when did you first learn that
 24 it was regarded as risk?
 25 A I believe around 2020.
 26 Q All right. And in connection with the process of risk,

<p style="text-align: right;">769</p> <p>1 as the AER was changing its policy and reviewing and 2 reflecting on what was going on -- and I'm asking this 3 to the whole panel -- is there any reason why AlphaBow 4 wasn't told, Hey, look. You may be obligated to come 5 up with a big schwack of money. You should be out 6 there trying to do something about that. You should be 7 trying to set yourself up to fund a security deposit. 8 Is there any reason that they weren't told that that 9 was a real risk? 10 A MR. GREEN: I would like to note that the 11 AER does not set policy. Policy is set by the 12 Government of Alberta. 13 Q Well, is there any reason why the -- AlphaBow was not 14 told by the AER in connection with the decisions that 15 were being made that there was a big risk or that there 16 was a risk, and in 30 days it was going to have to come 17 up with \$15,375,000? 18 And, Mr. Green, since you were part of the 19 recommendation process, why wouldn't you tell the 20 client or the company that that was a risk? 21 A I would like to state that AlphaBow is not my client, 22 but it is an expectation that licensees are familiar 23 with the AER's regulatory requirements. These 24 regulatory requirements that we're speaking to are in 25 Directive 88, and they're very clear about the licensee 26 management program, holistic licensee assessments, and</p>	<p style="text-align: right;">770</p> <p>1 the AER's ability to collect security in order to 2 mitigate the risks. 3 Q Mr. Green, you can cite that policy all you want. What 4 I'm asking you is why didn't you tell this client that 5 it was at that risk? Because the next questions I'm 6 going to ask is: This was a Number 6 risk out of the 7 six worst. I'm going to ask what you did with the next 8 five. Why wouldn't you tell the client that there was 9 that risk before you made a suggestion like that -- and 10 I put it to you -- knowing that it would likely put 11 them out of business? 12 A Again, AlphaBow is not my client and -- 13 Q The company. That's fine. 14 A I did not know whether or not a security deposit would 15 put AlphaBow out of business or not. 16 Q So when you make a recommendation like that, don't you 17 begin with the end in mind to try and determine whether 18 or not you're actually just going to punt an 19 organization like this into the public debt pool of the 20 Orphan Well Association? Isn't that a factor you would 21 consider before you make your recommendation: We need 22 this security? 23 A So I think dating back to the meetings that we had with 24 AlphaBow in 2020, I think Ben -- it was Ben Li who was 25 describing AlphaBow's poor hedging of oil prices. 26 AlphaBow had hedged -- I think it was a majority of the</p>
<p style="text-align: right;">771</p> <p>1 production at \$70 a barrel, and this was a -- a time of 2 very high commodity prices, much higher than \$70 per 3 barrel. And these -- this hedging was set to expire. 4 So AlphaBow actually did communicate with us in 5 the summer of 2022 that they were expecting to see 6 increased cash flows from this hedging expiring, so I 7 believe at the time we were told that their cash flow 8 could increase in the neighbourhood of potentially a 9 million dollars a month. That's a fairly significant 10 increase of cash flow. 11 So based off this information at the time, I did 12 believe it was possible that AlphaBow could potentially 13 meet the security requirement. I was not convinced at 14 any point in time that the security deposit would force 15 AlphaBow out of business. 16 Q Did you even check with anybody, including your parties 17 or people that were involved in the risk analysis, to 18 determine the financial health of the company, what the 19 likelihood of your recommendation would be in 20 connection with AlphaBow? That is, you've got a whole 21 team -- and we'll talk about the whole assessment 22 process whereby you look at its financials, you look at 23 what has occurred, you look at its creditors. I put it 24 to you that you had to know that there was a 25 significant risk if you directed that kind of order, 26 the company was gone.</p>	<p style="text-align: right;">772</p> <p>1 A I mean, it is a possibility. Again, we had been 2 requesting interim financial statements for AlphaBow 3 for quite some time, and they were not providing these, 4 so ... 5 Q So did you check to determine whether or not there was 6 a likelihood that your recommendation would put the 7 company over the cliff? 8 A So when completing the holistic licensee assessment of 9 AlphaBow, we do take into consideration their level of 10 financial distress. Obviously this is an important 11 factor when assessing whether or not a licensee has the 12 capabilities to meet their end-of-life obligations. 13 Q Who in the panel would be the best to go on public 14 record about what happens when you put a company like 15 AlphaBow out of business and the assets go to the 16 Orphan Well Association? Because that is beginning 17 with the end in mind. So which panel member is going 18 to volunteer for that exercise? And I'll take you 19 through it; I want the most accurate evidence. 20 MS. ROSS: Chair, I don't believe we have 21 a question here. 22 MR. STAPON: My question is to this 23 panel -- because I can ask each individual -- is there 24 someone who can actually speak to what happens when you 25 put a company like AlphaBow out of business or, for 26 example, when it just turns over the keys, as Ms. Olsen</p>

<p style="text-align: right;">773</p> <p>1 has indicated has occurred a couple of times.</p> <p>2 A MS. LEWIS: I was going to indicate that</p> <p>3 expertise is actually not on this panel. There is</p> <p>4 another team within the organization that deals</p> <p>5 expressly with that.</p> <p>6 Q Well, over the course of time, has -- have any of these</p> <p>7 panel members -- or any of you panel members actually</p> <p>8 seen what happens in connection with a transfer of</p> <p>9 assets to the attention of the Orphan Well Association?</p> <p>10 And, Mr. Callicott, you, in fact, directed the</p> <p>11 Orphan Well Association to undertake certain of these</p> <p>12 tasks in connection with management, so I assume that</p> <p>13 you know what they, in fact, do. Is that fair?</p> <p>14 A MR. CALLICOTT: I'm not sure what the question</p> <p>15 is.</p> <p>16 Q Do you know what happens when you punt this many</p> <p>17 leases, this many pipelines, this many liabilities over</p> <p>18 to the Orphan Well -- Well Association? What happens</p> <p>19 in connection with their management of these type of</p> <p>20 assets?</p> <p>21 A I can't answer that question. I don't work for the</p> <p>22 Orphan Well Association.</p> <p>23 Q But you have surely observed what has occurred in</p> <p>24 connection with other companies that have failed to</p> <p>25 meet their regulatory obligations and their financial</p> <p>26 obligations in connection with what's happened at the</p>	<p style="text-align: right;">774</p> <p>1 Orphan Well Association process, that is, none of the</p> <p>2 liabilities get picked up unless somebody else comes in</p> <p>3 to buy the significant liabilities; correct?</p> <p>4 A I'm not the best person to answer that question. I'm</p> <p>5 unaware of that.</p> <p>6 Q So I want this panel to be very clear and clearly</p> <p>7 understand that when you ordered \$15,375,000 and some</p> <p>8 additional financial obligations to be paid that you</p> <p>9 had no idea what would happen if that money wasn't</p> <p>10 posted and not paid. Is that your evidence?</p> <p>11 A I believe you've seen our assessments that I reviewed</p> <p>12 and the advice I reviewed in the file.</p> <p>13 Q Answer the question, Mr. Callicott.</p> <p>14 A I'm unsure what the question is, Mr. Stapon.</p> <p>15 Q The question is this: Are you asking this Panel -- or</p> <p>16 telling this Panel that you had no idea what would</p> <p>17 happen to those assets going to the Orphan Well</p> <p>18 Association if the money wasn't posted and your</p> <p>19 suspension order remained? You had to know, I put it</p> <p>20 to you.</p> <p>21 A MS. LEWIS: Sorry. I'm -- maybe I can</p> <p>22 answer that one, Tyler.</p> <p>23 A MR. CALLICOTT: No.</p> <p>24 A MS. LEWIS: When -- yeah.</p> <p>25 A MR. CALLICOTT: He's asking me to --</p> <p>26 A MS. LEWIS: Sorry.</p>
<p style="text-align: right;">775</p> <p>1 A MR. CALLICOTT: -- predict something, and I</p> <p>2 can't predict the future. No. I had no way of</p> <p>3 knowing.</p> <p>4 Q You had no way -- hadn't you seen what had happened in</p> <p>5 connection with significant insolvencies whereby the</p> <p>6 obligations had not been met, end-of-life obligations</p> <p>7 had not been made, parties had come and turned over the</p> <p>8 keys to the Alberta Regulator -- Energy Regulator, and</p> <p>9 you had to punt it over to the Orphan Well Association</p> <p>10 to manage? Wasn't that something well known to you</p> <p>11 before you made this order? And if it wasn't, this</p> <p>12 Panel needs to know that in terms of the fairness of</p> <p>13 that process.</p> <p>14 THE CHAIR: Mr. Stapon, before we go</p> <p>15 further, could you please make yourselves a little</p> <p>16 clearer when you're referring to "the Panel"? Because</p> <p>17 we're hearing "Panel", "panel", and it's getting a</p> <p>18 little confusing, frankly --</p> <p>19 MR. STAPON: Okay. I will --</p> <p>20 THE CHAIR: -- for me as to -- as to who</p> <p>21 you mean.</p> <p>22 MR. STAPON: I certainly will. Thank you.</p> <p>23 Commissioners, this is important evidence that you need</p> <p>24 to understand. If Mr. Callicott's evidence is that he</p> <p>25 was making this decision with no real concept of what</p> <p>26 would happen to the assets of AlphaBow in the event</p>	<p style="text-align: right;">776</p> <p>1 that it could not or did not post a \$15,375,000 as</p> <p>2 security and the corporation failed as a result,</p> <p>3 Mr. Callicott doesn't know what the end result of that</p> <p>4 was likely to be. This Panel, that is, these</p> <p>5 commissioners, you as commissioners, must know that</p> <p>6 because the decision-making process, I will be</p> <p>7 submitting, is flawed, if that's the case.</p> <p>8 THE CHAIR: Ms. Ross?</p> <p>9 MS. ROSS: Yes. Just for clarity too.</p> <p>10 In relation to "the Panel" and "the panel". I think,</p> <p>11 in fairness to the witnesses, it would be best if</p> <p>12 Mr. Stapon asked his questions to each individual panel</p> <p>13 member. If he wants to ask it of each one of them,</p> <p>14 that's fine. But it needs to be -- like, not have them</p> <p>15 guess which one's the best to answer.</p> <p>16 MR. STAPON: All right.</p> <p>17 Q MR. STAPON: We're with Mr. Callicott now.</p> <p>18 Did you have a realistic idea of what would happen</p> <p>19 to the assets of this company being punted over to the</p> <p>20 Orphan Well Association when you actually directed</p> <p>21 their management to go there? And, as I understand it,</p> <p>22 when you actually requested them to potentially appoint</p> <p>23 a receiver, didn't you know what would happen?</p> <p>24 A MR. CALLICOTT: I apologize, but you have to</p> <p>25 focus your question. I -- I don't understand exactly</p> <p>26 the question you're asking, sir.</p>

<p style="text-align: right;">777</p> <p>1 Q Look, when you as the experienced decision-maker with 2 all sorts of experience in connection with regulating 3 oil and gas companies are making a decision directing, 4 Within, for example, 30 days, you will do this or else, 5 and you act on that decision within 60 days based on 6 the stay of execution to say, All of your production 7 stops; you gotta shut in, and you as the decision-maker 8 direct the Orphan Well Association to start to take 9 over those assets, I put it to you that before you make 10 that decision permanent and say, You've gotta come up 11 with the money or my order sticks, you had to know what 12 would happen, that is, what the consequences of sending 13 those assets to the Orphan Well Association would be. 14 Did you or did you not? 15 A I'm hearing a number of questions still. Number 1, I 16 did not send the assets to Orphan Well Association. 17 Number 2, I'm not sure that is part of this hearing, 18 the -- after the June 5th order. Number 3, in general 19 terms, when a licensee ceases operations, I'm aware 20 they can choose to take a -- do that in a number of 21 different ways. I have no way of knowing how -- if 22 AlphaBow chose to cease operations, how they would 23 handle that and how it would end up. I had no way of 24 knowing how the ownership of AlphaBow would react and 25 what they would do. 26 Q Well, you still haven't answered my question, and that</p>	<p style="text-align: right;">778</p> <p>1 is, in the event of failure, did you or did you not 2 know what would happen to the assets of the corporation 3 going to the Orphan Well Association? 4 A It's not a given they go straight to the Orphan Well 5 Association, sir. 6 Q We'll talk about the given. Did you know what would 7 happen if it did? 8 A If -- you're asking do I know what happens when assets 9 go to the Orphan Well Association? 10 Q Yes. 11 A That is what you're asking? 12 Q Well, I'll be asking a few more questions since we're 13 breaking it down on that basis, but, yes. 14 A I'll give you my general understanding. The Orphan 15 Well Association manages those assets. 16 Q Right. 17 A Under their mandate. 18 Q And who abandons the assets? 19 A Well, again, I'm -- I don't work for the Orphan Well 20 Association. I'll give you my answer in general. 21 Orphan Well Association may abandon them; the working 22 interest partner may abandon them; they may sell those 23 assets. There's many different options. 24 Q You knew, did you not, that there were very significant 25 liabilities here, and that is \$150 million, by your 26 calculations, of current abandonment liability; right?</p>
<p style="text-align: right;">779</p> <p>1 A They weren't my calculations, but you've seen our 2 assessments, and they do show approximately 3 \$150 million in inactive liability, and there's other 4 forms of liability as well. 5 Q Indeed. 6 You ballparked a total environmental cleanup at 7 about \$248 million with AlphaBow's wells; correct? 8 A I, again, would refer to the assessment. I believe it 9 was a higher number than that. 10 Q All right. So who was going to pay that if AlphaBow 11 stopped? 12 A Preferably AlphaBow would manage their own liabilities. 13 Q But you knew they couldn't. They told you that they 14 couldn't. They told you they didn't have the money; 15 right? 16 A No. 17 Q Mr. Callicott, there were several meetings which 18 AlphaBow attended with you present where their 19 financial circumstances were reviewed. You knew that 20 they didn't have the cash, didn't you? 21 A No. 22 Q Didn't you look at their financial statements? They 23 were produced, by the way, not through to April, but 24 through to August of 2022, and the company indicated 25 that there was financial stress thereafter, and your 26 own liability assessment process demonstrated that</p>	<p style="text-align: right;">780</p> <p>1 there were significant cash problems. Didn't you look 2 at all of that? 3 A Can you clarify what you're asking, what I looked at? 4 Q Well, maybe you can tell me what you looked at in 5 connection with the financial position of this company, 6 AlphaBow, before saying, Hey, you've got to put up 7 \$15,375,000 in 30 days. 8 A The transparency -- or the financial reviews are in the 9 record. That is what I reviewed. 10 Q Right. And what did you conclude from looking at those 11 documents, Mr. Callicott, about the financial 12 capability of AlphaBow to do what you were ordering? 13 A It appeared to me AlphaBow was in financial distress. 14 Q Right. With that appearance, you had to hope that they 15 might be able to come up with the money, because it 16 certainly wasn't available on their books; correct? 17 A I'm not a financial expert, but, from my view, it 18 didn't look like they had that money on the books that 19 were provided. 20 Q Right. And in their meetings with you, they told you, 21 Mr. Callicott, that they couldn't come up with that 22 money immediately, that they had a business plan that 23 they could hopefully increase their asset liability 24 spend, but there was no way they could put up that 25 \$15,375,000; correct? 26 A I don't agree with that.</p>

<p style="text-align: right;">781</p> <p>1 Q Well, what did they tell you then about their financial 2 capacity to do what you were ordering them to do? 3 A They didn't submit a clear plan or options to pay 4 security. 5 Q They said they couldn't do it. They also said that 6 they had a hope, they had a business plan -- actually, 7 not a hope, but a business plan that they believed 8 would develop substantial revenues from CO2 over the 9 course of time, that they were going to require time to 10 pay, and that they believed that over two years they 11 could do an additional \$15 million and spend out of 12 cash flow. That's what they told you, isn't it? 13 A I don't recall that. I do recall the business plan 14 that was presented. 15 Q You do recall them saying to you, We'd like to pay you 16 a million nine each quarter towards that obligation. 17 We'll put it up in a lawyer's trust account. We'll 18 make sure we spend that over and above our guaranteed 19 spend, and you said no; correct? 20 A That sounds like one of the options they -- they 21 presented in their submission, yes. 22 Q And that would be way better, would it not, than 23 kicking the assets to the Orphan Well Association, 24 wouldn't it? 25 A Is that a question? 26 Q Yes, a very deliberate question, one that you clearly</p>	<p style="text-align: right;">782</p> <p>1 should have thought about. 2 A Can you repeat the question, then, sir. 3 Q I'll be very clear. When you had AlphaBow saying to 4 you, Look, we think with these carbon capture credits 5 we can actually pay an additional million nine towards 6 asset cleanup and retirement obligations over and above 7 our statutory spend, if you let us do that, and you 8 said no; correct? That's the first part of the 9 question. 10 A I did not accept that plan. 11 Q My second part of the question is: It would have been 12 much better for Albertans, the creditors, the 13 environment to give them a shot at doing that instead 14 of saying no; correct? 15 A No. 16 Q Why not? 17 A I wanted AlphaBow to address their own end-of-life 18 obligations. 19 Q Which they were telling you they had a shot at doing, 20 if you permitted them to use that particular mechanism. 21 That is, Look, let us stay in operation. We believe we 22 can get some big carbon credits. Things have changed. 23 We have a different business plan. We think we can do 24 this. Why wouldn't you let them try? 25 A I was not preventing AlphaBow from attempting any of 26 the proposed business plans. They can conduct their</p>
<p style="text-align: right;">783</p> <p>1 business in any way they choose, and their business 2 plans are up to them. I wasn't stopping them from 3 doing that. 4 Q You weren't stopping them. Mr. Callicott, you said in 5 your order, Post your \$15,375,000, or I'm shutting you 6 in. That was stopping them, and you knew it, didn't 7 you? 8 A Which order are you referring to? 9 Q Are you serious that you're asking that? 10 A I don't recall making the statement you said, so I'm 11 asking you which order you're referring to. 12 Q The first order where you ordered them to put up the 13 \$15,375,000 within 30 days. The next order of 14 June 5th, which we've been talking about this entire 15 proceeding, where you suspended them and said, Put up 16 your money or remain suspended. That's what we're 17 talking about, and you know it, don't you? 18 A The first order did demand 15 -- approximately 19 \$15 million in security. And the second order, yes, it 20 would not have been lifted until they complied with the 21 first order. 22 Q Right. So back to my point, and that is: AlphaBow 23 came to you with an alternative plan in saying, Look, 24 we can't do that. We can put up a million nine per 25 quarter over and above our spend. We can't do what 26 you're ordering us to. And you turned that down,</p>	<p style="text-align: right;">784</p> <p>1 knowing that they couldn't raise the 15.375 because 2 they told you so; correct? 3 A I would have to re-review the submissions, but from my 4 recollection, they disagreed with the requirement -- 5 Q Sorry. You'd have to read the submissions to answer 6 that question? Have I got that right? 7 A From my recollection, there's multiple submissions. 8 Q Oh. 9 A The submission disagreed with the requirement to pay 10 security, did not provide alternatives to paying 11 security. I offered for them to propose a payment 12 plan. None was. 13 Q And they told you they couldn't. They said they needed 14 it to do their retirement obligations. They couldn't 15 afford just to put up the cash. They told you that, 16 didn't they? 17 A I'm not sure. 18 Q So when you issued your suspension order, you knew, did 19 you not, that AlphaBow was not going to be continuing 20 its operations if your order remained in place; 21 correct? 22 A Did I know if they were going to comply with the 23 suspension order? 24 Q No. If your order remained in place, they told you 25 they couldn't come up with the money; right? 26 A At any time, AlphaBow could have complied with the</p>

<p style="text-align: right;">785</p> <p>1 first order, at which point I would have lifted the 2 June 5th order. 3 Q The first order required them to put up the money; 4 right? 5 A Correct. 6 Q They told you they couldn't do it; right? Correct? 7 A I'm unsure if they directly said they couldn't do it. 8 In many of the submissions I recall them disagreeing 9 with the requested security, disagreeing with having to 10 pay security. 11 Q Mr. Callicott, they told you when they actually made 12 their submission, saying, Look, we can't afford to pay 13 that kind of money into a trust account. What we can 14 do is try and reduce our liability with our new 15 business plan by paying a million nine into a quarter. 16 And, by the way, we'll prove that we can do it. We'll 17 put it up in our lawyer's trust account every quarter, 18 and we'll spend it and show you that we've spent it. 19 And you didn't accept that; right? 20 A I did not. That's on the record. 21 Q Well, why not? 22 A They did not achieve the -- what I was asking in the 23 order. 24 Q I understand that. 25 A That does not protect or provide any funds for 26 end-of-life obligations.</p>	<p style="text-align: right;">786</p> <p>1 Q If they're spending an additional \$2 million a quarter, 2 15 million dollars or \$15,375,000 over two years, that 3 certainly does go to their end-of-life obligation, 4 doesn't it? 5 A AlphaBow has an obligation -- ongoing obligation to 6 reduce their liability. That is a requirement. 7 Q But you said -- your evidence just moments ago was 8 putting up that money didn't reduce their end-of-life 9 obligations. And I put it to you if they spend it as 10 they said that they were going to, it does; right? 11 A AlphaBow did not have a good track record of following 12 through with the plans -- 13 Q Please answer my question. 14 A -- or submissions. 15 Q You're not answering the question, Mr. Callicott. 16 A Apologies. Perhaps I don't understand what your 17 repeated question is, or perhaps you don't like the 18 answer -- 19 Q Well, let me see if I can be very clear. I'm going to 20 ask the commissioners to listen carefully to this 21 because it was a clear question. I suggested to you 22 that putting up the money and spending it on 23 remediation -- and you said that -- one of the reasons 24 that you turned that down is because it did not address 25 their end-of-life obligations, and I put it to you -- 26 and you can correct me if I'm wrong -- that it does.</p>
<p style="text-align: right;">787</p> <p>1 If they spent it on their ARO, it does reduce their 2 end-of-life obligations, doesn't it? 3 A It reduces their -- it does reduce their liability, but 4 the risk is still there. AlphaBow still has this huge 5 amount of liability and huge potential of end-of-life 6 obligations that they may not meet. 7 Q I -- 8 A The intent of the security was to reduce that risk. It 9 was a very minimal amount of security. It would have 10 only reduced the risk a small amount. 11 Q Mr. Callicott, if you kill the company, you crystalize 12 and make sure that AlphaBow doesn't meet their 13 liabilities, don't you? 14 A I'm not sure of the question. 15 Q You said spending \$15 million is just a little 16 percentage of the end of liability -- or end-of-life 17 liability, and I put it to you that if you kill them 18 immediately, they don't even spend that much; correct? 19 A You're implying I've killed the company. I don't -- 20 Q Okay. 21 A -- that's not a question to me. 22 Q What was going to happen to this company with no cash 23 when you suspended operations? They said they couldn't 24 put up the money, that is, the \$15.375 million, and you 25 said, You can't operate anymore. What did you expect 26 was going to occur?</p>	<p style="text-align: right;">788</p> <p>1 A I hoped that the ownership of AlphaBow would pay the 2 security and fund whatever was necessary to comply with 3 the order. That was my hope. 4 Q And by the middle of August when the stay expired, you 5 knew very well that the owner or the shareholder was 6 not going to put up the money; correct? That was it? 7 They basically said, Here's the keys. 8 A I did not know that. 9 Q Did you anticipate it as a reasonable prospect? 10 A I understood it to be a possibility. 11 Q And I put it to you a higher likelihood, given the 12 resistance that you were getting from the company 13 saying, We can't do it; right? 14 A I was surprised partially seeing Mr. Ironside's 15 submissions about their -- your -- their future 16 prospects and business plans, and I wondered if they 17 were such a sure thing and if the future money to be 18 earned from AlphaBow looked so positive, it seemed to 19 me they could very well pay security. Why would they 20 not? 21 Q Mr. Callicott, any continued operations and any spend 22 on end-of-life operations and any continued employment 23 of all the Albertans working for AlphaBow and any 24 royalties that it would pay from its continued 25 production would be better than shutting it in and 26 killing the company, wouldn't it?</p>

789

1 A My interest was protecting the public safety, the
 2 environment, protecting the sites. That was my main
 3 interest. That is more important than those other
 4 factors.
 5 Q Ah. Well, I'm going to jump ahead in that regard, and
 6 maybe this is a -- you testified that you were
 7 concerned about pipeline liability and the potential of
 8 pipeline problems as causing potential public risk;
 9 right?
 10 A I don't recall saying "pipeline liability". I was
 11 worried about the risks related to their pipeline
 12 operations, yes.
 13 Q I've looked at your RCAM order. It says nothing
 14 whatsoever about pipelines, does it?
 15 A It was made using the Pipeline Act.
 16 Q I'm sorry. What?
 17 A It was made under the Pipeline Act.
 18 Q Was there a separate order?
 19 A Can we bring up the order?
 20 Q Sure. I have it in Exhibit 9 at page 18. What portion
 21 of it do you need to look at?
 22 A Can you repeat your question?
 23 Q Yes. Where does it speak to anything that AlphaBow has
 24 to do with respect to this so-called pipeline risk?
 25 A (as read)
 26 Field compliance rating remains below

791

1 noncompliances. That included any noncompliances,
 2 which includes pipelines.
 3 Q Right. But agree with me, Mr. Callicott, who wanted
 4 very specific advice from AlphaBow in connection with
 5 its plans from time to time, we don't see the word
 6 "pipeline" here; we don't see that there's any specific
 7 directive that AlphaBow do anything with respect to its
 8 pipeline management. This is just a general directive;
 9 correct?
 10 A Are you telling me AlphaBow Energy was unaware of their
 11 compliance history, unaware of the repeated pipeline
 12 noncompliances?
 13 Q No. What I'm telling you, Mr. Callicott, is this
 14 advice that you gave to our commissioners was that one
 15 of your big concerns was all about pipelines and the
 16 risk that they posed.
 17 A One of many concerns was related to pipelines, yes.
 18 Q You indicated that it was a significant concern?
 19 A Yes, it is.
 20 Q And I put it to you that if you had a specific concern
 21 and it was real, you, Mr. Specificity, should have
 22 said, Here is what I require. You didn't do that, did
 23 you?
 24 A The plan lacked detail on almost every regard.
 25 Q So does your order, doesn't it?
 26 A No.

790

1 industry average.
 2 It's a few "whereas" clauses down.
 3 Q Look at the RCAM order that you stipulated. That's on
 4 page -- it looks like -- 21 on my copy.
 5 MS. ROSS: Chair --
 6 THE CHAIR: Yes, Ms. Ross.
 7 MS. ROSS: -- I'm not sure where we're
 8 going with this because in the order it clearly defines
 9 sites as including pipelines, and then the RCAM portion
 10 refers to the site. So I don't know if he's trying to
 11 trick Mr. Callicott or -- but it refers to pipelines.
 12 MR. STAPON: With respect, Mr. Callicott
 13 said that one of his big concerns in this case was with
 14 respect to pipeline safety, and I put it to
 15 Mr. Callicott that there is absolutely no specific
 16 direction in this RCAM order that deals with pipelines,
 17 and, furthermore, AlphaBow was permitted to continue to
 18 operate.
 19 Q MR. STAPON: So tell me, Mr. Callicott,
 20 where is this concern that you had about pipelines
 21 reflected with any specificity? And remember how
 22 specific you wanted AlphaBow to be in this RCAM order.
 23 A MR. CALLICOTT: Clause 1(a) requested specific
 24 actions, including time lines, to improve AlphaBow's
 25 compliance rating to at least 75 percent and actions
 26 that would be taken to address all outstanding

792

1 THE CHAIR: Mr. Stapon -- sorry. I
 2 indicated at the start of this hearing that the Panel
 3 expected respect and civility, so kindly refer to the
 4 witnesses by their proper names.
 5 Q MR. STAPON: So, Mr. Callicott, you'll
 6 agree with me that there is no specificity in your RCAM
 7 order other than saying, You must do something to get
 8 over 75 percent or up to 75 percent; correct?
 9 A MR. CALLICOTT: Once again, I'm not -- I'm not
 10 entirely sure what your -- what your question is,
 11 Mr. Stapon.
 12 Q Mr. Callicott, you will recall that in direct testimony
 13 you criticized repeatedly Mr. Ironside's responses to
 14 your requests by saying, It wasn't nearly specific
 15 enough. It didn't have details. It didn't have times.
 16 It didn't have amounts. It didn't say who was going to
 17 do what. And you'll agree with me --
 18 A I did.
 19 Q -- likewise, your order is equally or more vague;
 20 correct?
 21 A Can you read the requirements of the order?
 22 Q Yes.
 23 A Do you want me to read them?
 24 Q No. Item A, specific actions, which you identified as
 25 "the pipeline".
 26 A The preceding paragraph? What does it say?

793	<p>1 Q (as read)</p> <p>2 Submit a reasonable care and management plan,</p> <p>3 RCAM plan, to the satisfaction of the</p> <p>4 director. To demonstrate the reasonable care</p> <p>5 measures are provided at the sites, the RCAM</p> <p>6 plan must include at a minimum specific</p> <p>7 actions, including time lines, to improve</p> <p>8 AlphaBow's compliance rating to at least</p> <p>9 75 percent and actions that will be taken to</p> <p>10 address all outstanding noncompliances.</p> <p>11 You'll agree with me that there's no reference anywhere</p> <p>12 to what should be done with respect to the so-called</p> <p>13 pipeline risk; correct?</p> <p>14 A It's asking them to address all -- all outstanding</p> <p>15 noncompliances.</p> <p>16 Q Right.</p> <p>17 A All. And at a minimum. At a minimum, provide this.</p> <p>18 It didn't -- the plans did not meet the minimum, and</p> <p>19 it's not specifying wells, facilities, pipelines.</p> <p>20 That's all -- it's all of them.</p> <p>21 Q Right.</p> <p>22 A All noncompliances. And for clause (b), it's the same.</p> <p>23 Q What --</p> <p>24 A To respond to noncompliances -- incidents that could</p> <p>25 relate to any of AlphaBow's operations.</p> <p>26 Q Right. I think the Panel has my point.</p>	794	<p>1 Turning back to the issue of what was happening on</p> <p>2 the legislative front at the AER as these orders are</p> <p>3 being issued and these proceedings are commencing on or</p> <p>4 about the 16th of March, can you tell me -- I'm not</p> <p>5 sure who I should ask this question to. Probably</p> <p>6 compliance. Were you aware that there was an order</p> <p>7 issued by the Alberta Government on the 16th of</p> <p>8 March in connection with asset and liability management</p> <p>9 for the AER?</p> <p>10 THE CHAIR: Who's the question directed</p> <p>11 to, Mr. Stapon?</p> <p>12 MR. STAPON: Ms. Lane [sic], I believe.</p> <p>13 THE CHAIR: There is no Ms. Lane.</p> <p>14 MS. PARSONS: There is no Ms. Lane.</p> <p>15 MR. STAPON: Oh. I'm sorry. What's her</p> <p>16 name?</p> <p>17 Q MR. STAPON: Ms. Lewis. Pardon me. I'm</p> <p>18 sorry.</p> <p>19 A MS. LEWIS: I'm not familiar with what</p> <p>20 order you're speaking of.</p> <p>21 Q Do you know whether or not there was a directive issued</p> <p>22 on the 16th of March, that is, a legislative order?</p> <p>23 A No, I don't believe so.</p> <p>24 Q Is anyone on this panel aware of an order in that</p> <p>25 regard? And I expect that Mr. Callicott may be.</p> <p>26 Were you aware that the Government of Alberta</p>
795	<p>1 issued an order on the 16th of March 2023 in connection</p> <p>2 with the AER?</p> <p>3 A MR. CALLICOTT: I was not aware of that.</p> <p>4 Q It's a ministerial order.</p> <p>5 A I was not aware of that.</p> <p>6 Q Did you become aware of it subsequently?</p> <p>7 A This afternoon, when you mentioned it.</p> <p>8 Q Okay. So, Mr. Callicott, who is it that actually</p> <p>9 coordinates and gives you instruction in connection</p> <p>10 with compliance actions and what should be done and how</p> <p>11 it should be done? Within the --</p> <p>12 A Are you asking who I report to?</p> <p>13 Q Generally, yes, but who is it that instructs you?</p> <p>14 A Well, I report directly to the vice president of</p> <p>15 compliance and liability management, Maria Skog.</p> <p>16 Q Right.</p> <p>17 A And related to actions, I follow the publicly posted</p> <p>18 AER policies, rules, directives, regulations, manuals.</p> <p>19 Q I understand that you are tasked with enforcing the</p> <p>20 actions, but I'm asking you who instructs you what to</p> <p>21 do? And, in particular, I'll be specific here. Was</p> <p>22 there discussion with your superior in connection with</p> <p>23 what to do with AlphaBow?</p> <p>24 A My superior was involved in some meetings, no direction</p> <p>25 on what to do.</p> <p>26 Q Right.</p>	796	<p>1 A I made the decision what to do.</p> <p>2 Q Did you tell your superior what you were planning to</p> <p>3 do?</p> <p>4 A Yes.</p> <p>5 Q Did you discuss with your superior the risks that</p> <p>6 AlphaBow would not be able to comply with the order?</p> <p>7 A Yes.</p> <p>8 Q And what was that discussion? That is, what did you</p> <p>9 review and determine in connection with those risks?</p> <p>10 A For awareness purposes, I would've made her aware of</p> <p>11 the situation. I would've made her aware of the</p> <p>12 decision I was planning to make.</p> <p>13 Q Right. And we heard from Ms. Olsen this morning -- and</p> <p>14 I'll take you to the notes that you were provided if I</p> <p>15 need to -- that there was a clear risk that the company</p> <p>16 would not be able to comply with this order, that is,</p> <p>17 your proposed financial order; correct?</p> <p>18 A Are you speaking of the March 30th order in general?</p> <p>19 Q I'm speaking about the planning process with respect to</p> <p>20 the March order. There was a discussion about the</p> <p>21 potential action items available or your tool kit in</p> <p>22 connection with what you could or could not do, given</p> <p>23 what you were learning about AlphaBow from the LMR</p> <p>24 process; correct?</p> <p>25 A I apologize, Mr. Stapon. I don't -- can you just</p> <p>26 rephrase the question? I don't understand.</p>

<p style="text-align: right;">797</p> <p>1 Q All right. Maybe we'll just go to the specific 2 documents, then. Were you part of the LMR process? 3 A I don't know what that question means. 4 A MR. GREEN: Just to clarify, are you 5 referring to the liability management rating -- 6 Q Yes. 7 A -- when you say "LMR"? 8 Q Yes. So why don't we go to Exhibit 8, page Number 11. 9 This is a document which you addressed briefly in your 10 direct testimony, and there's a reason for HLA, and the 11 requestor is Mr. Tyler Callicott. Do you see that? 12 A MR. CALLICOTT: Yes. 13 Q And were you aware that the Auditor General's report 14 was coming out and it was going to be critical of the 15 Alberta Energy Regulator at the time that you made this 16 request? 17 A No. 18 Q Had you been involved in that process of providing 19 information to the Auditor General at all? 20 A I did provide documentation at some point. 21 Q And was there discussion between you and your superiors 22 or anyone in your group about the fact that the Auditor 23 General was inquiring in connection with what your 24 processes were and whether you were being efficient? 25 A There was discussion at times amongst my team, my 26 colleagues, that the Auditor General was auditing our</p>	<p style="text-align: right;">798</p> <p>1 process. 2 Q Okay. 3 A So I was aware we were being audited. I was not a part 4 of the audit. As best as I can recall, I was filling 5 in for my leader at the time and had to provide some 6 documentation to a team member with the AER that then 7 went to the audit. 8 Q And the type of documentation that you were providing 9 was the effectiveness of your security collection; 10 correct? 11 A I was in a different role then. I was the manager of 12 field operations for the central region. So it's 13 unlikely the information I was provided was related to 14 that. 15 Q All right. In any event, let's take a look at this 16 document, page 11 in Exhibit 8. You'll see that 17 there's a request dated March 2nd, 2023. Do you see 18 that? 19 A Yes. 20 Q The requestor is you; correct? 21 A Yes. 22 Q Why are you requesting? 23 A I wanted the assessment to be completed. 24 Q I understand that, but I asked you: Why were you 25 requesting this? 26 A I wanted to see a better picture of all the information</p>
<p style="text-align: right;">799</p> <p>1 on AlphaBow Energy. 2 Q Ah. All right. And this is primarily a financial 3 analysis. You'll agree with me? 4 A No. 5 Q All right. Well, let's take a look at what it talks 6 about. The licensee group is financially distressed. 7 Do you see that? 8 A Yes. 9 Q And there's an LMP priority rank within Group 2. Do 10 you see that? 11 A Yes. 12 Q And what is that "LMP" for the benefit of the panel 13 again? 14 A Licensee management program. 15 Q And it's Number 6 out of 84, and that excludes dormant 16 licensees; is that right? 17 A That is what it says. 18 Q And what did that mean to you? 19 A I believe that was the order of which the assessments 20 were going to be done. I believe the licensee 21 management program staff intended on starting at 22 Number 1 and working their way down. 23 Q All right. So that's not the rank of where -- of 24 badness in terms of AlphaBow; that's just the order of 25 the analysis; is that right? 26 A MR. GREEN: As I described in my testimony</p>	<p style="text-align: right;">800</p> <p>1 earlier today, that LMP priority rank is based on a 2 licensee's total magnitude of liability. So the 3 licensee with the largest amount of total magnitude of 4 liability within Group 2 would be ranked Number 1, the 5 second largest would be ranked Number 2, so on and so 6 on. 7 Q That's what I understood. 8 So, Mr. Callicott, when you were learning that 9 this is Number 6 on what I'll call "the bad list" -- 10 A So I would point out that a large liability magnitude 11 does not necessarily equate to "badness", as you had 12 described. 13 Q Okay. 14 A It's just a measure of the -- or the liability that 15 licensee owns. 16 Q And you'll recall, Mr. Callicott, that the thing I 17 asked you was that this is primarily a financial 18 review. You'll see that the financial risk is 19 described as "high"; right? 20 A MR. CALLICOTT: Yes. 21 Q And you'll agree with me that in terms of the ranking, 22 Number 6 out of 84, that's a financial issue as well, 23 that is, what is the total liability that the company 24 may have; correct? 25 A It's the total liability. 26 Q Right. And if you take a look at the "Total Liability</p>

801

1 Magnitude", you'll see it's 267,000 -- or \$267,201,988;
 2 is that right?
 3 A Yes.
 4 Q And the "Inactive Liability Magnitude" is 153 million;
 5 right?
 6 A Yes.
 7 Q And the "Marginal Well Magnitude" is \$40 million. Do
 8 you see that?
 9 A Yes, I see that.
 10 Q So when you calculate all those together, what's the --
 11 what's the risk number that you were asking the AER to
 12 assess here in terms of total indebtedness or future
 13 liability?
 14 A I don't understand the question.
 15 Q Well, those three items, "Total Liability Magnitude",
 16 "Inactive Liability Magnitude", and "Marginal Well
 17 Magnitude", where does marginal well fit into the
 18 totally assessment of liability?
 19 A Okay.
 20 A MR. GREEN: I -- I'll step in and answer
 21 this. So "Marginal Well Liability" is liability
 22 associated with active wells that are marginal
 23 producers, so that is wells that are producing less
 24 than 10 BOE per day.
 25 Q Thank you.
 26 And you'll see that there's advice, Mr. Callicott,

803

1 In July 2022, the AER limited their
 2 eligibility due to posing unreasonable risk.
 3 Do you see that?
 4 A Yes.
 5 Q And then: (as read)
 6 AlphaBow has been identified in the LCA as
 7 having a high level of financial distress and
 8 a high level -- high liability magnitude.
 9 Do you see that?
 10 A Yes.
 11 Q So you knew all of that well in advance of drafting
 12 your March 30th order; correct?
 13 A I knew it in advance. This assessment was not
 14 presented to me until a later date. It says March 3rd,
 15 but if I recall correctly, the review meeting was not
 16 till a couple weeks later.
 17 Q My point is this: Before you made the decision to try
 18 and order this company to post \$15,375,000 on a
 19 surprise basis, you knew that the company had a high
 20 level of financial distress; correct?
 21 A Yes, I did.
 22 Q Okay. Which brings me back -- and I'll close the
 23 evening on that basis -- to the questions I was asking
 24 you at the outset, Mr. Callicott. You had to consider
 25 what would happen to the assets of this corporation if
 26 the company that you were noting was in a high level of

802

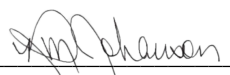

1 in connection with mandatory targets. And that would
 2 be the mandatory cleanup obligation that AlphaBow would
 3 have for its liability for ARO; correct?
 4 A So that are -- those are the mandatory spend quotas
 5 under the inventory reduction program, which, as we
 6 mentioned before, is one of the mechanisms under the
 7 new liability management framework.
 8 Q Mr. --
 9 THE CHAIR: Mr. Stapon, just a five-minute
 10 reminder.
 11 MR. STAPON: Ah. I'll try and get through
 12 the first page of this, then.
 13 Q MR. STAPON: Eligibility is limited
 14 eligibility, and you knew that from your June 28th --
 15 or July 28th order of 2022; correct?
 16 A MR. CALLICOTT: Yes. I made that decision.
 17 Q And you knew that that decision would prevent AlphaBow
 18 from either drilling new wells or selling any assets
 19 without your specific permission; correct?
 20 A That is what the living eligibility decision did.
 21 Q Right. And you were aware that that was going to limit
 22 AlphaBow's available business prospects; correct?
 23 A I was aware it limited them from acquiring new
 24 licences. They could have sold assets with approval.
 25 Q And if you take a look at "Background and Context", you
 26 say -- or it says: (as read)

804

1 financial distress with total liability magnitude of
 2 \$267 million of cleanup, if they couldn't comply with
 3 your order and it had to go to the OWA, you were
 4 dumping all of that responsibility on the OWA; right?
 5 A What was the question?
 6 Q You knew that if your proposed order in connection with
 7 AlphaBow could not be met by the financially distressed
 8 company, there was a high prospect that you were going
 9 to be dumping that massive liability on the Orphan Well
 10 Association; correct?
 11 A I know that if a licensee ceases operations, there is
 12 the strong possibility it could go to the Orphan Well
 13 Association. I am also aware there is many other
 14 options that could happen as well.
 15 Q Did you actually consider the likelihood of any of
 16 those options, Mr. Callicott, before making your order?
 17 For example, who would ever want to pick up this
 18 operation with \$248 million in liability?
 19 A I did consider different potential outcomes.
 20 Q Well, I'd like you to think about those outcomes over
 21 the course of the evening so that I don't put you on
 22 the spot because in connection with any decision, the
 23 reasonableness of it can be assessed by saying, Here's
 24 the possible outcomes, and here's the likelihood, and
 25 here's why I did what I did. And so tomorrow when we
 26 start, I'm going to ask you to tell us what outcomes

1 you, in fact, considered before making your order and
 2 what degree of probability you gave them at the time.
 3 Is that agreed?
 4 A I'm not sure that was a question.
 5 Q It's a direction and a suggestion. That is, I'm going
 6 to ask you this tomorrow morning: What did you
 7 consider? What degree of probability did you give that
 8 proposed outcome before you made the order in question?
 9 Because, Mr. Callicott, we are going to be submitting
 10 that your decision was entirely unreasonable and
 11 unfair.
 12 So is that a fair takeaway to end the evening?
 13 We'll start there tomorrow morning. I'm asking you.
 14 A I'm not answering that question.
 15 Q You're not answering. Well, you'll answer it tomorrow.
 16 MR. STAPON: Commissioners, thank you very
 17 much for your patience and your indulgence. 8:30 AM
 18 tomorrow morning?
 19 THE CHAIR: Yes. Mr. Stapon, just in
 20 relation to continuing tomorrow, for efficiency's sake,
 21 because you have mentioned as well that you have a
 22 number of assistants, we'd like to request or strongly
 23 encourage that you look to where you're making
 24 references again to have them cross-referenced to the
 25 PDF pages to make it easier for our staff to pull that
 26 up. That was a direction that we had indicated prior

1 to the hearing.
 2 MR. STAPON: Thank you. I think we'll be
 3 more focused in terms of the actual paper and
 4 references in my examination tomorrow.
 5 THE CHAIR: Thank you. We would
 6 appreciate that.
 7 So we are at the end of today. We will remember
 8 the witness panel is still under oath. Do not discuss
 9 amongst yourselves or with your counsel. We will
 10 return tomorrow morning at 8:30. Thank you all for
 11 your participation today.
 12 (WITNESSES STAND DOWN)
 13 _____
 14 PROCEEDINGS ADJOURNED UNTIL 8:30 AM, NOVEMBER 30, 2023
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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 29th day of November 2023.
 10
 11
 12
 13 
 14 _____
 15 R.M. Johanson, CSR(A)
 16 Official Court Reporter
 17
 18
 19 
 20 _____
 21 A. Porco, CSR(A)
 22 Official Court Reporter
 23
 24
 25
 26