

DECLARATION NAMING CHRISTOPHER HANNE PURSUANT TO SECTION 106(1) OF THE OIL AND GAS CONSERVATION ACT

For the reasons set out in the accompanying letter, the Alberta Energy Regulator (“AER”) has determined that: (i) Christopher Hanne (the “Individual”) is a person directly or indirectly in control of Arrow Point Oil & Gas Ltd., Big Coulee Resources Ltd., and Drumlin Energy Corp. (collectively, the “Regulated Entities”); (ii) Arrow Point Oil & Gas Ltd. has a debt to the AER; (iii) Big Coulee Resources Ltd. has failed to comply with an order of the AER; (iv) Drumlin Energy Corp. has failed to comply with an order of the AER; (v) the Individual has been in control of the Regulated Entities at all material times; and (vi) it is in the public interest to make a declaration naming the Individual under section 106(1) of the *Oil and Gas Conservation Act*, RSA 2000, c O-6 (“*OGCA*”).

The AER’s legislated mandate under section 2 of the *Responsible Energy Development Act*, SA 2012, c R-17.3 (“*REDA*”) includes a requirement to provide for efficient, safe, orderly, and responsible development of energy resources in Alberta. In accordance with this mandate the AER hereby names the Individual under section 106(1) of the *OGCA* and places the following restrictions on them:

1. The Individual and any licensee or approval holder directly or indirectly controlled¹ by him must inform the AER that a declaration under section 106(1) of the *OGCA* is in effect against the Individual and that the Individual has direct or indirect control of such licensee or approval holder upon the licensee or approval holder’s applying to the AER for any identification code, licence, or approval, or transfer of a licence or approval under the *OGCA* or the *Pipeline Act*, RSA 2000, c P-15 (“*Pipeline Act*”).
2. The AER may refuse to consider any application from the Regulated Entities, the Individual or any other licensee or approval holder over which the Individual has direct or indirect control, for an identification code, licence or approval or transfer of a licence or approval under the *OGCA* or *Pipeline Act*.
3. Where the AER is to consider an application from the Individual or any other licensee or approval holder over which the Individual has direct or indirect control, the AER may require the submission of abandonment and reclamation deposits in an amount to be determined by the AER prior to granting any licence, approval, or transfer of a licence or approval under the *OGCA*.
4. The Individual must submit sworn declarations by April 11, 2019 declaring whether they are in direct or indirect control of any licensee or approval holder, other than the Regulated Entities, that

¹ For the purposes of the *OGCA*, “control” means real, effective, and practical control over a company’s business affairs. Such control may exist in a wide variety of settings and arrangements. Control is ultimately the power to direct the business of the company and make decisions that will be complied with and acted upon by the company.

5. is an applicant to the AER, a licensee, or an approval holder under the *OGCA* or the *Pipeline Act*, or, if they are, a declaration stating the name of any such licensee or approval holder, and specifying the applications each has before the AER and the AER licences and approvals such licensee or approval holder holds.
6. The declaration is in force at the date hereof and will remain in force until the Regulated Entities have rectified their contraventions, and paid any and all debts owed to the AER and to the AER on account of the orphan fund for abandonment and reclamation costs, or until the AER orders otherwise.

Dated: March 11, 2019

Alberta Energy Regulator signed: <Original signed by Robert Wadsworth>

March 11, 2019

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By e-mail and registered mail

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E-mail:

Declaration naming Christopher Hanne under section 106 of the *Oil and Gas Conservation Act*

Dear Mr. Hanne,

On October 29, 2018, the Alberta Energy Regulator (AER) sent a letter by registered mail and by e-mail to Christopher Hanne notifying him of the AER's intention to name him in a declaration pursuant to section 106 of the *Oil and Gas Conservation Act (OGCA)*, and which set a deadline of November 30, 2018 for Mr. Hanne to make submissions. In accordance with section 106 of the *OGCA*, time was provided to permit the individual to show cause as to why a declaration should not be made.

On November 26, 2018, the AER received submissions from Mr. Hanne purporting to show cause as to why a declaration should not be made. By letter dated January 24, 2019, the AER gave Mr. Hanne a further opportunity to demonstrate by January 31, 2019, that he was not a control person at the relevant times when the contraventions occurred and the debts arose. No further submissions were received from Mr. Hanne. The AER has had an opportunity to review submissions provided by the individual and has determined that Mr. Hanne has failed to satisfy the AER that a declaration should not be made. The AER hereby issues a declaration under section 106(1) of the *OGCA* naming Christopher Hanne as a person in direct or indirect control of Arrow Point Oil & Gas Ltd. (Arrow Point), Big Coulee Resources Ltd. (Big Coulee), and Drumlin Energy Corp. (Drumlin), companies that have contravened or failed to comply with orders of the AER or have debts to the AER. The declaration, with its terms and conditions, is found in Attachment 1.

Section 106 of the *OGCA* applies where the AER considers it in the public interest to make a declaration naming one or more directors, officers, agents, or other person who, in the AER's opinion, were directly or indirectly in control of a licensee, approval holder, or working interest participant that has (i) contravened or failed to comply with an order of the AER, or (ii) has an outstanding debt to the AER or to the AER to the account of the orphan fund, in respect of suspension, abandonment, or reclamation costs.

According to the AER's records, Mr. Hanne holds more than 20% of the outstanding voting securities of Big Coulee, which in turn is the 100% shareholder of Arrow Point and Drumlin. On November 26, 2018, Mr. Hanne provided a submission to the AER. In his submission, Mr. Hanne asserted that his involvement in Arrow Point, Big Coulee, and Drumlin was as a passive investment and that he was not familiar with oil and gas operations. The submission also asserted that Mr. Hanne could not legally control Arrow Point or Drumlin since he is not a director, officer, or employee of either company. In addition, Mr. Hanne claimed that he was unaware that a minority shareholder could be held liable for the actions of the companies. Pursuant to the *Securities Act*, RSA 2000, c S-4, absent evidence to the contrary, a person or company who holds more than 20% of the voting securities of a corporation holds a sufficient number of voting rights to materially affect control and is therefore a "control person." Mr. Hanne's November 26, 2018 submission did not include evidence to support his position that he was not a "control person" at the material times. Accordingly, the AER requested by letter dated January 23, 2019 that he submit evidence, such as signed minutes of shareholder meetings or signed resolutions in lieu of shareholder meetings to support that he was not a control person for Big Coulee, at the relevant times when the contraventions occurred and the debts arose. Mr. Hanne failed to submit a response to this request.

Accordingly, the AER finds that Mr. Hanne indirectly holds more than 20% of the voting securities of Arrow Point, Big Coulee, and Drumlin, and is therefore a control person who holds a sufficient number of the voting rights of the associated securities to materially affect the companies. Mr. Hanne is a control person of Arrow Point, a company that has not paid its debt to the AER arising from its failure to pay the 2018 Orphan Fund Levy and 2018 Administration Fee, totaling \$22, 180.26. He was also a control person of Big Coulee at the time that it failed to comply with the AER's Amended Closure/Abandonment Order No. AD 2016-10A. Further, he was a control person at the time Drumlin failed to comply with Order 2018-006 issued to Artisan Energy Corporation and working interest participants, including Drumlin. Mr. Hanne's position satisfies section 106 of the *OGCA*, which empowers the AER to issue a declaration naming one or more directors, officers, agents or other persons who, in the AER's opinion, were directly or indirectly in control of the licensee or working interest participants at the time of the contraventions, failures to comply or failures to pay.

The AER has held in previous decisions under section 106 of the *OGCA* that the purpose of a declaration under section 106 of the *OGCA* is to prevent a licensee or person in control from continuing to breach requirements or incur new breaches or debts, thereby safeguarding the public interest. The AER has also previously held that continued confidence in the regulatory system is best assured when licensees comply with AER requirements.

The AER finds that the actions of Arrow Point, Big Coulee, and Drumlin have undermined the regulatory system and posed an unacceptable risk to public safety and the environment. On the facts before it, the AER concludes that the issuance of a declaration is necessary to deter future noncompliance and uphold the credibility of the regulatory system. It is not in the public interest to allow licensees and working interest participants under Mr. Hanne's direct and/or indirect control to continue to contravene orders of the AER and leave debts to the AER and to the AER on account of the orphan fund.

Note that submission of a sworn declaration in accordance with clause four of the attached declaration must be provided by the named individual by April 10, 2019. Failure to respond appropriately may result in an additional regulatory response from the AER.

Section 106 of the OGCA is a reverse onus provision. The burden is on the individuals to show why the declaration should not be made. They are in the best position to respond to the notice as they are the ones with best information regarding why they failed to comply with AER orders or pay outstanding debts.

Be advised that under the *Responsible Energy Development Act* (REDA), an eligible person may appeal decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of REDA and section 3.1 of the *Responsible Energy Development Act General Regulation*. Requests for regulatory appeal must be submitted in accordance with AER requirements. Filing requirements and forms are available on www.aer.ca.

Sincerely,

<original signed by>

Robert Wadsworth
Vice President, Closure & Liability

Enclosure