

BY E-MAIL ONLY

July 28, 2016

Thomas J. Leakos
Paramount Resources

**TOURMALINE OIL CORP.
APPLICATION NO. 1860696
STATEMENT OF CONCERN NO. 30358**

Dear Mr. Leakos:

Paramount Resources (Paramount) is receiving this letter because it filed a statement of concern about Application No. 1860696. The Alberta Energy Regulator (AER) has reviewed the statement of concern, along with the application, the applicable requirements, and other submissions or information about the application and has decided that a hearing is not required under an enactment or otherwise necessary to consider the concerns outlined in the statement of concern.

In its review of Paramount's concerns, the AER considered the following:

- The applicant is requesting a pooling order for all tract owners in the drilling spacing unit comprised of Section 21-062-05W6M (Section 21) to operate as a unit for the production of gas from the Spirit River Formation through a well to be drill at Legal Subdivision 14.
- Paramount is a tract owner with a 50% undivided working interest in the south-west quarter of Section 21.
- Paramount's concerns relate to the proposed 00/14-21-062-05W6 well and
 - 1) producing the well at current commodity prices may have an effect on its business that would be financially adverse.
 - 2) Paramount requests that a pooling order not be granted while it continues to try to negotiate a voluntary pooling arrangement or sale of the assets with Tourmaline Oil Corp. (Tourmaline).

3) That a pooling order, if granted be consistent with Alberta Energy Pooling Orders Nos. P375 and P451.

- Paramount indicates that it will experience a financial adverse outcome if the application is granted and provided no specific information to support its concerns. The AER standard pooling order requires the Operator to assume the costs of drilling, operating and abandoning the well subject to the terms of the pooling order. The standard order also addresses the Operators ability to recover drilling, completion and operating costs if the well fails to produce gas or if the costs exceed in any month 80 percent of the value of the share of production that the Operator would otherwise be entitled to recover. Paramount referred to pooling Order Nos. P375 and P451 which contain the standard pooling order terms. In light of the forgoing, the AER is satisfied that the terms in the AER standard pooling order and set out in the AER approval address Paramount's general concern.
- The AER encourages mineral holders to negotiate voluntary pooling arrangements. However, if an owner fails to negotiate a satisfactory pooling arrangement in a reasonable period of time, the owner may apply for a compulsory pooling order pursuant to Section 80 of the *Oil and Gas Conservation Act*.
- Based on the applicant's summary of negotiation attempts, the AER is satisfied with the efforts made by Tourmaline to negotiate a voluntary pooling arrangement. Paramount provided no information to suggest Tourmalines efforts to negotiate were not satisfactory. It simply requested the AER hold the application in abeyance while the parties continued negotiations.
- The terms requested by Tourmaline in the application for the pooling order do not deviate from the standard provisions of a pooling order and are consistent with Pooling Orders Nos. P375 and P451
- The subject application is complete in accordance with *Directive 065: Resources Applications for Oil and Gas Reservoirs*.

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The AER has issued the applied-for approval and this is your notice of that decision. A copy of the approval is enclosed. Under the *Responsible Energy Development Act* an eligible person may file a request for a regulatory appeal on an appealable decision. Eligible persons and appealable decisions are defined in Section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request in the form and manner and within the timeframe required by the AER. You can find filing requirements and forms on the AER website www.aer.ca under Applications & Notices: Appeals.

If you have any questions, contact Jessica Eslinger at 403-297-6599 or e-mail Jessica.Eslinger@aer.ca.

Sincerely,

<Original signed by>

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Rob Borth

Director, Subsurface Authorizations

Enclosure (1): (**Application Disposition Document**)