Via Email

June 15, 2017

Norton Rose Fulbright Canada LLP
Attention: Steven Leitl

Alberta Energy Regulator
Closure & Liability (Oil & Gas)

Attention: David Burns and Keely Cameron

Bonavista Energy Corporation
Attention: Colin Hennel and Nicole Mungo

Dear Sirs/Madams:

RE: Request for Regulatory Appeal by Ernst & Young Inc.
       Court-Appointed Receiver of Spyglass Resources Corp.
       Abandonment Costs Order No.: ACO 2016-01
       Licences: F17377 and F22070
       Regulatory Appeal No. 1862824

The Alberta Energy Regulator (AER) has considered Ernst & Young Inc.'s (E&Y) request under section 38 of the *Responsible Energy Development Act* (*REDA*) for a regulatory appeal of the AER's order, ACO 2016-01. The AER has reviewed the request and has decided that E&Y is not eligible to request a regulatory appeal in this matter. Therefore, the request for a Regulatory Appeal is dismissed.

The applicable provision of *REDA*, section 38, states:

> 38(1) An <u>eligible person</u> may request a regulatory appeal of an appealable decision by filing a request for regulatory appeal with the Regulator in accordance with the rules. [emphasis added]

The term "eligible person" is defined in section 36(b)(ii) of *REDA* to include:

> a person who is directly and adversely affected by a decision [made under an energy resource enactment]…

E&Y is the Court-appointed receiver of Spyglass Resources Corp. (Spyglass).   E&Y has requested a regulatory appeal of the AER's decision to issue Order No. ACO 2016 – 01 (the Order), which is an abandonment cost order requiring Spyglass to pay abandonment costs of $755,006.50 plus a penalty of $188,751.63. Those amounts are to be paid in relation to abandoned facilities which were operated by Bonavista Energy Corporation (Bonavista) and in which Spyglass has a working interest. In its request for appeal, E&Y requests that the penalty of $188,751.63 be removed from the Order.

In relation to why it is an eligible person, E&Y submitted the following:

3. Explanation as to why the Receiver should be considered an eligible person under section 36 of the *Responsible Energy Development Act*, SA 2012, c R-17.3

As Court-appointed Receiver of Spyglass, the Receiver has authority over the affairs of Spyglass, and an obligation to enhance and facilitate the preservation and realization of Spyglass' assets for the benefit of all stakeholders. The Order, as a claim in the receivership, may reduce the realization proceeds available to other unsecured creditors. Accordingly, the Receiver is a person who is directly and adversely affected by a decision of the Regulator that was made under an energy resources enactment, and thus fulfills the criteria set out in section 36(b)(ii) of the *Responsible Energy Development Act.*

The AER Closure and Liability Group, which issued the Order, provided no submission in response to E&Y's submission, nor did Bonavista.

Analysis

E&Y's characterization of the Order as a claim in the receivership which reduces proceeds for unsecured creditors does not demonstrate that the Order directly and adversely affects E&Y. Rather, it demonstrates that the Order is a matter for which E&Y, as receiver, must have regard for when complying with the receivership order. The Order might directly and adversely affect certain creditors, as there may be fewer proceeds available to them and conceivably that might affect Spyglass, but that does not translate into direct and adverse effect upon E&Y. E&Y has not provided an explanation of how the Order adversely impacts it. E&Y will still have certain obligations under the receivership order and, while the Order may change the amounts available to creditors, E&Y is not prevented from fulfilling its obligations.

For the above reasons, the AER does not consider that E&Y is an eligible person and therefore dismisses its regulatory appeal request.

Sincerely,

< original signed by >

K. Fisher
Manager, Regulatory Effectiveness

< original signed by >

A. MacPherson
Director, In Situ Authorizations