

BY E-MAIL ONLY

August 2, 2018

Orest Kotelko
Canadian Natural Resources Limited
Calgary, AB

**RE: MEG ENERGY CORP. TO ACCESS PIPELINE INC.
TRANSFER APPLICATION NO. 1908398
STATEMENT OF CONCERN NO. 31156 (SOC)**

Dear Mr. Kotelko:

You are receiving this letter because you filed a statement of concern on behalf of Canadian Natural Resources Limited (CNRL) about Application No. 1908398.

The Alberta Energy Regulator (AER) has reviewed your SOC, along with the Application, the applicable requirements, and other submissions or information about the Application. The AER has decided that a hearing is not required and is not necessary to consider the concerns outlined in your SOC.

The AER notes CNRL's concerns relate to the ability of the proposed transferee to address the end of life obligations associated with assets that are subject to the Application.

The AER shares CNRL's concerns regarding the ability of the industry as a whole to address end of life obligations. This very concern prompted the AER to, among other things, issue Bulletin 2016-21: *Revision and Clarification on Alberta Energy Regulator's Measure to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater Decision* (Bulletin 2016-21) and amend *Directive: 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals*. Further, the AER continues to work with the Government of Alberta in this regard.

In its review of the SOC, the AER considered the following:

- The AER has discretion to grant relief under Bulletin 2016-21 in relation to licensees with a post-transaction liability management rating (LMR) below 2.0 where it believes the transferee can, and has tangible and demonstrated plans to, meet its end of life obligation despite having an LMR below 2.0.
- In this instance, the subject licensee only holds pipeline licences at the AER and under *Directive 006*, pipelines are not considered in the calculation of deemed liabilities unless it is designated a problem site.
- The pipeline installation transfer application and its associated assets are integrated in the Stonefell Terminal Facility and as such, Access's parent company Wolf Midstream Inc. has accounted for this total liability as a full cost decommissioning provision in its financial statement.
- In this regard the AER notes CNRL's submission regarding its proportionate liabilities in relation to the orphan fund. It bears noting that CNRL's end of life liabilities (which are directly related to its share of orphan levies) are a direct result of its own large inventory of inactive wells. Put another way, if CNRL wishes to reduce its exposure to paying increased orphan levies, it can do so by reducing its own inactive well inventory.
- Beyond making broad and sweeping criticisms of the LMR program as a whole, the AER's application and the AER's exercise of discretion under Bulletin 2016-21, CNRL has not demonstrated it is or will be directly and adversely affected by approval of the Application. The impact to CNRL is indirect at best and assumes the licences sought to be transferred in the Application will be orphaned if the Application is approved.
- The AER and the Government of Alberta are currently examining the LMR program as a whole and will consider CNRL's suggestions regarding reforms of the LMR program in the context of that broader policy review. CNRL's concerns regarding the perceived flaws in the policy and methodology underlying the LMR program and its application to AER licensees (including CNRL) do not constitute or demonstrate a direct and adverse impact to CNRL.

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Based on the above, the AER has concluded it is not necessary to hold a hearing before making its decision on the Application.

The AER is satisfied the transferee has taken, or has plans to take, adequate steps to address and fund end of life liabilities associated with its AER licensed assets. The AER also believes it has taken steps to appropriately mitigate the risks contemplated when it issued Bulletin 2016-21. As such, the AER has approved the Application and this is your notice of that decision. A copy of the transfer approval decision is attached.

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, [Regulatory Appeal Process](#).

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If you have any questions, contact Valeria Silva at 403-592-4157 or e-mail Valeria.Silva@aer.ca.

Sincerely,

<Original signed by>

Tania de Silva
Director, Oil, Gas & Pipeline, Closure & Liability

Enclosure (1) (Approval Transfer)

cc: Beau Chaitan, MEG Energy Corp.
Allison Denby, Access Pipeline Inc.
AER SOC Coordinator
AER Edmonton Field Centre