

BY EMAIL ONLY

November 22, 2019

Bryan Badura, Director of Corporate Services
Municipal District of Taber

**MANITOK ENRRGY INC. (MANITOK) TO PERSIST OIL AND GAS INC.
(PERSIST)**

APPLICATION NOS. 1924559, 1924566, 1924705, 1924843, 1924992

STATEMENT OF CONCERN NOS. 31446, 31524

Dear Mr. Badura:

You are receiving this letter because you filed statements of concern about Application Nos. 1924559, 1924566, 1924705, 1924843, 1924992. The Alberta Energy Regulator (AER) has reviewed your statement of concern, along with the company's application, and all applicable requirements and other submissions or information about the applications. The AER has decided that a hearing is not required to consider the concerns outlined in your statement of concern.

In our review of your concerns, we considered the following:

- The AER recognizes that the non-payment of municipal taxes are a significant source of funding that is relied upon for important services. The Supreme Court of Canada ruling on the Redwater court case in March 2019 determined that the AER is not a creditor, and that while receivers and trustees are not personally liable for addressing end-of-life obligations, they cannot simply walk away from the environmental obligations of the debtor company they are appointed over. While the ruling didn't rectify this issue, addressing end-of-life obligations can allow for sites of concern for the municipalities to be freed up for other purposes.

- Unpaid taxes would not be addressed during the transfer process on assets that were renounced as part of an insolvency. These assets become the responsibility of the Orphan Well Association, and the outstanding municipal taxes are not paid.
- In December 2017, the AER updated *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals*.
 - Under Directive 067, energy operators must disclose financial information to the AER including audited financial statements and the existence of insolvency proceedings.
 - The AER does consider other non-compliances related to D067 applications such as unpaid municipal taxes for information. When AER makes decisions, information utilized must be within our jurisdiction.
 - To date, the AER has not denied a license transfer on the basis of unpaid municipal taxes.
- The AER's license transfer process under *Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process* is not a tax collection system, and the concerns regarding tax arrears are outside the scope of the applications.
- Without an identified transferee in the Receivership, these assets may have been destined for the Orphan Well Association, whereby MD of Taber would have received no future payments with respect to these assets.

Based on the above, the AER has concluded that it is not necessary to hold a hearing before making a decision on the application. 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 subject to conditions and this is your notice of that decision. A copy of the transfer approval decision is attached.

All AER- regulated parties must comply not only with the conditions of their authorizations, but with all of the AER's regulatory requirements. To ensure industry compliance the AER has developed its *Integrated Compliance Assurance Framework*, which embodies the three main components of all effective compliance assurance programs, those being education, prevention, and enforcement. You can find out more

about how the AER verifies industry compliance and responds to noncompliance here:

<https://aer.ca/regulating-development/compliance/compliance-assurance-program>.

You may file a regulatory appeal on the AER's decision to issue the transfer approval if you meet the criteria within section 36 of the *Responsible Energy Development Act*. Filing instructions and forms are on our website under Regulatory Appeal Process.

If you have any questions, contact Silken Leach at silken.leach@aer.ca

Sincerely,

<original signed by>

Trevor Gosselin

Asset and Liability Transition Management, Closure & Liability

Enclosure (5): **Transfer Approvals**

cc: Caireen Hanert, Gowling WLG (Canada) LLP
Tom Cumming, Gowling WLG (Canada) LLP
Jill Speer, MD of Taber
AER SOC Assessor
AER Medicine Hat Field Centre
AER Midnapore Field Centre
Amy Thistle, AER