

June 3, 2016

By Email Only

Steven Leidl
Norton Rose Fulbright Canada LLP
c/o **Spyglass Resources Corp.**

**Bonavista Energy Corporation
Cost Reimbursement Applications
Licences: F17377 & F22070**

Dear Mr. Leidl:

You are receiving this letter because you filed a statement of concern on November 25, 2015, about an application for abandonment costs associated with facilities licences F17377 and F22070. The Alberta Energy Regulator (AER) has reviewed your statement of concern (SOC), along with other applicable requirements, and other submissions or information about the licences and has decided that a hearing is not required under an enactment or otherwise necessary to consider the concerns outlined in your SOC.

In its review of your concerns, the AER considered the following:

- Section 30(2) of the *Oil and Gas Conservation Act* permits the AER to determine abandonment costs, on application, and the AER “shall allocate those costs to each working interest participant in accordance with its proportionate share in the well or facility and shall prescribe a time for payment.”
- Spyglass does not dispute that it is a working interest participant in the facilities.
- Spyglass does not dispute that the costs were incurred in relation to the abandonment. Spyglass does not argue that the costs were not reasonable, but its concerns relate to the AFE sent by Bonavista.
- The AER notes that the AFE is related to the parties’ private agreements.
- The other concerns raised by Spyglass relate to the private agreements between the parties.
- The determination and enforcement of those agreements is outside the authority of the AER and a matter for the Alberta courts.
- Spyglass has not raised concerns that could fall under the authority of the AER, as set out in its governing legislation.

- Further, Spyglass' concerns relating to the improper withholding of royalties or Spyglass' reserve write down by its reserve auditor appear to be impacts already incurred by Spyglass, and it is not clear how the AER's decision on the abandonment cost application is related to those occurrences.
- Finally, in regards to Spyglass' concern regarding public notice, the AER notes that prior to a decision being made on the application Spyglass was made aware of the application and was able to file its statement of concern, which has been considered in accordance with the *Responsible Energy Development Act* and the *Rules of Practice*. Accordingly, it appears that any potential defects in providing of notice have not resulted in an adverse impact to Spyglass.

Given the foregoing, the AER has decided to grant the application by Bonavista and this is your notice of that decision. A copy of the order to pay abandonment costs 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 www.aer.ca under Applications & Notices: Appeals.

If you have any questions, contact Laura Chant at 403-XXX_XXXX or email XXXXX.

Sincerely,

<Original signed by>

Helene de Beer
Director, Closure & Liability (Oil & Gas)

Enclosure (1): **(ACO 2016-01)**

cc: Colin Hennel, Bonavista Energy Corporation (Email)
Neil Narfason, Ernst & Young (Email)