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**Subject:** Armisie Field Abandoned Well and Facilities Licence Issues  
**Date:** Monday, May 4, 2015 4:25:00 PM  
**Attachments:** [May 4 2015 - AER - Armisie abandoned wells and facilities licences.pdf](#)  
[Armisie Field 1953.pdf](#)  
[ARMISIE Well Locations and Mineral Rights.pdf](#)

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Dear Sir or Madame;

Further to last week's demand and notice letter, please see the attached application to the Alberta Energy Regulator for review and variance of various Armisie Field abandoned well licences and facilities licences. Related illustrations are also attached.

This application has been copied to all parties listed as well or facilities licensees:

1. CalFrac Well Services
2. Encana Corporation
3. Penn West Petroleum Ltd. via its legal counsel Bennett Jones LLP.

The undersigned is pleased to answer any questions.

Yours truly

***DORIN LAND AND OILFIELD MANAGEMENT INC.***

Mark Dorin

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May 4, 2015

The Alberta Energy Regulator

Suite 1000, 250 – 5th Street SW  
Calgary, Alberta T2P 0R4

St. Albert Field Centre  
Main Floor, 30 Sir Winston Churchill Avenue  
St. Albert, Alberta T8N 3A3

Dear Sir or Madame:

**Licencing of Abandoned Wells and Operating Facilities: Armisic Oil Field in Edmonton**

Further to our letter dated May 1, 2015, we write for the following reasons:

1. Four abandoned wells, listed in the table below, exist with surface locations on the subject Lands: The South Half of 4-52-25 W4M, within Armisic Field in Edmonton.
2. Such four wells are licenced, most likely in error, to three different licensees.
3. The provisions of *Directive 079, Surface Development in Proximity to Abandoned Wells*, are applicable to all such wells. The lands are prime for residential development.
4. The person that presumably possesses the right to the freehold minerals, owned by several different persons, related to three of such wells, Penn West Petroleum Ltd. (“**Penn West**”), has taken the position that such wells should be licenced by the Orphan Well fund (we may disagree). There are two related sub-issues:
  - a) If Penn West is the lessee of certain freehold mineral rights, pursuant to a mineral lease described below, the wells listed as Items 1 and 2 in the table below, now licenced by Armisic Oil Company Limited, should be licenced by Penn West.

Petroleum and Natural Gas Lease dated October 20, 1952

**Lessor:** William Sloane Seale Armstrong and Jessie Eileen Watson

**Lessee:** William Newman, Louis Podersky, Daniel Podersky and Samuel Dattner

(The “**1950 Mineral Lease**”)

- b) Penn West’s alleged surface lease, related to two active oil well sites<sup>1</sup> and the south portion of the Armisic Battery, is valid so long as production is being obtained under the provisions of said 1950 Mineral Lease. If the Orphan Well Fund should properly be the licensee of the wells currently licenced by defunct Armisic Oil Company Limited, it follows that Penn West may not be relying on the 1950 Mineral Lease and therefore may possess no surface right of entry to several sites.

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<sup>1</sup> The site at 7-4-52-25 W4M, active Licences. 2714 and 335815. The site at 6-4-52-25, active Licence 3078.

5. One well is licenced by Calfrac Well Services, clearly in error. The well was drilled by Denison Mines Limited, a predecessor in interest to Penn West under the 1950 Mineral Lease. Calfrac Well Services appears to have never possessed any right to the minerals or to work such minerals. The mineral rights in respect of this well are owned by the Crown and appear to be leased by Penn West.
6. The remaining well is licenced by Encana Corporation, also related to freehold mineral rights, which rights also appear to be leased by Penn West according to caveats on the freehold mineral rights title.

The issues are identical in respect to another, fifth well, described in the grey-shaded row in the table below, located on Crown lands within the Anthony Henday Drive TUC area.

The wells listed as 1-4 in the table below have three surface locations within Lands, illustrated in attachments and owned by persons whose interests we represent (the “**Braun et al Lands**”).

## FACTS

### The Subject Abandoned Wells

No.	Licence	Original Name	Current Licensee	Original Licensee	Mineral Rights Owner(s)
	3078	Armisie No. 3	Armisie Oil Co.	Armisie Oil Co.	
1	3490	Armisie No. 4 5-4-52-25 W4M	Armisie Oil Co.	Armisie Oil Co.	Jessie Eileen Watson Nancy Helen Kachur Ann Wilson
2	3805	Armisie No. 6 8-4-52-25 W4M	Armisie Oil Co.	Armisie Oil Co.	William Armstrong
3	88090	1-4-52-25W4M Surface at 7-4	Calfrac Well Services	Dennison Mines Limited	Crown
4	16349	9-4-52-25 W4M Surface at 7-4	Encana Corporation	Conwest Exploration	Foremost Auto Body Ltd.

1. Armisie Oil Company Limited was struck from the corporate record in 1964.
2. Prior to the windup of Armisie Oil Company Ltd., such company sold the following Armisie Field assets to Denison Mines Limited in August of 1962:
  - a) Armisie Oil Company Limited’s interest in the 1950 Mineral Lease;
  - b) two active oil wells and one suspended oil well (Licence Nos. 2714, 3805, and 3609);
  - c) the Armisie Battery, five oil effluent flowlines, and any other surface equipment.
3. The abandoned wells related to the 1950 Mineral Lease (licence Nos. 3078, 3490, and 3805) were not specifically purchased by Dennison Mines Limited and thus remained licenced by Armisie Oil Company Limited.
4. Penn West has not been able to produce a copy of the 1950 Mineral Lease signed by the Lessee to the undersigned (a copy signed by the Lessor only in 1962 was produced).

5. Pursuant to a letter dated December 19, 2014, Penn West took the position that it should not be the licensee of any of the abandoned wells listed as Items 1-4 in the table above.
6. Contrary to the Penn West's December 19, 2014 position, pursuant to a letter dated April 11, 2013, Penn West took the following positions:
  - a) Penn West would apply to have Well Licence No. 88090 (1-4-52-25 W4M, surface at 7-4-52-25 W4M) amended to reflect Penn West as the licensee.
  - b) Penn West would apply to have Well Licence No. 3490 (5-4-52-25 W4M) amended to reflect Penn West as the licensee.
  - c) Penn West would adhere to the provisions of *Directive 079* in respect of the two wells listed immediately above (the writer made certain requests pursuant to the provisions of *Directive 079* in writing).
  - d) The Orphan Well Program should hold Licence No. 3805 (8-4-52-25 W4M).
  - e) Encana Corporation is the proper licensee in respect of Licence No. 16349 (9-4-52-25 W4M, surface at 9-4-52-25 W4M).
7. Calfrac Well Services and Encana Corporation have repeatedly been contacted by the undersigned, where in such regards:
  - a) Calfrac Well Services took the position it has never owned an oil well.
  - b) Encana Corporation has never fully responded. However, Encana Corporation did indicate that such company remains the holder of Well Licence No. 16349 pursuant to an oversight or other failure to transfer the well / licence.
8. Penn West holds facility licence No. F-20254 for the Armisie Battery at 6-4-52-25 W4M.
9. A water injection well with Licence No. 3609 is operated at 3-4-52-25 W4M as are four oil wells and a natural gas well (constituting a multi-well water injection/disposal site).

## APPLICABLE STATUTE AND REGULATIONS

Section 16(1) and 16(2) of the *Oil and Gas Conservation Act*, RSA 2000, c. 0-6 (the "*OGCA*") reads:

***"Entitlement for well licence***

**16(1)** *No person shall apply for or hold a licence for a well*

*(a) for the recovery of oil, gas or crude bitumen, or*

*(b) for any other authorized purpose*

*unless that person is a working interest participant and is entitled to the right to produce the oil, gas or crude bitumen from the well or to the right to drill or operate the well for the other authorized purpose, as the case may be.*

**(2)** *If, after 30 days from the mailing of a notice by the Regulator to a licensee at the licensee's last known address, the licensee fails to prove entitlement under subsection (1) to the satisfaction of the Regulator, the Regulator may cancel the licence or suspend the licence on any terms and conditions that it may specify"*

Section 17(1) of the *OGCR* is also applicable to (1) the Armisie Battery and (2) to a multi-well site at 3-4-52-25 W4M, which site requires a facility licence pursuant to the sour content of solution gas in oil wells and the present of a licenced water disposal well at 3-4-52-25 W4M.

Section 17(1) of the *OGCR* reads:

***“Entitlement for facility licence***

***17(1) No person shall apply for or hold a licence for a facility unless that person is a working interest participant.”***

Applicable regulations are the *Oil and Gas Conservation Rules*, AR 151/1971 (the “*OGCR*”) and *Directive 056, Energy Development Applications and Schedules* (“*Directive 056*”), incorporated into and forming part of the *OGCR* by reference.

Pursuant to Section 5, and particularly Sections 5.1 and 5.5.1 of *Directive 056*, the facility licencing requirements for injection/disposal and multi-well sites are regulated and explained.

Pursuant to Section 42 of the *Responsible Energy Development Act* (“*REDA*”), the Regulator may, in its sole discretion, reconsider a decision made by it and may confirm, vary, suspend or revoke the decision.

## **ARGUMENT**

1. The undersigned submits that, particularly where abandoned oil wells are located on land with residential development potential, to which the provisions of *Directive 079* apply, abandoned wells must be licenced by the correct person pursuant to Section 16(1) of the *OGCA*.

2. Surface owners have no means of determining what person is a working interest participant in respect of private leases and grants of freehold mineral rights. Section 16(2) of the *OGCA* exists to grant powers to the Alberta Energy Regulator (the “**Regulator**”) to determine what person or persons are working interest participants in the minerals, and what persons should therefore be well and/or facilities licensees pursuant to the provisions of the *OGCA*.

3. The Regulator’s web site directs applicants to contact the local Regulator field office in respect of Orphan Well Program issues. This application should be dealt with in St. Albert.

4. The Orphan Well Program should incur no expense in respect of wells completed to privately owned oil and gas reserves, or when there is a lessee of Crown minerals that is a corporation in good standing. Such is not the intent of the statutory scheme. Moreover, Penn West’s liability rating should be reviewed in respect of Armisie Field issues.

5. The person who is a working interest participant in the multi-well site at 3-4-56-25 W5M, at which site is located a water injection/disposal well with licence No. 3609, is required to possess a facilities licence pursuant to the applicable provisions of Section 5 of *Directive 056*, where the undersigned has been unable to ascertain if any facility licence has ever been applied for or issued.

6. The Regulator has a mandate to ensure all oil and gas activities are properly licenced and to suspend or terminate any activity that is not properly licenced or regulatory non-compliant.

7. There are simply too many varied licencing and regulatory non-conformances to allow Armisie Field operations to continue, at least until licencing issues have been resolved, and until Penn West addresses numerous regulatory non-conformances in meaningful ways.
8. This application meets the requirements of Section 3(1) of the *Alberta Energy Regulator Rules of Practice*, AR 99/2013.
9. The Regulator must be concerned with any entry on private lands which creates “specified land” as defined in Part 6, Section 134(f) of the *Environmental Protection and Enhancement Act*, RSA 2000, c. E-12 (the “*EPEA*”) and impacts surface rights guaranteed by Section 137 of such statute.
10. The *EPEA* is a “specified enactment” pursuant to Section 1(1)(s)(i) of *REDA*. The Regulator has a mandate to issue environmental protection orders in respect of any trespass creating “specified land”. The undersigned submits the Regulator possesses jurisdiction and a mandate to interpret private agreements, including surface lease, pipeline easement, or freehold mineral lease agreements to carry out its mandate in such respects.

#### **REMEDIES / RELIEF REQUESTED**

1. Pursuant to the provisions of Section 16(1) of the *OGCA*, the Regulator is requested, pursuant to the procedure set out in Section 16(2) of the *OGCA*, to investigate and determine what person should properly be the licensee of the wells listed in the table above, and to amend the related licences accordingly.

The Regulatory is requested to do so on the grounds that none of the current licensees of the abandoned wells listed in the table above are a working interest participant in the subject mineral rights, and possess no rights whatsoever to drill or operate a well, whereby the Regulator possesses no jurisdiction to allow the subject licences to remain in the names of persons in non-compliance with the provisions of Section 16(1) of the *OGCA*, and the Regulator should review obvious errors of law and jurisdiction related to any licence.

2. In the event Penn West is not the Lessee named in the 1950 Mineral Lease, Remedy 1 above is also requested in respect of the following active wells, which the Regulator is additionally requested to cause Penn West to shut in and suspend:
  - a) Well Licence No. 2714, for the oil well at 7-4-52-25 W4M
  - b) Well Licence No. 3078 for the oil well at 6-4-52-25 W4M
  - c) Well Licence No. 3609, for the well at 3-4-52-25 W4M, originally an oil well, converted to salt water disposal circa 1966.
3. The Regulator is hereby requested to determine if Penn West is a working interest partner in respect of the Armisie Battery, Licence No. F-20254, or any wells associated with such battery in respect of the freehold minerals owned by Jessie Eileen Watson, Nancy Helen Kachur, Ann Wilson, and William Armstrong within LSD 3, 5, 6, 7, 8 and 11 of Section 4-52-25 W4M. The relevant wells are those six wells drilled in 1951 listed below:

- a) Well Licence No. 2714, for the Armisie No. 1 oil well at 7-4-52-25 W4M.
  - b) Well Licence No. 3078 for the Armisie No. 2 oil well at 6-4-52-25 W4M.
  - c) Well Licence No 3078 for the Armisie No. 3 oil well at 11-4-52-25 W4M.
  - d) Well Licence No 3490 for the Armisie No. 4 oil well at 5-4-52-25 W4M.
  - e) Well Licence No. 3609, for the Armisie No. 5 well at 3-4-52-25 W4M, originally an oil well, converted to salt water disposal circa 1966.
  - f) Well Licence No 3805 for the Armisie No. 6 oil well at 84-52-25 W4M (this well appears never to have been completed, and is the only well related to those wells drilled in 1951 to which no oil effluent pipeline was constructed).
4. The Regulator is hereby requested to inquire into and make a finding as to if Penn West is entitled to dispose of or inject produced water at 3-4-52-25 W4M, if such activities should be licenced pursuant to a facilities licence, and if a facilities licence has been properly issued. In the events a facilities licence is required but none has been issued, the Regulator is hereby requested to direct Penn West to cease all water injection operations.
5. In the event the St. Alberta Field office of the Regulator determines the issues raised pursuant to this application cannot be dealt with at the field level, the requests are:
- for this application to be dealt with pursuant to Section 42 of the *Responsible Energy Development Act*; and,
  - for any recipient employee of the Regulator to forward this application plus our letter dated May 1, 2015, incorporated into this application by reference, to the appropriate department and or employee of the Regulator.

## ADDITIONAL INFORMATION

We refer the Regulator to:

- our letter of May 1, 2015 in which other issues were set out in respect of alleged Armisie Field regulatory non-compliant and improperly licenced operations; and,
- two attached illustration of Armisie Field operations which illustrate:
  1. the locations of the wells drilled by Armisie Oil Company Limited in 1951, three of which remain licenced in such non-existent company's name; and,
  2. the locations of five original oil effluent pipelines which existed by 1953, but were not officially licenced until 1967 (line related to Armisie No. 5 well) or until after 1978 (remaining three oil effluent lines), none of which are in rights-of-way obtained pursuant to the provisions of the *Surface Rights Act* or *Land Titles Act*.<sup>2</sup>

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<sup>2</sup> The Applicant for related pipeline licences advised the former ERCB that rights-of-way had been obtained.

3. The locations of the wells in the table above, and the owners of petroleum and natural gas rights pursuant to our investigations.

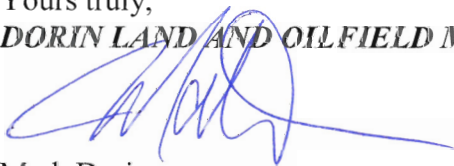
Numerous other issues unresolved issues exist in respect of the Armisie Field, but are less urgent. The undersigned will continue to write until such time as the numerous licencing and regulatory non-compliant operation issues, and trespass issues, of the Armisie Field are resolved. Some examples of other issues fairly raised with Penn West, which Penn West refuses to address in any meaningful way are:

1. All licensees are required to have Participant Involvement Programs pursuant to the provisions of Section 2 of *Directive 056*. Reasonable concerns of stakeholders over the life of any energy project are to be addressed.
2. The licensee of the well with Licence No. 335815 undertook, as recorded in Appendix 2 to ERCB Decision No. 2005-085 dated July 28, 2005, to keep surface owners and area residents informed, and to amend surface leases whereby the Licensee's undertakings formed part of private agreements with the surface owners. The Licensee has not fulfilled a number of its undertakings recorded by the former ERCB, nor has it advised the former ERCB or the Regulator as to why it was unable to do so, as directed by the former ERCB pursuant to said Decision 2005-085.
3. Penn West's Emergency Response Plan for sour operations contains numerous inaccuracies and errors of fact and law.

We trust the Regulator shall initiate appropriate investigations, and that the Regulator agrees that immediate actions are justified to protect the safety of those in the urban area and to protect the environment.

Yours truly,

**DORIN LAND AND OILFIELD MANAGEMENT INC.**



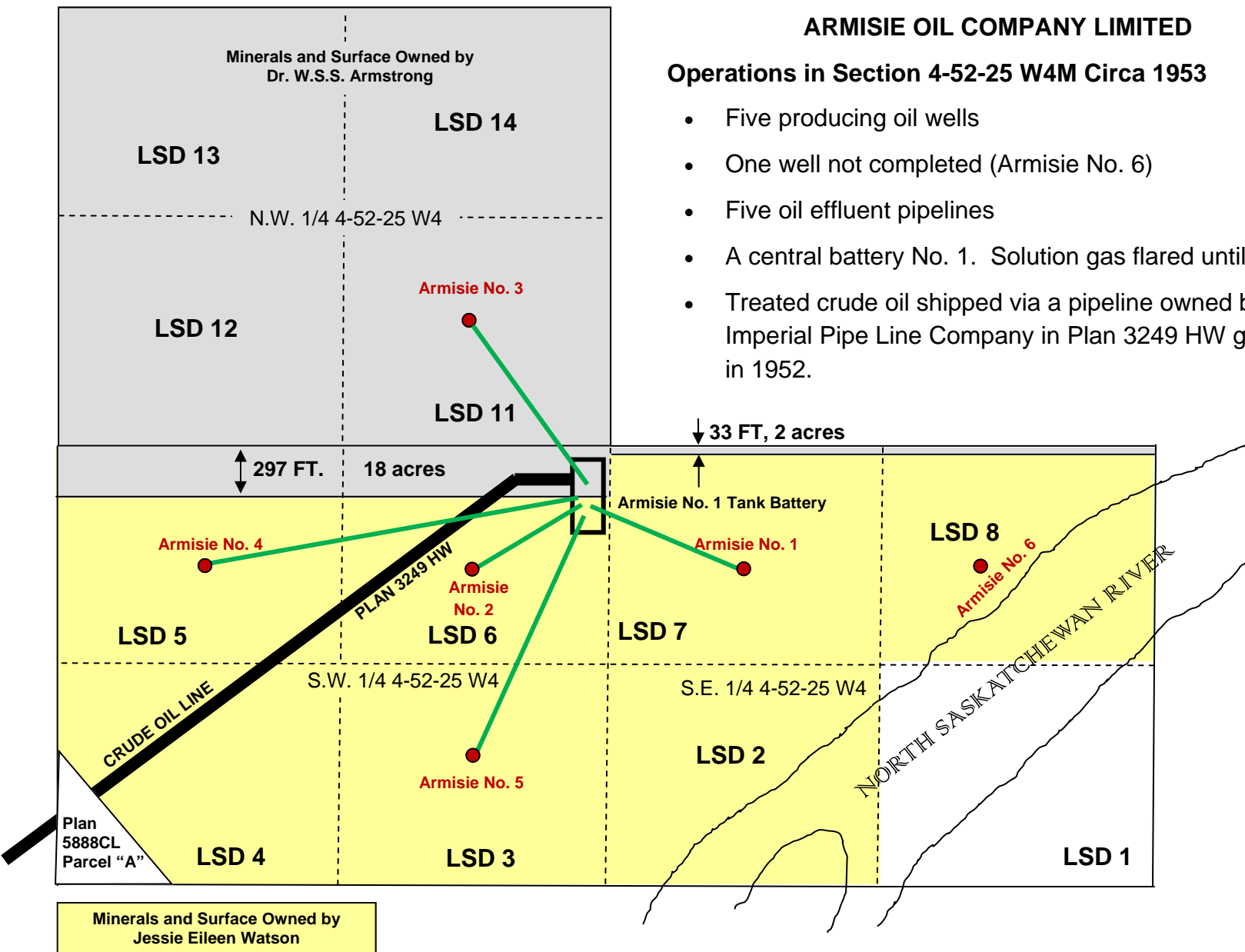
Mark Dorin  
President

Attachments:

1. Illustration of Armisie Field Operations Circa 1953.
2. Illustration of locations of active and abandoned wells and mineral rights owners.

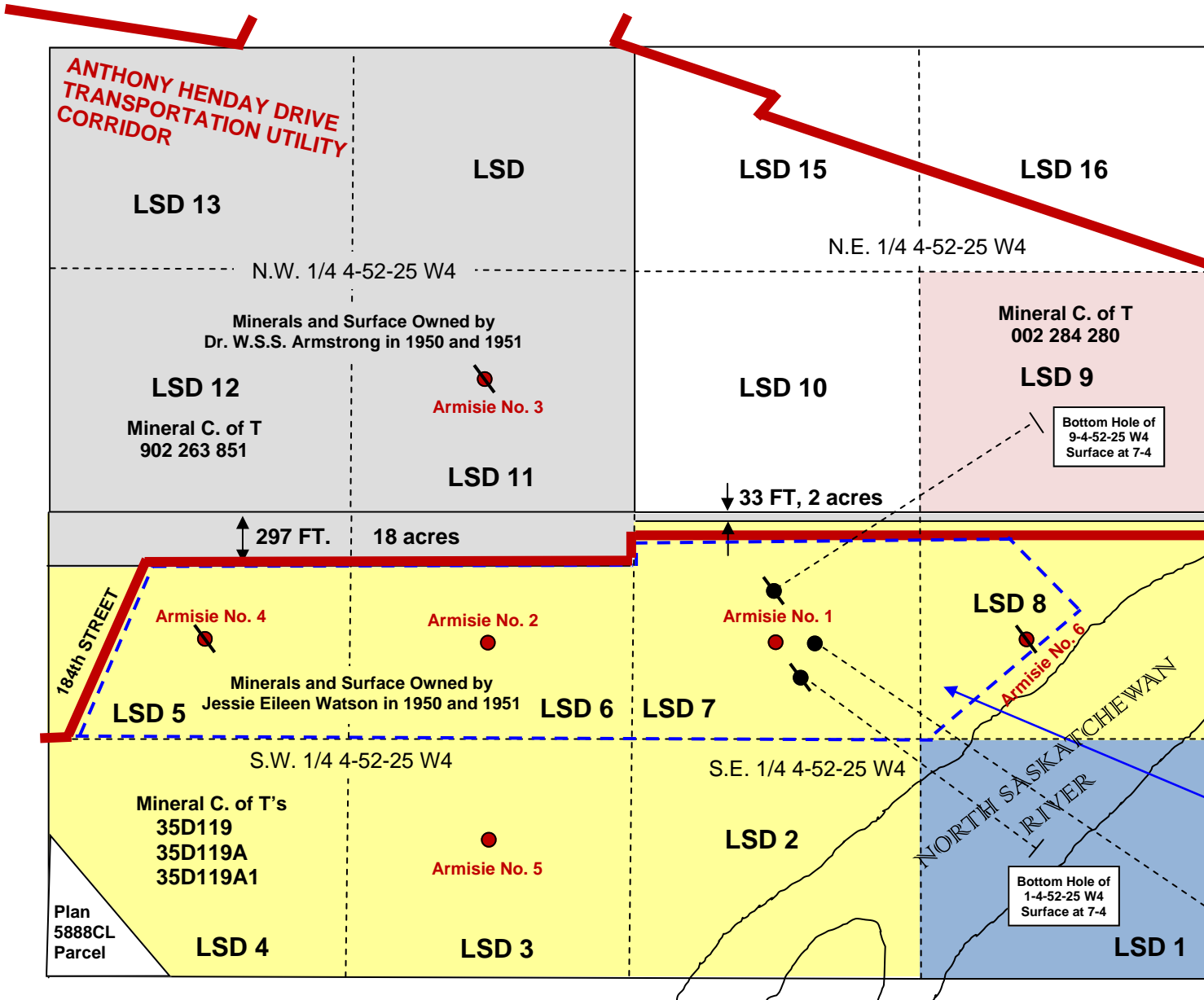
CC: Penn West Petroleum Ltd. via legal counsel, by e-mail  
Cal Frac Well Services  
Encana Corporation via e-mail





**NOTE:** The former crude oil line in Plan 3259 HW was converted to a sales gas line circa 2000, and crude oil was thereafter trucked from the Armisie Battery.

**Armisie Oil Field  
Wells Drilled in 1951  
Shown in Red**



**Grey and Yellow Areas  
Petroleum and Natural Gas  
Lease dated October 20, 1950**

**Lessor:** Jessie Eileen Watson and Dr. William Sloan Seale Armstrong

**Lessee:** William Newman Louis Podersky Daniel Podersky Samuel Dattner

**Caveat Details:**

**No.:** 92152366  
**Date:** May 14, 2009  
**Caveator:** Penn West Petroleum Ltd.

**Registered on Mineral C. of T's:**

1. 35D119 Jessie Eileen Watson
2. 35D119A Jessie E. Watson
3. 35D119A1 Jessie E. Watson
4. 902 263 851 in names of:  
Nancy Helen Kachur  
Ann Wilson  
William Armstrong  
Descendants of  
Dr. W.S.S Armstrong

**The Braun et al Lands  
as at 2015  
103.8 acres  
Outlined in blue  
dashed lines**

Yellow areas, petroleum and natural gas rights owned by Jessie Eileen (Armstrong) Watson as at 1947. Leased October 20, 1950.	One combined P&NG Lease
Grey areas, petroleum rights owned by descendants of Dr. William Sloan Seale Armstrong, Director of Armisie Oil Company Ltd.	
Pink Area of 9-4 LSD. Petroleum rights owned by Foremost Autobody Ltd. Penn West Petroleum Ltd. caveat.	Caveat No. 012047243
Blue Area of 1-4 LSD. Petroleum rights owned by the Crown. Penn West stated it leases such rights.	Crown P&NG Lease # 0040479020227