

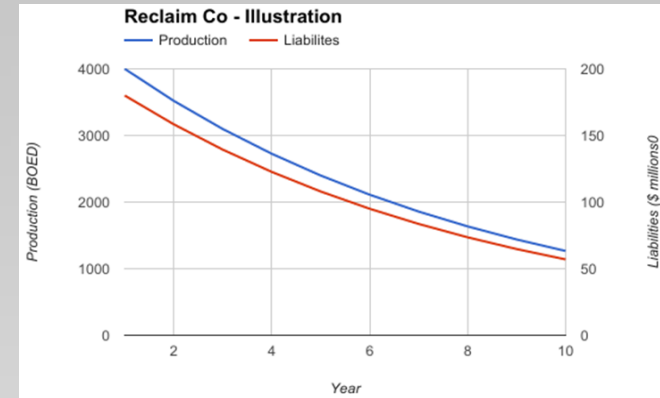
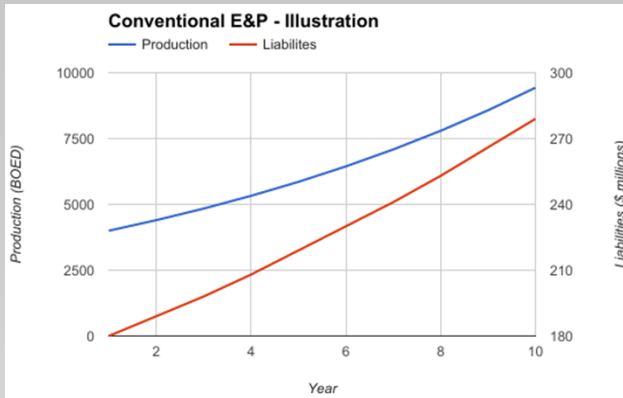
NIVEN FISCHER
ENERGY SERVICES INC.
Your Trusted Technical Partner



Alberta Energy

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New Versus Legacy Licenses



New Licenses

- A&R deposit required prior to granting license
- Applicable to wells, facilities and pipelines
- Equal to current AER estimates at time of licensing
- Deposit and accrued interest remains with asset for life
- AER sets up a managed trust for funds
- Funds proactively managed

Legacy Licenses

- LLR remains in place with some changes
- More robust liability calculation by including pipeline A&R and debt obligations
- Formal A&R trusts and bonds be included in asset calculation
- Asset calculation amended to reduce volatility
- Changes to policy and regulations

Detail

New Licenses

- Managed funds will appreciate at rate greater than inflation
- All working interest owners are responsible for their share of deposit
- Deposits assignable (track WI owners)
- Sale, purchases and bank financing simplified as liability funding exists
- AER retains ability to request additional funding if required
- Trust holds run-off insurance policy for assets with reclamation certificate

Legacy Licenses

- Challenges
 - Low commodity prices means marginally enough cash flow to cover liabilities
 - Redwater decision
 - Inappropriate liability management system
 - Unfunded liabilities in OWA
- Primary objectives
 - Maximize remaining cash flow
 - Prioritize funding of A&R
 - Minimize impact on industry and people of Alberta

Dealing with Legacy Licenses

- OWA obligations and post reclamation
 - Update policy and regulations to allow capture of mineral title for orphaned wells with value
 - Evaluate well inventory for potential sale - Use sale proceeds for A&R work
 - RFP grouped projects, incentivize bigger projects beyond OWA wells
 - Set-up self insurance fund or buy insurance (industry funded) for post reclamation risks
- Operating Assets
 - Revised LMR/LLR calculation
 - All WI parties responsible for proportionate responsibility
 - Liabilities to include debt obligations, forward sales, pipelines
 - Assets to include new cash flow model with more stability (five year rolling average pricing)
 - Assets to include funds deposited to non revocable abandonment and reclamation trust
 - Security to include bonds, cash, letter of credit
 - Mandatory funding to A&R trust fund for marginal assets (test and % cash flow to be determined)
- Regulatory Changes
 - If AER issues closure orders that are not fulfilled or companies voluntarily put assets to the OWA, the AER needs the right to acquire mineral title from the offending party
 - Change requirement for land owner consent
 - Parties require run-off insurance after reclamation
 - Timely A&R not related to LMR/LLR ratio
 - Lobby federal government for A&R trusts to be Qualified Environmental Trusts
 - Revisit certain reclamation guidelines