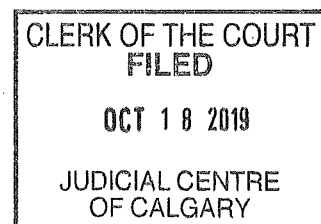


COURT FILE NUMBER 1901 14615
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT ORPHAN WELL ASSOCIATION
RESPONDENT HOUSTON OIL AND GAS LTD.



DOCUMENT AFFIDAVIT
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT MILES DAVISON LLP
Barristers and Solicitors
900, 517 - 10th Avenue SW
Calgary, Alberta T2R 0A8
Attention: Terry L. Czechowskyj
Telephone: (403) 298-0326
Fax: (403) 263-6840
File: 47280 TLC

AFFIDAVIT OF LARS DE PAUW

SWORN OCTOBER 15, 2019

I, Lars De Pauw, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Executive Director with the Orphan Well Association ("OWA"). As such, I have personal knowledge of the matters herein deposed to except where stated to be on information and belief, in which case I believe same to be true.
2. I bring this application on behalf of the OWA to appoint Hardie and Kelly Inc. as a receiver and manager over the business, assets and undertaking of the Respondent Houston Oil and Gas Ltd. ("Houston").
3. The OWA is an independent non-profit organization that operates under the delegated legal authority of the Alberta Energy Regulator ("the AER"). The mandate of the OWA is to safely decommission orphaned oil and gas wells, pipelines and production facilities where the owners of such wells, pipelines and production facilities are insolvent and to restore the land on which these assets are located as close to the original state as possible.
4. Houston is a corporation involved in the exploration and production of oil and natural gas resources in Alberta. Houston's head office is based in Calgary and its assets are substantially comprised of natural gas wells located in Southeastern Alberta. I am advised by the AER that Houston currently holds 1438 well licences, 73 facility licences and 272 pipeline licences.

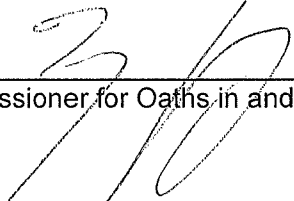
5. I am advised by Kaitlin Szacki, Manager, Orphaning & Insolvency in the Closure & Liability Branch at the AER and do verily believe that the AER has been in discussions for several weeks with Houston regarding certain financial difficulties Houston was facing. The OWA did not participate in those discussions.
6. I am further advised by Kaitlin Szacki that on August 30, 2019 the AER issued a suspension order for Houston Sour Sites as order 201908-17 , a copy of which is attached as Exhibit "A" hereto .Houston was obligated to seal ,lock and chain all wells listed in the order by September 20, 2019 in a manner acceptable to the AER and to continue to provide proper custody and control of the wells.
7. As set out in the August 30 order attached as Exhibit "A" Houston on August 28, 2019 advised the AER that due to financial distress it intends to shut-in all of its oil and gas operations on the Houston sites and would do so in an orderly, safe and secure manner.
8. I am further advised that the AER proceeded on September 11, 2019 to issue a statutory lien against Houston for its failure to pay the levy that was then due.
9. I am further advised that Houston confirmed to the AER that it did not have the ability to provide the custody and care of its oil and gas operations in accordance with the regulatory requirements .
10. The AER issued Order # 2019-012 to Houston on October 2, 2019 requiring that Houston take steps to abandon its remaining 1264 wells, 41 facilities and 251 pipelines and properly shut-in its oil and gas facilities as set out in the Order attached as Exhibit "B" hereto to be completed no later than October 16, 2019.
11. I am advised by Amy Woo, Acting Manager Orphaning and Closure of the AER that Houston on October 9, 2019 has confirmed to the AER that it cannot comply with the terms of the October 2 , 2019 order and has ceased operations .
12. Houston also advised the AER on October 10, 2019 that it no longer has any employees. As a result Trevor Gosselin, Director, Licence Management of the AER issued an amended Order on October 11, 2019 allowing Houston the opportunity to comply by October 12, 2019 , a copy of which Order is attached as Exhibit "C" hereto.
13. I am advised that Houston has failed to comply with the terms of the October 11, 2019 Order as of October 15, 2019.
14. On October 10, 2019 7 wells have been designated as orphans by the AER with the possibility that additional wells , facilities and pipelines may be designated orphans in the near future. Thus the OWA is now responsible for incurring the cost related to abandoning these wells and reclaiming the well sites. If all of Houston's wells are ultimately designated as orphans, the orphan inventory of wells requiring abandonment will increase by nearly thirty percent. A copy of the October 10, 2019 letter from the AER designating orphan wells is attached hereto as Exhibit "D".
15. Order # 2019-012 indicates that the total estimated abandonment and reclamation obligations related to the Houston assets is over \$81.5 million and is likely to be the responsibility of the OWA.
16. Based on the foregoing and in circumstances where:
 - (a) There appears to no remaining directors
 - (b) Employees and contractors have been terminated

- (c) A large number of wells may still be on production
- (d) Insurance may have lapsed

I believe it is imperative and in the interests of public safety that a receiver be appointed to ensure that Houston's wells are properly cared for and maintained and shut-in where necessary. It is also very important that, where possible, wells and other oil and gas assets be sold and placed in the hands of responsible producers, to avoid situations in which saleable , producing assets are designated as orphans.


- 17. I believe the appointment of Hardie and Kelly Inc. as receiver and manager of Houston's business, undertaking and assets is just and convenient and in the best interest of Houston's stakeholders and the public generally.
- 18. Hardie and Kelly Inc. has consented to act as receiver and manager in these proceedings. Attached hereto as Exhibit "E" is a copy of a consent to act , duly executed by an authorized representative of Hardie and Kelly Inc.
- 19. I swear this affidavit in support of an application by the OWA for the appointment of a receiver and manager over Houston and for no other purpose.

SWORN BEFORE ME at Calgary, Alberta, this)
15 day of October, 2019.)



Commissioner for Oaths in and for Alberta)

TERRY L. CZECHOWSKYJ - LAWYER
Notary Public
A Commissioner for Oaths in and for Alberta



Lars De Pauw)



**Alberta
Energy
Regulator**

THIS IS EXHIBIT " A "
referred to in the Affidavit of
Lars De Pauw
Sworn before me this 15
day of October, 20 19
[Signature]
A Commissioner for Oaths
in and for the Province of Alberta

Order

<p>MADE at the City of Calgary, in the Province of Alberta, on</p> <p>August 30, 2019</p>	<p>TERRY L. CZECHOWSKYJ - LAWYER Notary Public A Commissioner for Oaths in and for Alberta</p> <p>ALBERTA ENERGY REGULATOR</p>
--	--

**Under sections 25 and 27 of the *Oil and Gas Conservation Act (OGCA)*
Under sections 12 and 23 of the *Pipeline Act***

Houston Oil & Gas Ltd. (A74H)
Suite 800, 903 8th Ave SW
Calgary, AB T2P 0P7
(Houston or the Licensee)

WHEREAS Houston is the current holder of well, facility and pipeline licenses and approvals (Houston Licences) granted by the Alberta Energy Regulator (AER);

WHEREAS Houston is the operator of the Sites (the Houston Sites) associated with the Houston Licences;

WHEREAS on August 28, 2019, Houston notified the AER that due to financial distress it intends to shut-in all its oil and gas operations on the Houston Sites;

WHEREAS on August 28, 2019, Houston advised the AER of its intent to shut-in the Houston Sites in an orderly, safe and secure manner;

WHEREAS section 8.001(f) of the *Oil and Gas Conservation Rules (OCGR)* defines sour gas as "natural gas, including solution gas containing hydrogen sulphide";

WHEREAS hydrogen sulfide is a substance known to have an adverse effect on the environment, health and safety;

WHEREAS Houston is the holder of well, facility and associated pipeline licences that meet the definition of sour facility, sour well, or sour service pipeline under the *OCGR* and Canadian Standards Association (CSA) Z662-19, *Oil and Gas Pipeline Systems* and are listed in Appendix A (collectively, the Houston Sour Licences);

WHEREAS Houston is the operator of the Sites (the Houston Sour Sites) associated with the Houston Sour Licences;

WHEREAS Houston has statutory responsibilities for operation of the Houston Sour Sites including ensuring safe operation, emergency and incident response and responding to public and landowner complaints;

WHEREAS Kaitlin Szacki, Acting Director, Licensee Management, (Director) has the authority to issue issuing orders under the *OGCA* and *Pipeline Act* ;

WHEREAS the Director is of the opinion that it is necessary to issue an order to ensure public safety and protect the environment;

THEREFORE, I, Kaitlin Szacki, under sections 25 and 27 of the *OGCA*, and sections 12 and 23 of the *Pipeline Act*, DO HEREBY ORDER the following:

1. All of the Houston Sour Licences are hereby suspended.
2. All wells listed in Table 1 of Appendix A must be shut in, sealed, locked and chained in a manner acceptable to the AER and in accordance with all other AER requirements no later than September 20, 2019.
3. Any containment devices or equipment including but not limited to tanks, vessels, pipelines, lease piping, sumps, drains, tubs, containers, pits, or containment rings on any of the Houston Sour Sites must be depressurized, emptied, and rendered safe in a manner acceptable to the AER no later than September 20, 2019.
4. Any fluids located on any of the Houston Sour Sites must be removed and stored or disposed of in a manner acceptable to the AER no later than September 20, 2019.
5. Houston shall continue to provide the care and custody to the Houston Sites, including but not limited to:
 - a. Monitor and maintain the 24-hour emergency phone number,
 - b. Initiate immediate action in response to any incidents or complaints, and
 - c. Maintain records of AER-licensed properties in accordance with requirements.
6. Any hazards on the Houston sites that present a risk to public safety or the environment, must be reported and addressed in a manner acceptable to the AER no later than September 20, 2019.
7. Pursuant to section 101 of the *OGCA* and section 28 of the *Pipeline Act*, the Licensee, and its agents are entitled to have access to and may enter onto the land and any structures on the land concerned for the purposes of carrying out activities contemplated in this Order.
8. Where a deadline has been specified in this Order, the AER may authorize in writing a different deadline as applicable.

Dated at the City of Calgary in the Province of Alberta, the 30th day of August 2019.

<original signed by>

Kaitlin Szacki
Acting Director, Licensee Management, Closure & Liability
Alberta Energy Regulator

In complying with this order, the Licensee and the Parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *OGCA*, *Pipeline Act*, or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliances from occurring.

Under the *Responsible Energy Development Act (REDA)*, an eligible person may request an appeal of decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *REDA* 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 according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Applications & Notices: Appeals.

Appendix A

Table 1: Sour Well Licences

Licence Number	Surface Location
0252847	10-13-015-07W4
0398101	15-28-057-19W5
0393470	10-16-059-21W4
0399553	09-35-059-22W4
0424047	12-28-057-19W5
0252813	05-28-018-08W4
0292878	02-08-018-19W4
0315176	07-07-013-19W4
0274730	11-07-019-18W4
0274731	10-01-020-20W4
0250148	16-11-019-19W4
0262280	02-36-019-20W4
0255340	14-14-019-19W4
0248161	12-13-019-19W4
0251516	06-29-020-19W4
0251331	16-19-020-19W4
0261944	16-08-019-18W4
0267617	04-01-020-20W4
0393044	16-30-060-21W4
0256625	04-27-019-20W4
0286523	15-27-017-19W4
0282521	15-25-019-20W4
0324378	04-12-015-18W4
0362615	03-12-013-22W4
0320241	09-28-013-22W4
0396954	06-29-057-19W5
0381393	10-06-013-18W4
0381402	08-06-013-18W4
0298282	01-08-018-19W4
0314031	06-20-016-17W4
0254144	05-35-017-20W4
0356962	05-05-013-18W4
0338621	02-06-013-18W4
0297152	14-33-017-19W4
0240238	09-22-013-22W4
0240019	13-15-013-22W4

Table 2: Sour Facility Licences

Licence Number	Surface Location
34256	11-10-014-18W4
33556	16-20-014-19W4
39766	01-02-010-04W4
844	03-07-012-15W4
35851	02-06-013-18W4
42948	07-28-013-22W4
41935	04-23-013-22W4
42081	09-28-013-22W4
26150	09-29-012-18W4
38402	04-27-013-22W4
31273	02-27-013-19W4

Table 3: Sour Pipeline Licences

Licence Number	Segment	From Location	To Location
25427	1	04-03-005-30W4	02-24-004-01W5
25427	2	04-35-004-30W4	04-03-005-30W4
38719	1	09-29-012-18W4	10-29-012-18W4
38719	2	10-29-012-18W4	06-29-012-18W4
24065	1	15-06-012-15W4	02-07-012-15W4
24065	2	11-06-012-15W4	03-07-012-15W4
24065	3	02-07-012-15W4	03-07-012-15W4
24065	4	02-07-012-15W4	03-07-012-15W4
24065	5	06-07-012-15W4	03-07-012-15W4
24065	6	12-06-012-15W4	03-07-012-15W4
24065	7	06-06-012-15W4	03-07-012-15W4
24065	8	15-06-012-15W4	03-07-012-15W4
36642	1	12-26-013-14W4	12-27-013-14W4
48111	1	05-05-013-18W4	02-06-013-18W4
48111	2	16-06-013-18W4	02-06-013-18W4
48111	3	10-06-013-18W4	02-06-013-18W4
48111	4	08-06-013-18W4	02-06-013-18W4
46199	1	13-05-013-18W4	11-05-013-18W4
46199	2	02-06-013-18W4	13-05-013-18W4
46199	3	13-05-013-18W4	16-06-013-18W4
41114	1	14-35-011-20W4	07-07-012-19W4
35179	1	06-15-015-19W4	06-10-015-19W4
34778	1	06-13-011-20W4	07-14-011-20W4
34175	2	11-08-011-20W4	06-07-011-20W4
42354	1	08-34-011-20W4	14-35-011-20W4
42349	1	09-03-012-20W4	14-35-011-20W4
32305	1	15-35-012-20W4	14-26-012-20W4

32305	2	15-34-012-20W4	15-35-012-20W4
32305	3	10-02-013-20W4	15-35-012-20W4
35775	1	08-23-015-18W4	06-24-015-18W4
35775	2	13-26-015-18W4	08-23-015-18W4
35775	3	13-23-015-18W4	14-23-015-18W4
35775	4	13-25-015-18W4	13-26-015-18W4
36917	1	06-35-015-18W4	13-26-015-18W4
29338	3	16-02-013-22W4	13-01-013-22W4
29338	5	06-01-013-22W4	15-22-013-22W4
29338	6	10-22-013-22W4	10-22-013-22W4
52379	1	16-28-013-22W4	15-22-013-22W4
52379	2	07-28-013-22W4	16-28-013-22W4
26453	1	02-22-014-19W4	02-27-014-19W4
25767	1	02-27-014-19W4	14-27-014-19W4
50923	1	10-35-057-11W5	11-11-058-11W5
33778	1	05-08-014-18W4	08-07-014-18W4
34057	1	08-05-014-18W4	05-08-014-18W4
28328	1	02-23-013-22W4	12-23-013-22W4
28328	2	16-13-012-22W4	02-23-013-22W4
28328	3	05-36-013-22W4	12-23-013-22W4
28328	4	12-23-013-22W4	15-22-013-22W4
45575	1	11-10-014-18W4	08-07-014-18W4
26498	1	15-36-013-19W4	08-07-014-18W4
43177	1	13-06-014-18W4	11-06-014-18W4
34062	1	02-01-011-21W4	09-01-011-21W4
46867	1	03-11-058-10W5	02-11-058-10W5
21449	3	13-17-013-18W4	04-19-013-18W4
21449	1	07-24-013-19W4	06-01-013-19W4
21449	2	04-19-013-18W4	07-24-013-19W4
46533	1	13-03-016-20W4	04-09-016-20W4
32819	1	12-23-013-22W4	15-22-013-22W4
53479	2	12-28-057-19W5	12-28-057-19W5
27928	1	12-36-060-23W4	16-26-060-23W4
53715	1	12-28-057-19W5	03-03-058-19W5
29555	2	10-22-013-22W4	15-22-013-22W4
29555	3	15-22-013-22W4	10-22-013-22W4
29555	4	10-22-013-22W4	08-22-013-22W4
29555	5	10-22-013-22W4	10-15-013-22W4
29555	6	10-15-013-22W4	12-15-013-22W4
29555	7	10-15-013-22W4	02-15-013-22W4
29555	8	15-22-013-22W4	08-21-013-22W4
29555	9	15-22-013-22W4	06-27-013-22W4
29555	11	12-15-013-22W4	13-15-013-22W4



**Alberta
Energy
Regulator**

THIS IS EXHIBIT " B "
referred to in the Affidavit of
Luis De Paauw

Sworn before me this 15
day of October, 20 19

[Signature]
A Commissioner for Oaths
in and for the Province of Alberta

AD Order 2019-012

TERRY L. CZECHOWSKYJ - LAWYER
Notary Public

A Commissioner for Oaths in and for Alberta

MADE at the City of Calgary, in the
Province of Alberta, on

October 02, 2019

ALBERTA ENERGY REGULATOR

Under sections 25 and 27 of the *Oil and Gas Conservation Act (OGCA)*
Under sections 12 and 23 of the *Pipeline Act*

Houston Oil and Gas Ltd. (A74H)
Suite 800, 903 8th Ave SW
Calgary, AB T2P 0P7
(Houston or the Licensee)

And

Choya Petroleums Ltd.
200, 603 - 7 Avenue SW
Calgary, AB T2P 2T5

Campbell, G. D.
6388 Adera Street
Vancouver BC V6M 3J8

Adanac Oil & Gas Limited
517 Patina Pl SW
Calgary, AB T3H 2P5

Canadian Natural Resources Limited
855 2 Street Southwest #2100
Calgary, AB T2P 4J8

Barnwell Of Canada, Limited
2410, 510 - 4 Ave SW
Calgary AB T2P 2V6

Cenovus Energy Inc.
225 6 Ave SW, Calgary
AB T2P 3S9

Baytex Energy Ltd.
520 3 Ave SW
Calgary, AB T2P 0R3

Chinook Energy Inc.
222 3 St SW #1610
Calgary, AB T2P 0B4

Bellatrix Exploration Ltd.
800 5 Ave SW #1920
Calgary, AB T2P 3T6

City Of Medicine Hat
580 First Street SE
Medicine Hat, ABT1A 8E6

Bonavista Energy Corporation
525 8 Ave SW Suite 1500
Calgary, AB T2P 1G1

Clearview Resources Ltd.
2400, 635 8 Ave SW
Calgary, AB T2P 3M3

Bonterra Energy Corp.
1015 4 St SW #901
Calgary, AB T2R 1J4

Coastal Resources Limited
520 5 Ave SW Suite 1400
Calgary, AB T2P 3R7

Conocophillips Canada Operations Ulc
401 9 Ave SW
Calgary, AB T2P 3C5

Cycle Energy Ltd.
Suite 820 717 7th Ave SW
Calgary AB T2P 2Z3

D. W. Axford & Associates Ltd.
406 Oakhill Place SW
Calgary AB T2V 3X6

Elmdale Resources Ltd.
PO Box 5112
High River AB T1V 1M3

Encana Corporation
Box 2850 500 Centre St SE
Calgary AB T2P 2S5

Enerplus Corporation
3000-333 7 Ave SW
Calgary AB T2P 2Z1

Exxonmobil Canada Ltd.
PO Box 2480 Stn M
Calgary AB T2P 3M9

Felcom Resources Corporation
2500 - 520 5 Ave SW
Calgary AB T2P 3R7

Foehn Resources Inc.
626 25 Ave Nw
Calgary AB T2M 2A9

Freehold Royalties Partnership
c/o Freehold Royalties Ltd.
400, 144 - 4 Avenue SW
Calgary AB T2P 3N9

Harvest Operations Corp.
1500 - 700 2 St SW
Calgary AB T2P 2W1

Husky Oil Operations Limited
Box 6525
Calgary AB T2P 3G7

Inland Development Company Ltd
2926 Montcalm Cres SW
Calgary AB T2T 3M6

Innis Energy Ltd.
5367 36a Street C/O Ron Bristow
Innisfail AB T4G 1E6

J. R. & S Holdings
1000, 605 - 5 Avenue SW
Calgary AB T2P 3H5

Jeffco Holdings Corp.
PO Box 67197
Calgary AB T2L 2L2

Journey Energy Inc.
700 - 517 10 Ave SW
Calgary AB T2R 0A8

Kaisen Energy Corp.
400, 522 - 11 Ave SW
Calgary AB T2R 0C8

Lintus Resources
700, 330 - 5 Ave SW
Calgary AB T2P 0L4

Long Run Exploration Ltd.
600, 600 - 3 Ave SW
Calgary AB T2P 0G5

Macpherson, M. Stuart
319 Glamargan Cres SW
Calgary AB T3E 5B7

Mcland Resources Ltd.
Suite 1725, 300 5th Avenue SW
Calgary AB T2P 3C4

Paramount Resources Ltd.
2800, 421 - 7 Ave SW
Calgary AB T2P 4K9

Pengrowth Energy Corporation
2100, 222 - 3 Avenue SW
Calgary AB T2P 0B4

Poplar Creek Resources Inc.
910 7 Ave Sw Suite 640
Calgary AB T2P 3N8

Potts Petroleum Inc.
500, 540 - 5 Ave SW
Calgary AB T2P 0M2

Predator Oil Bc Ltd.

1500, 250 - 2 St SW
Calgary AB T2P 0C1

Predator Oil Bc Ltd.

1500, 250 - 2 St SW
Calgary AB T2P 0C1

Repsol Oil & Gas Canada Inc.

2000, 888 - 3 St SW
Calgary AB T2P 5C5

Sanling Energy Ltd.

1700, 250 - 2 St SW
Calgary AB T2P 0C1

Second Wave Petroleum Inc.

1700, 335 - 8 Ave SW
Calgary AB T2P 1C9

Sequoia Resources Corp.

c/o PWC, Suite 3100
111-5th Ave SW
Calgary AB T2P 5L3

Signalta Resources Limited

700 - 840 6 Ave SW
Calgary AB T2P 3E5

Sinopec Daylight Energy Ltd.

2700, 112 - 4 Ave SW
Calgary, AB AB T2P 0H3

(Collectively, the Parties)

Swade Resources Ltd.

c/o Pandell Technology
Suite 610, 700 - 6 Ave SW
Calgary AB T2P 0T8

Tamarack Acquisition Corp.

600, 425 - 1 St SW
Calgary AB T2P 3L8

Taq North Ltd.

2100 - 308 4 Ave SW
Calgary AB T2P 0H7

West Lake Energy Corp.

Suite 700, 600 - 3rd Ave SW
Calgary AB T2P 0G5

Venturion Oil Limited

1600-500 4th Ave SW
Calgary AB T2P 2V6

Wabash Oil & Gas Ltd.

201 - 4220 98 Street
Edmonton AB T6E 6A1

Zargon Oil & Gas Ltd.

1100, 112 - 4 Ave SW
Calgary AB T2P 0H3

WHEREAS Houston is the holder of the Alberta Energy Regulator (AER) well, facility and pipeline licences listed in Appendix A (collectively, the Houston Licences);

WHEREAS on August 28, 2019, Houston notified the AER that due to financial distress it intends to shut-in all its oil and gas operations on the Houston Sites;

WHEREAS on August 28, 2019, Houston advised the AER of its intent to shut-in the Houston Sites in an orderly, safe and secure manner;

WHEREAS the AER issued a suspension order for Houston Sour Sites (as defined in Order 201908-17) on August 20, 2019 to ensure public safety and protect the environment;

WHEREAS Houston claims to have shut-in all of its sites and does not expect to receive revenue due to lack of production from its licences;

WHEREAS in the event that Houston ceases operations, such action will not limit or relieve Houston from any of the regulatory obligations of a licensee holding an AER issued licence, or the obligations as set out in this Order;

WHEREAS Houston has failed to provide the 2018 and 2019 Administration Fees plus the 20 percent penalty as required by section 29 of the Responsible Energy Development Act (“REDA”) and section 7(2) of the Alberta Energy Regulator Administration Fees Rules;

WHEREAS Houston has failed to pay its proportionate share of the 2018 and 2019 Orphan Fund Levies, plus the 20 percent penalty as required by section 74 of the Oil and Gas Conservation Act (“OGCA”) and section 16.530 of the OGCR;

WHEREAS on September 11, 2019, the AER issued a notice of statutory lien for non-payment of levy amounts of \$1.34 million by Houston;

WHEREAS Houston has contravened sections of the OGCA and REDA as outlined above with respect to the Houston Licences;

WHEREAS Houston has confirmed that it does not have the ability to provide ongoing care and custody of the Houston sites as per the regulatory requirements;

WHEREAS Houston has been given an opportunity to respond to the contraventions and has confirmed that it does not have the ability to remedy the contraventions;

WHEREAS Sequoia Resources Corp is a working interest participant in AER well licences where identified by name in Appendix A;

WHEREAS a Receiver has been appointed over Sequoia Resources Corp pursuant to the *Bankruptcy and Insolvency Act (Canada)*;

WHEREAS Trevor Gosselin, Director, Licensee Management, has been appointed as a Director for the purposes of issuing orders under the *OGCA* and *Pipeline Act* (the Director);

THEREFORE, I, Trevor Gosselin, under sections 25 and 27 of the *OGCA*, and sections 12 and 23 of the *Pipeline Act*, DO HEREBY ORDER the following:

1. All of the Houston Licences are hereby suspended;
2. Any containment devices or equipment including but not limited to tanks, vessels, pipelines, lease piping, sumps, drains, tubs, containers, pits, or containment rings on any of the Houston sites must be depressurized, emptied, and rendered safe in a manner acceptable to the Director no later than October 16, 2019;
3. Any fluids located on any of the Houston sites must be removed and stored or disposed of in a manner acceptable to the Director no later than October 16, 2019;
4. Any hazards on any of the Houston sites, that present a risk to public safety or the environment, must be reported and addressed in a manner acceptable to the Director no later than October 16, 2019;
5. All wells listed in Table 1 of Appendix A must be shut in, sealed, locked and chained in a manner acceptable to the Director no later than October 16, 2019;
6. No later than November 2, 2019, Houston must, for all its licences, do the following:

- a. Submit an application to transfer the well, facility and pipeline licences listed in Appendix A to a person or persons eligible to hold AER licences; or,
 - b. Post full security to cover the cost of Houston's total deemed liabilities in the amount of \$81,536,122.50; and
 - c. Pay the outstanding 2018 and 2019 Orphan Fund Levies, plus the 20 percent penalty, in the amount of \$303,815.62, and, the outstanding 2018 and 2019 Administration Fees plus the 20 percent penalty, in the amount of 1,036,513.04; or
 - d. Submit an abandonment plan ("the Abandonment Plan") to the AER for approval for the Houston sites set out in Appendix A in accordance with AER requirements.
7. The Working Interest Participants (WIP) identified (collectively, the Parties), no later than December 2, 2019, must:
- a. Apply to transfer the wells and facilities in which they have a working interest, or
 - i. Notify the AER of the WIP's intention to apply for a transfer of the licence(s) that they are a working interest participant.
 - ii. Advise whether the WIP will provide emergency response for the wells and/or facilities until a decision is issued in respect to the transfer application.
 - iii. Submit an application for the Regulator Directed Transfer of the wells and/or facilities to the AER.
 - b. Submit an abandonment plan ("the Abandonment Plan") to the AER for approval, for the licence(s) in which they are a WIP.
 - i. The Abandonment Plan must include:
 1. The proposed date by which the WIP will complete abandonment of any wells and/or facilities in which they are a WIP.
 2. Confirmation whether the WIP will provide emergency response during the period of the Abandonment Plan, for any wells and facilities in which they are a WIP.
 3. Any plans to abandon pipelines or pipeline segments connected to any wells and/or facilities in which the Parties are a WIP.
 - ii. Upon approval of the Abandonment Plan by the AER, the WIP shall abandon all wells and/or facilities in which they are a WIP:
 1. Where the WIP intends to submit a working interest claim for abandonment and/or reclamation costs incurred on behalf of Houston, the WIP must

provide an Authorization for Expenditure (AFE) request to the OWA for review prior to conducting the work to afe@orphanwell.ca. The OWA approval of an AFE is not pre-approval of reimbursement.

2. The WIP may submit amendments to the Abandonment Plan, for approval by the Director.
 3. Upon written request of the Director, the WIP shall amend the Abandonment Plan.
8. All applicable regulatory requirements are to be followed and complied with in the undertaking of any actions or direction prescribed under this Order.
 9. When complying with sections 6 and 7 of this Order, the Licensee and applicable WIPs shall submit all applicable documentation confirming completion of abandonment operations, including confirmation of surface abandonment and removal of cement pads, debris, and produced liquids associated with the wells, facilities and pipelines listed in Appendix A;
 10. Pursuant to section 101 of the *OGCA* and section 28 of the *Pipeline Act*, the Licensee, applicable working interest participants and their agents are entitled to have access to and may enter onto the land and any structures on the land concerned for the purposes of carrying out activities contemplated in this Order
 11. The Order is stayed in respect of licences where Sequoia Resources Corp is a working interest participant, until such time as the AER otherwise advises.

Dated at the City of Calgary in the Province of Alberta, the 2nd day of October 2019.

<original signed by>

Trevor Gosselin, Director, Licensee Management, Alberta Energy Regulator

In complying with this order, the Licensee and the Parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *OGCA*, *Pipeline Act*, or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliances from occurring.

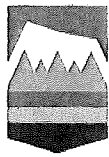
Under the *Responsible Energy Development Act (REDA)*, an eligible person may request an appeal of decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of

the *REDA* 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 according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Applications & Notices: Appeals.

Appendix A

Table 1: Well Licences

Licence Number	Surface Location	Responsible Party(ies)	Percent Interest
W0484160	10-25-059-22W4	Houston Oil & Gas Ltd.	100.00%
W0477353	13-26-060-24W4	Houston Oil & Gas Ltd.	100.00%
W0431496	07-03-059-22W4	Houston Oil & Gas Ltd.	87.50%
W0431496	07-03-059-22W4	Poplar Creek Resources Inc.	12.50%
W0425368	06-11-059-22W4	Sequoia Resources Corp.	52.50%
W0425368	06-11-059-22W4	Predator Oil Bc Ltd.	47.50%
W0424395	07-27-009-04W4	Houston Oil & Gas Ltd.	100.00%
W0424357	07-27-009-04W4	Houston Oil & Gas Ltd.	100.00%
W0424353	12-27-009-04W4	Houston Oil & Gas Ltd.	100.00%
W0424047	12-28-057-19W5	Bonavista Energy Corporation	72.32%
W0424047	12-28-057-19W5	Houston Oil & Gas Ltd.	27.68%
W0423778	04-28-057-19W5	Houston Oil & Gas Ltd.	100.00%
W0412565	15-06-013-18W4	Houston Oil & Gas Ltd.	50.00%
W0412565	15-06-013-18W4	Sanling Energy Ltd.	50.00%
W0409209	11-02-059-22W4	Houston Oil & Gas Ltd.	50.00%
W0409209	11-02-059-22W4	Sequoia Resources Corp.	50.00%
W0402649	01-22-059-20W4	Houston Oil & Gas Ltd.	100.00%
W0402121	15-29-057-19W5	Houston Oil & Gas Ltd.	100.00%
W0400471	07-22-059-21W4	Houston Oil & Gas Ltd.	100.00%
W0400106	14-15-018-19W4	Houston Oil & Gas Ltd.	100.00%
W0400055	07-11-018-19W4	Houston Oil & Gas Ltd.	100.00%
W0399553	09-35-059-22W4	Houston Oil & Gas Ltd.	56.25%
W0399553	09-35-059-22W4	Kaisen Energy Corp.	43.75%
W0398970	01-32-017-19W4	Houston Oil & Gas Ltd.	100.00%
W0398142	13-19-059-21W4	Houston Oil & Gas Ltd.	100.00%
W0398101	15-28-057-19W5	Bonavista Energy Corporation	66.67%
W0398101	15-28-057-19W5	Enerplus Corporation	9.66%
W0398101	15-28-057-19W5	Houston Oil & Gas Ltd.	23.67%
W0397692	15-25-060-23W4	Mosaic Energy Ltd.	100.00%
W0397399	16-14-060-23W4	Houston Oil & Gas Ltd.	100.00%
W0396954	06-29-057-19W5	Houston Oil & Gas Ltd.	100.00%
W0395093	11-23-060-22W4	Houston Oil & Gas Ltd.	100.00%
W0395031	11-19-018-18W4	Cenovus Energy Inc.	40.00%
W0395031	11-19-018-18W4	Houston Oil & Gas Ltd.	60.00%
W0393470	10-16-059-21W4	Felcom Resources Corporation	53.33%
W0393470	10-16-059-21W4	Houston Oil & Gas Ltd.	20.00%
W0393470	10-16-059-21W4	Long Run Exploration Ltd.	26.67%
W0393044	16-30-060-21W4	Felcom Resources Corporation	72.73%
W0393044	16-30-060-21W4	Houston Oil & Gas Ltd.	27.27%
W0392337	12-30-018-18W4	Cenovus Energy Inc.	40.00%
W0392337	12-30-018-18W4	Houston Oil & Gas Ltd.	60.00%



**Alberta
Energy
Regulator**

THIS IS EXHIBIT " C "
referred to in the Affidavit of
Carol De Brown
sworn before me this 15
day of October, 2019

[Signature]
A Commissioner for Oaths
in and for the Province of Alberta

AD Order 2019-012A

TERRY L. CZECHOWSKYJ - LAWYER
Notary Public

A Commissioner for Oaths in and for Alberta

MADE at the City of Calgary, in the
Province of Alberta, on

October 11, 2019

ALBERTA ENERGY REGULATOR

**Under sections 25 and 27 of the *Oil and Gas Conservation Act (OGCA)*
Under sections 12 and 23 of the *Pipeline Act***

Houston Oil and Gas Ltd. (A74H)
Suite 800, 903 8th Ave SW
Calgary, AB T2P 0P7
(Houston or the Licensee)

Bonterra Energy Corp.
1015 4 St SW #901
Calgary, AB T2R 1J4

And

Campbell, G. D.
6388 Adera Street
Vancouver BC V6M 3J8

Choya Petroleums Ltd.
200, 603 - 7 Avenue SW
Calgary, AB T2P 2T5

Canadian Natural Resources Limited
855 2 Street Southwest #2100
Calgary, AB T2P 4J8

Adanac Oil & Gas Limited
517 Patina Pl SW
Calgary, AB T3H 2P5

Cenovus Energy Inc.
225 6 Ave SW, Calgary
AB T2P 3S9

Barnwell Of Canada, Limited
2410, 510 - 4 Ave SW
Calgary AB T2P 2V6

Chinook Energy Inc.
222 3 St SW #1610
Calgary, AB T2P 0B4

Baytex Energy Ltd.
520 3 Ave SW
Calgary, AB T2P 0R3

City Of Medicine Hat
580 First Street SE
Medicine Hat, ABT1A 8E6

Bellatrix Exploration Ltd.
800 5 Ave SW #1920
Calgary, AB T2P 3T6

Clearview Resources Ltd.
2400, 635 8 Ave SW
Calgary, AB T2P 3M3

Bonavista Energy Corporation
525 8 Ave SW Suite 1500
Calgary, AB T2P 1G1

Coastal Resources Limited
520 5 Ave SW Suite 1400
Calgary, AB T2P 3R7

Conocophillips Canada Operations Ulc
401 9 Ave SW
Calgary, AB T2P 3C5

Cycle Energy Ltd.
Suite 820 717 7th Ave SW
Calgary AB T2P 2Z3

D. W. Axford & Associates Ltd.
406 Oakhill Place SW
Calgary AB T2V 3X6

Elmdale Resources Ltd.
PO Box 5112
High River AB T1V 1M3

Encana Corporation
Box 2850 500 Centre St SE
Calgary AB T2P 2S5

Enerplus Corporation
3000-333 7 Ave SW
Calgary AB T2P 2Z1

Exxonmobil Canada Ltd.
PO Box 2480 Stn M
Calgary AB T2P 3M9

Felcom Resources Corporation
2500 - 520 5 Ave SW
Calgary AB T2P 3R7

Foehn Resources Inc.
626 25 Ave Nw
Calgary AB T2M 2A9

Freehold Royalties Partnership
c/o Freehold Royalties Ltd.
400, 144 - 4 Avenue SW
Calgary AB T2P 3N9

Harvest Operations Corp.
1500 - 700 2 St SW
Calgary AB T2P 2W1

Husky Oil Operations Limited
Box 6525
Calgary AB T2P 3G7

Inland Development Company Ltd
2926 Montcalm Cres SW
Calgary AB T2T 3M6

Innis Energy Ltd.
5367 36a Street C/O Ron Bristow
Innisfail AB T4G 1E6

J. R. & S Holdings
1000, 605 - 5 Avenue SW
Calgary AB T2P 3H5

Jeffco Holdings Corp.
PO Box 67197
Calgary AB T2L 2L2

Journey Energy Inc.
700 - 517 10 Ave SW
Calgary AB T2R 0A8

Kaisen Energy Corp.
400, 522 - 11 Ave SW
Calgary AB T2R 0C8

Lintus Resources
700, 330 - 5 Ave SW
Calgary AB T2P 0L4

Long Run Exploration Ltd.
600, 600 - 3 Ave SW
Calgary AB T2P 0G5

Macpherson, M. Stuart
319 Glamargan Cres SW
Calgary AB T3E 5B7

Mcland Resources Ltd.
Suite 1725, 300 5th Avenue SW
Calgary AB T2P 3C4

Paramount Resources Ltd.
2800, 421 - 7 Ave SW
Calgary AB T2P 4K9

Pengrowth Energy Corporation
2100, 222 - 3 Avenue SW
Calgary AB T2P 0B4

Poplar Creek Resources Inc.
910 7 Ave Sw Suite 640
Calgary AB T2P 3N8

Potts Petroleum Inc.
500, 540 - 5 Ave SW
Calgary AB T2P 0M2

Predator Oil Bc Ltd.
1500, 250 - 2 St SW
Calgary AB T2P 0C1

Predator Oil Bc Ltd.
1500, 250 - 2 St SW
Calgary AB T2P 0C1

Repsol Oil & Gas Canada Inc.
2000, 888 - 3 St SW
Calgary AB T2P 5C5

Sanling Energy Ltd.
1700, 250 - 2 St SW
Calgary AB T2P 0C1

Second Wave Petroleum Inc.
1700, 335 - 8 Ave SW
Calgary AB T2P 1C9

Sequoia Resources Corp.
c/o PWC, Suite 3100
111-5th Ave SW
Calgary AB T2P 5L3

Signalta Resources Limited
700 - 840 6 Ave SW
Calgary AB T2P 3E5

Sinopec Daylight Energy Ltd.
2700, 112 - 4 Ave SW
Calgary, AB AB T2P 0H3

(Collectively, the Parties)

Swade Resources Ltd.
c/o Pandell Technology
Suite 610, 700 - 6 Ave SW
Calgary AB T2P 0T8

Tamarack Acquisition Corp.
600, 425 - 1 St SW
Calgary AB T2P 3L8

Taqa North Ltd.
2100 - 308 4 Ave SW
Calgary AB T2P 0H7

West Lake Energy Corp.
Suite 700, 600 - 3rd Ave SW
Calgary AB T2P 0G5

Venturion Oil Limited
1600-500 4th Ave SW
Calgary AB T2P 2V6

Wabash Oil & Gas Ltd.
201 - 4220 98 Street
Edmonton AB T6E 6A1

Zargon Oil & Gas Ltd.
1100, 112 - 4 Ave SW
Calgary AB T2P 0H3

WHEREAS on October 2, 2019, the Alberta Energy Regulator (AER) issued an Order under section 25 and section 27 of the *Oil and Gas Conservation Act (OGCA)* and section 12 and section 23 of the *Pipeline Act* to the Licensee (the Initial Order);

WHEREAS the Initial Order was against the well, facility and pipeline licences held by the Licensee as outlined in Appendix A, Table 1 of the Initial Order (the Houston Licences);

WHEREAS on October 9, 2019, the Licensee advised the AER it is ceasing operations;

WHEREAS on October 10, 2019, the Licensee advised the AER that it has no remaining employees;

WHEREAS the Licensee's ability to respond in the event of any incidents or complaints cannot be verified to the AER's satisfaction;


WHEREAS the Licensee did not verify that all the Houston Licences had been shut-in, to the AER's satisfaction;

WHEREAS Trevor Gosselin, Director, Licensee Management, has been appointed as a Director for the purposes of issuing orders under the *OGCA* and *Pipeline Act* (the Director);

THEREFORE, I, Trevor Gosselin, under sections 25 and 27 of the *OGCA*, and sections 12 and 23 of the *Pipeline Act*, DO HEREBY AMEND the Initial Order as follows:

1. The deadline for the Licensee to comply with Clauses 2-5 in the Initial Order has been amended from October 16, 2019 to October 12, 2019.

Dated at the City of Calgary in the Province of Alberta, the 11th day of October 2019.



Trevor Gosselin,

Director, Licensee Management,

Alberta Energy Regulator

In complying with this order, the Licensee and the Parties named must obtain all approvals necessary, notwithstanding the above requirements.

This order in no way precludes any enforcement actions being taken regarding this matter under the *OGCA*, *Pipeline Act*, or any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliances from occurring.

Under the *Responsible Energy Development Act (REDA)*, an eligible person may request an appeal of decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *REDA* 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 according to the AER's requirements. You can find filing requirements and forms on the AER website, www.aer.ca, under Applications & Notices: Appeals.

THIS IS EXHIBIT " D "
referred to in the Affidavit of
Lars De Pauw
Sworn before me this 15
day of October, 2019
[Signature]
A Commissioner for Oaths
In and for the Province of Alberta



Calgary Head Office
Suite 1000, 250 - 5 Street SW
Calgary, Alberta T2P 0R4
Canada

TERRY L. CZECHOWSKYJ - LAWYER
Notary Public
A Commissioner for Oaths in and for Alberta

www.aer.ca

October 10, 2019

Lars DePauw, Executive Director

Orphan Well Association

1005, 850 - 2nd Street SW

Calgary AB T2P 0R8

Dear Sir,

RE: Designation of Houston Oil & Gas Ltd. (A74H) Properties as Orphans for the Purposes of Abandonment

7 Wells

Effective immediately, the Alberta Energy Regulator (AER) has designated the properties listed in Schedule A (the Orphan Properties) to this letter as orphan(s) in accordance with section 70(2)(a) of the *Oil and Gas Conservation Act (OGCA)*, for the purposes of abandonment.

In reaching its decision, the AER considered the following:

- Houston Oil & Gas Ltd. (Houston) is the current licensee of the Orphan Properties.
- Houston currently holds 1438 well licences, 73 facility licences and 272 pipeline licences.
- On August 28, 2019, Houston notified the AER that it intends to shut-in all of its oil and gas operations due to financial distress.
- On August 30, 2019, the AER issued an Order (the August 30 Order), directing Houston to shut in, seal, lock and chain the sites as listed in the August 30 Order, and to continue to provide care and custody of the sites.
- On October 2, 2019, the AER issued AD Order 2019-012 (AD 2019-012), directing Houston to abandon, transfer, or pay the deemed liability and outstanding debts associated with the sites as listed in Appendix A (1264 wells, 41 facilities, 251 pipeline licences).
- On October 9, 2019, Houston notified the AER that they are no longer able to provide care and custody of its properties, including the Orphan Properties, and therefore cannot meet the requirements of the August 30 Order.
- AER records indicate Houston is 100% working interest participant in the Orphan Properties.

- The AER may designate additional Houston wells, facilities, and pipelines, as orphan in the near future.

In accordance with the *Orphan Fund Delegated Administration Regulation (OFDAR)* and the Memorandum of Understanding between the AER, Alberta Environment and Sustainable Resource Development and the Alberta Oil and Gas Orphan Abandonment and Reclamation Association (OWA) (MOU), the OWA is directed and authorized as follows:

- To carry out suspension and abandonment operations at the Orphan Properties in accordance with Parts 6 and 11 of the *OGCA*;
- To seize and sell equipment where appropriate, in relation to the processes of suspending and abandoning the Properties as authorized by section 102 of the *OGCA* and sections 3(1)(b)(ii) and (iii) and 3(2) of *OFDAR*;

For the purposes of carrying out the above, the OWA is entitled to have access to and enter on the land and any structures on the land pursuant to section 101 of the *OGCA*. Should entrance onto the land be denied to the OWA following reasonable prior written notice, the OWA may apply to the Alberta courts for an order authorizing access.

Regards,



Amy Woo
Acting Manager, Orphaning & Closure

Enclosures: Schedule A: List of Licences to be Designated Orphan for Purposes of Abandonment

cc: Marcia Baker, Orphan Well Association

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

Schedule A
Houston Oil & Gas Ltd.

List of Licences to be Designated Orphan for Purposes of Abandonment

List of Well Licences

Licence Number	Unique Well Identifier	Surface Location	Working Interest Participants	Well Status
W 0381402	00/08-06-013-18W4/0	08-06-013-18W4	Houston Oil & Gas Ltd.	Amended
W 0381393	00/10-06-013-18W4/0	10-06-013-18W4	Houston Oil & Gas Ltd.	Amended
W 0362615	00/03-12-013-22W4/0	03-12-013-22W4	Houston Oil & Gas Ltd.	Issued
W 0320241	00/09-28-013-22W4/0	09-28-013-22W4	Houston Oil & Gas Ltd.	Issued
W 0292878	00/15-05-018-19W4/0	02-08-018-19W4	Houston Oil & Gas Ltd.	Issued
W 0240238	00/09-22-013-22W4/0	09-22-013-22W4	Houston Oil & Gas Ltd.	Amended
W 0240019	00/13-15-013-22W4/0	13-15-013-22W4	Houston Oil & Gas Ltd.	Issued

COURT FILE NUMBER

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

ORPHAN WELL ASSOCIATION

RESPONDENT

HOUSTON OIL AND GAS LTD.

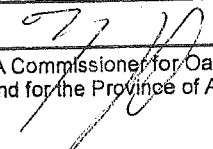
DOCUMENT

CONSENT TO ACT

ADDRESS FOR SERVICE
AND
CONTACT INFORMATION
OF PARTY FILING THIS
DOCUMENT

MILES DAVISON LLP
Barristers and Solicitors
900, 517 - 10th Avenue SW
Calgary, Alberta T2R 0A8
Attention: Terry L. Czechowskyj
Telephone: (403) 298-0326
Fax: (403) 263-6840
File: 47280 TLC

THIS IS EXHIBIT " E "
referred to in the Affidavit of
Lars De Pauw
Sworn before me this 15
day of October, 20 19


A Commissioner for Oaths
in and for the Province of Alberta

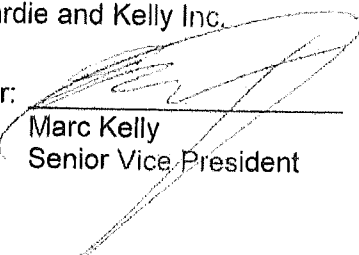
TERRY L. CZECHOWSKYJ - LAWYER
Notary Public
A Commissioner for Oaths in and for Alberta

Hardie & Kelly Inc., a licensed insolvency trustee within the meaning of subsection 2(a) of the *Bankruptcy and Insolvency Act* (Canada), does hereby consent to act as receiver and manager of Houston Oil and Gas Ltd.

Dated at the City of Calgary, in the Province of Alberta, this 15th day of October, 2019

Hardie and Kelly Inc.

Per:


Marc Kelly
Senior Vice President