

# APPENDIX A

July 16, 2014

Delivered by Courier

Alston Energy Inc. c/o Alvarez and Marsal Canada Inc.  
**Alston Energy Inc. (A5MK)**  
Suite 570, 202 – 6 Ave SW  
Calgary, AB T2P 2R9

Email: David.Adams@alvarezandmarsal.com; okonowalchuk@alvarezandmarsal.com

**Low Risk Enforcement  
Miscellaneous Order No. MISC 2014-65  
Noncompliance with the Liability Management Program Requirements**

**Monthly Liability Management Rating (LMR) Assessment Security Deposit  
Requirement**

Dear Sir/Madam:

Enclosed for your immediate attention is Miscellaneous Order No. MISC 2014-65 issued by the Alberta Energy Regulator (AER) ordering that the required security deposit be provided.

The AER's Liability Management Group has determined that Alston Energy Inc. (Alston) has failed to submit its security deposit as required by section 1.100(2) of the *Oil and Gas Conservation Rules* and *Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*, as specified in AER's prior letter of June 12, 2014 and is therefore enclosing for your immediate attention Miscellaneous Order No. MISC 2014-65 .

This noncompliance has escalated Alston within Low Risk Enforcement. As such, the **Global Refer** status has been imposed against Alston in accordance with section 22 of the *Oil and Gas Conservation Act (OGCA)* and *Directive 019: Compliance Assurance (Directive 019)*. The **Global Refer** status indicates Alston's inability or unwillingness to comply with the requirements and will be considered by the regulator when deciding to approve or deny any pending or future applications to the AER involving Alston. In addition, this noncompliance has been recorded on the AER's corporate database.

The **Global Refer** status and Miscellaneous Order No. MISC 2014-65 will remain in place against Alston until all of the following conditions have been met.

1. Alston submits the full security deposit amount of **\$1,319,916.80** to the AER, by **August 1, 2014**. The security deposit amount represents the difference between Alston's Deemed Liabilities and Deemed Assets determined from the July 2014 LMR assessment. This amount supersedes any amount identified in previous correspondence. The security deposit payment must not be combined with any other payment made to the AER. The

AER will only accept cash or a letter of credit which meets the security deposit requirements of *Directive 068: ERCB Security Deposits*; and,

2. Alston must provide a written explanation acceptable to the AER addressing the failure to respond and detailing steps to prevent future occurrences of noncompliance with AER's Licensee Liability Rating Program requirements.

Failure to provide the security deposit will result in the suspension of Alston's licensed properties through the issuance of a Closure Order in accordance with *Directive 019* and the authority contained in the *OGCA*.

Please review the list of well and pipeline licences currently licensed to Alston. If any of the working interest participants or associated percentages has changed, please provide supporting written documentation so the AER may update their records accordingly.

Questions regarding the enclosed Miscellaneous Order or the enforcement actions outlined in this letter may be directed to the undersigned at [carole.hachey@ aer.ca](mailto:carole.hachey@ aer.ca) 403-297-8448.

Sincerely,



Carole Hachey, Compliance Officer  
Liability Management, Closure & Liability

Enclosure (MISC 2014-65)

cc Enforcement@ aer.ca, Liability Management (E-mail)  
ComplianceCoordination@ aer.ca (E-mail)

**SCHEDULE A  
LICENCED PROPERTIES**

**ALSTON ENERGY INC.**

**List of Well Licences**

<b>Licence No.</b>	<b>Surface Location</b>	<b>Working Interest Participant(s)</b>	<b>Percent Interest</b>
W 0070490	07-29-038-03W4	Alston Energy Inc.	100
W 0121935	08-28-038-03W4	Alston Energy Inc.	100
W 0129762	04-22-038-03W4	Alston Energy Inc..	100
W 0130208	05-22-038-03W4	Alston Energy Inc.	100
W 0132879	04-22-038-03W4	Alston Energy Inc.	100
W 0135106	04-29-038-03W4	Alston Energy Inc.	100
W 0138834	06-29-038-03W4	Alston Energy Inc.	100
W 0139363	05-29-038-03W4	Alston Energy Inc.	100
W 0140258	05-29-038-03W4	Alston Energy Inc.	100
W 0140260	04-29-038-03W4	Alston Energy Inc.	100
W 0141029	03-29-038-03W4	Alston Energy Inc.	100
W 0141030	06-29-038-03W4	Alston Energy Inc.	100
W 0141389	06-29-038-03W4	Alston Energy Inc.	100
W 0141390	04-29-038-03W4	Alston Energy Inc.	100
W 0141578	04-29-038-03W4	Alston Energy Inc.	100
W 0144041	06-29-038-03W4	Alston Energy Inc.	100
W 0144146	09-28-038-03W4	Alston Energy Inc.	100
W 0186598	14-22-038-03W4	Alston Energy Inc.	100
W 0196359	04-22-038-03W4	Alston Energy Inc.	100
W 0200559	04-27-038-03W4	Alston Energy Inc.	100
W 0200583	10-27-038-03W4	Alston Energy Inc.	100
W 0202419	04-22-038-03W4	Alston Energy Inc.	100
W 0202420	04-22-038-03W4	Alston Energy Inc.	100
W 0205443	09-28-038-03W4	Alston Energy Inc.	100
W 0205444	09-28-038-03W4	Alston Energy Inc.	100
W 0205662	04-17-058-03W5	Alston Energy Inc.	100
W 0207383	03-22-038-03W4	Alston Energy Inc.	100
W 0207396	16-21-038-03W4	Alston Energy Inc.	100
W 0207398	07-27-038-03W4	Alston Energy Inc.	100
W 0207409	13-27-038-03W4	Alston Energy Inc.	100
W 0207411	05-27-038-03W4	Alston Energy Inc.	100
W 0207462	04-22-038-03W4	Alston Energy Inc.	100
W 0207463	04-22-038-03W4	Alston Energy Inc.	100
W 0208556	03-22-038-03W4	Alston Energy Inc.	100
W 0211375	04-27-038-03W4	Alston Energy Inc.	100
W 0211382	13-22-038-03W4	Alston Energy Inc.	100
W 0212067	16-21-038-03W4	Alston Energy Inc.	100
W 0213473	04-09-058-03W5	Alston Energy Inc.	100
W 0213476	04-20-058-03W5	Alston Energy Inc.	100

W 0213549	16-21-038-03W4	Alston Energy Inc.	100
W 0213779	08-09-066-05W5	Apache Canada Ltd.	40
		Alston Energy Inc.	60
W 0213836	10-21-038-03W4	Alston Energy Inc.	100
W 0214102	16-21-038-03W4	Alston Energy Inc.	100
W 0214191	14-21-038-03W4	Alston Energy Inc.	100
W 0214618	09-21-038-03W4	Alston Energy Inc.	100
W 0214639	11-21-038-03W4	Alston Energy Inc.	100
W 0214824	06-21-038-03W4	Alston Energy Inc.	100
W 0215017	09-01-058-04W5	Alston Energy Inc.	100
W 0216275	14-36-057-04W5	Alston Energy Inc.	100
W 0216643	12-12-058-04W5	Alston Energy Inc.	100
W 0217607	16-17-058-03W5	Alston Energy Inc.	100
W 0219830	10-08-058-03W5	Alston Energy Inc.	100
W 0225207	09-02-058-03W5	Alston Energy Inc.	100
W 0225649	16-05-058-03W5	Alston Energy Inc.	100
W 0246943	11-20-057-04W5	Alston Energy Inc.	100
W 0271385	02-27-038-03W4	Alston Energy Inc.	100
W 0292332	11-28-038-03W4	Alston Energy Inc.	100
W 0295875	12-22-038-03W4	Alston Energy Inc.	100
W 0295929	12-22-038-03W4	Alston Energy Inc.	100
W 0303683	03-12-058-03W5	Alston Energy Inc.	100
W 0304517	12-09-058-03W5	Alston Energy Inc.	100
W 0308701	03-13-058-03W5	Alston Energy Inc.	100
W 0314403	11-01-058-03W5	Alston Energy Inc.	100
W 0315860	08-14-058-03W5	Alston Energy Inc.	100
W 0318613	05-22-038-03W4	Alston Energy Inc.	100
W 0323521	03-36-057-03W5	Alston Energy Inc.	100
W 0326709	12-10-054-27W4	Alston Energy Inc.	100
W 0328257	09-20-061-25W4	Alston Energy Inc.	100
W 0337267	07-29-057-02W5	Alston Energy Inc.	100
W 0351676	05-22-038-03W4	Alston Energy Inc.	100
W 0358436	02-30-057-02W5	Alston Energy Inc.	100
W 0380270	12-35-057-03W5	Alston Energy Inc.	100
W 0384387	06-28-054-07W5	Alston Energy Inc.	100
W 0384662	05-17-058-03W5	Alston Energy Inc.	100
W 0385230	15-12-058-03W5	Alston Energy Inc.	100
W 0393439	02-05-066-04W5	Alston Energy Inc.	100
W 0393678	01-33-057-03W5	Alston Energy Inc.	100
W 0396031	08-11-059-04W5	Sword Energy Inc.	25
		Alston Energy Inc.	75
W 0396438	02-22-038-03W4	Alston Energy Inc.	100
W 0396439	16-27-038-03W4	Alston Energy Inc.	100
W 0398162	15-27-038-03W4	Alston Energy Inc.	100
W 0399572	15-21-038-03W4	Alston Energy Inc.	100
W 0400152	13-22-038-03W4	Alston Energy Inc.	100

W 0401186	12-22-038-03W4	Alston Energy Inc.	100
W 0403939	03-29-057-02W5	Alston Energy Inc.	100
W 0409452	08-20-038-03W4	Alston Energy Inc.	100
W 0437475	04-29-038-03W4	Alston Energy Inc.	100
W 0440353	13-22-038-03W4	Alston Energy Inc.	100
W 0450791	07-29-038-03W4	Alston Energy Inc.	100

**List of Facility Licences**

<b>Licence No.</b>	<b>Surface Location</b>	<b>Working Interest Participant(s)</b>	<b>Percent Interest</b>
F 20688	00/12-07-058-03W5	Alston Energy Inc.	100
F 23024	00/06-29-038-03W4	Alston Energy Inc.	100
F 23452	00/08-28-038-03W4	Alston Energy Inc.	100
F 26887	04/16-21-038-03W4	Alston Energy Inc.	100
F 40530	00/04-17-058-03W5	Alston Energy Inc.	100
F 6290	00/16-21-038-03W4	Alston Energy Inc.	100
F 6291	02/16-21-038-03W4	Alston Energy Inc.	100
F 6292	03/16-21-038-03W4	Alston Energy Inc.	100
F 6309	00/09-28-038-03W4	Alston Energy Inc.	100
F 6310	00/04-29-038-03W4	Alston Energy Inc.	100
F 6311	00/05-29-038-03W4	Alston Energy Inc.	100

**List of Pipeline Licences**

<b>Licence Number</b>	<b>From Location</b>	<b>To Location</b>	<b>Line Number</b>
P 24405	04-29-038-03W4	04-29-038-03W4	1
	03-29-038-03W4	04-29-038-03W4	2
	06-29-038-03W4	04-29-038-03W4	3
	06-29-038-03W4	04-29-038-03W4	4
	05-29-038-03W4	04-29-038-03W4	5
	06-29-038-03W4	04-29-038-03W4	6
	04-29-038-03W4	04-29-038-03W4	7
	04-29-038-03W4	04-29-038-03W4	8
	04-22-038-03W4	04-29-038-03W4	9
	03-22-038-03W4	04-22-038-03W4	10
	04-22-038-03W4	04-22-038-03W4	11
	03-22-038-03W4	04-22-038-03W4	12
	04-22-038-03W4	04-22-038-03W4	13
	04-22-038-03W4	04-22-038-03W4	14
	05-22-038-03W4	04-22-038-03W4	15
	14-22-038-03W4	05-22-038-03W4	16
	02-27-038-03W4	14-22-038-03W4	17
	12-22-038-03W4	13-22-038-03W4	21

	12-22-038-03W4	13-22-038-03W4	22
	12-22-038-03W4	13-22-038-03W4	23
	14-22-038-03W4	13-22-038-03W4	18
	14-22-038-03W4	13-22-038-03W4	19
	14-22-038-03W4	13-22-038-03W4	20
P 24413	04-29-038-03W4	05-29-038-03W4	1
	04-29-038-03W4	06-29-038-03W4	2
	04-29-038-03W4	05-29-038-03W4	3
P 30999	04-17-058-03W5	12-07-058-03W5	1
	12-07-058-03W5	12-06-058-03W5	2
	04-20-058-03W5	04-17-058-03W5	3
	09-01-058-04W5	12-07-058-03W5	5
	14-36-057-04W5	09-01-058-04W5	6
	12-12-058-04W5	12-07-058-03W5	7
	16-17-058-03W5	04-17-058-03W5	8
	10-08-058-03W5	04-17-058-03W5	9
	09-02-058-03W5	13-34-057-03W5	10
	16-05-058-03W5	10-08-058-03W5	11
	15-12-058-03W5	03-12-058-03W5	12
	04-06-066-04W5	02-05-066-04W5	15
	03-11-066-05W5	04-06-066-04W5	17
	02-10-066-05W5	03-11-066-05W5	18
	08-09-066-05W5	02-10-066-05W5	19
	01-33-057-03W5	06-34-057-03W5	21
	13-34-057-03W5	16-05-058-03W5	22
	02-04-058-03W5	06-04-058-03W5	23
13-34-057-03W5	05-34-057-03W5	24	
P 31626	10-27-038-03W4	04-27-038-03W4	1
P 32319	04-29-038-03W4	04-29-038-03W4	1
P 36333	11-20-057-04W5	09-29-057-04W5	1
P 38160	06-21-038-03W4	16-21-038-03W4	1
	14-21-038-03W4	16-21-038-03W4	2
	11-21-038-03W4	16-21-038-03W4	3
	10-21-038-03W4	16-21-038-03W4	4
	13-22-038-03W4	04-27-038-03W4	5
	15-21-038-03W4	16-21-038-03W4	6
	16-21-038-03W4	04-27-038-03W4	7
	16-21-038-03W4	04-27-038-03W4	8
	04-27-038-03W4	04-29-038-03W4	9
	02-22-038-03W4	03-22-038-03W4	14
	09-28-038-03W4	04-27-038-03W4	10
	09-28-038-03W4	09-28-038-03W4	11
	08-28-038-03W4	09-28-038-03W4	12
12-27-038-03W4	09-28-038-03W4	13	
P 38161	04-27-038-03W4	09-21-038-03W4	1
	04-29-038-03W4	04-27-038-03W4	2

	04-27-038-03W4	09-28-038-03W4	3
P 41408	11-28-038-03W4	10-28-038-03W4	1
	04-27-038-03W4	09-28-038-03W4	3
	09-28-038-03W4	11-28-038-03W4	2
P 42816	12-09-058-03W5	10-08-058-03W5	1
P 44646	05-22-038-03W4	03-22-038-03W4	1
P 45390	12-10-054-27W4	09-15-054-27W4	1
P 47612	09-20-061-25W4	10-20-061-25W4	1
P 48339	02-30-057-02W5	03-36-057-03W5	1
	03-29-057-02W5	02-30-057-02W5	2
P 50100	03-12-058-03W5	09-02-058-03W5	1
	12-35-057-03W5	06-34-057-03W5	2
	08-11-059-04W5	16-11-059-04W5	3
P 50527	16-27-038-03W4	10-27-038-03W4	1
	15-27-038-03W4	10-27-038-03W4	2
P 50851	02-05-066-04W5	01-05-066-04W5	14
P 50917	02-27-038-03W4	14-22-038-03W4	1
	13-22-038-03W4	04-27-038-03W4	4
	12-22-038-03W4	13-22-038-13W4	3
	14-22-038-03W4	13-22-038-03W4	2
P 50940	07-27-038-03W4	10-27-038-03W4	1
P 54374	03-13-058-03W5	11-19-058-02W5	1
	03-13-058-03W5	03-12-058-03W5	2
	11-01-058-03W5	03-12-058-03W5	3
	03-36-057-03W5	03-12-058-03W5	4



**PROVINCE OF ALBERTA**  
**ALBERTA ENERGY REGULATOR**  
**OIL AND GAS CONSERVATION ACT**

**ORDER NO. MISC 2014-65**

**AN ORDER WITH RESPECT TO UNPAID SECURITY DEPOSITS OF**  
**ALSTON ENERGY INC.**

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WHEREAS Alston Energy Inc. (Licensee) under section 1.100(2) of the *Oil and Gas Conservation Rules* (OGCR) is required to provide a security deposit to the Alberta Energy Regulator (AER);

WHEREAS the AER has notified the Licensee of its requirement to provide the security deposit required under the OGCR;

WHEREAS the Licensee has failed to provide the security deposit as required.

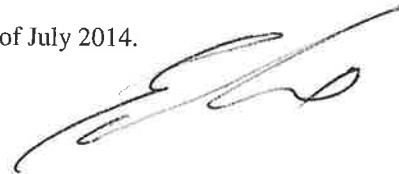
THEREFORE, the AER pursuant to the *Oil and Gas Conservation Act*, RSA 2000, c. O-6, hereby orders as follows:

1. That the security deposit shall be paid by the Licensee in the total amount indicated below, in a form acceptable to the AER:

Total Amount Owing:                    **\$1,319,916.80**

2. The security deposit is payable to the AER, pursuant to Clause 1, by **August 1, 2014**.
3. The AER may amend this Order on any term or condition it may specify.

MADE at the City of Calgary, in the Province of Alberta, this 16 day of July 2014.



ALBERTA ENERGY REGULATOR

# APPENDIX B

May 9, 2014

President  
**Alston Energy Inc. (A5MK)**  
1100-744 - 4 Ave SW  
Calgary AB T2P 3T4

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

[www.aer.ca](http://www.aer.ca)

**INITIAL NOTICE  
COMPLIANCE CATEGORY: NONCOMPLIANCE WITH THE LIABILITY  
MANAGEMENT PROGRAM REQUIREMENTS  
MONTHLY LIABILITY MANAGEMENT RATING (LMR) ASSESSMENT  
ASSESSMENT NUMBER: 13092**

Dear Sir/Madam:

On February 28, 2014, the Alberta Energy Regulator (AER) released the Licensee Liability Rating (LLR) Program Management Plan (plan), as detailed in Bulletin 2014-06. This letter identifies you owe a security deposit and the plan allows security deposits to be paid in installments which is a new option and different from the standard process. We therefore recommend that the Bulletin and plan be reviewed and considered. Plans must be submitted prior to the issuance of closure orders. The plan is intended to complement the LLR changes outlined in Bulletin 2013-09 and 2014-11, and bring about a higher compliance rate. Bulletins and the plan are available on the AER's website at [www.aer.ca](http://www.aer.ca).

Note, until a submitted plan has been approved by the AER, standard timelines and escalation practices will continue per the information below.

As provided in *Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*, *Directive 024: Large Facility Liability Management Program* and *Directive 075: Oilfield Waste Liability (OWL) Program*, the AER has conducted an assessment of your LMR for May 2014.

This assessment indicates that a security deposit in the amount of \$760,089.67 is required to offset the difference between your Deemed Assets and Deemed Liabilities and/or to fulfill a site-specific security deposit requirement. Sections 1.100(2) and 16.640 of the *Oil and Gas Conservation Rules (OGCR)* provide the authority for the AER to request and require a security deposit from the licensee and/or approval holder<sup>1</sup>. This assessment considers any security deposit currently held by the AER for Alston Energy Inc. under a liability management program, but does not include any pending assessed amounts. A licensee may view its LMR assessment and security deposit position through the AER Web site [www.aer.ca](http://www.aer.ca) using its Digital Data Submission (DDS) system Logon ID and password.

The required security deposit must be received by the AER on or before June 6, 2014, and must not be combined with any other security deposit or payment that may be required by the AER. The AER will accept only payment methods meeting the requirements of *Directive 068: ERCB Security Deposits*. If payment is made using a Letter of Credit please send the Letter of Credit to

<sup>1</sup> Reference to any issued oilfield waste management facility approval(s).

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the Alberta Energy Regulator; Attention: Liability Management Group. For all other methods of payment; Attention: Finance.

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

Failure to provide the required security deposit by the specified due date will result in the AER issuing Notice of Low Risk Noncompliance against Alston Energy Inc., in accordance with *Directive 019: Compliance Assurance*.

Should you have any questions or require additional information with respect to this assessment, please contact the Liability Management Group's Helpline at (403) 297-3113 or e-mail at [LiabilityManagement@aer.ca](mailto:LiabilityManagement@aer.ca)

Yours truly,

A handwritten signature in black ink, appearing to read 'Anu Nandiwada', written over a faint circular stamp or watermark.

Anu Nandiwada  
Manager  
Liability Management Group  
Closure & Liability



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

[www.aer.ca](http://www.aer.ca)

Via E-mail: [okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com)  
[David.Adams@alvarezandmarsal.com](mailto:David.Adams@alvarezandmarsal.com)

May 16, 2014

**Alvarez and Marsal Canada Inc.**  
Bow Valley Square 1  
Suite 570, 202 – 6<sup>th</sup> Avenue, S.W.  
Calgary, AB T2P 2R9

Attention: Messrs. Orest Konowalchuk and David Adams

**Re: Appointment of Alvarez and Marsal Canada Inc.  
as Receiver for Alston Energy Inc. (A5MK)**

Dear Sirs:

The Alberta Energy Regulator (AER) confirms receipt of the filed order of Madam Justice K. Horner dated May 13, 2014 appointing that Alvarez and Marsal Canada Inc. (Receiver) as Receiver of the property of Alston Energy Inc. (Licensee).

As you may know, the Licensee currently holds a number of AER licences or approvals (Licences). "Licensee" is defined in both the *Oil and Gas Conservation Act* (OGCA) and *Pipeline Act* (PA) to include a trustee or receiver-manager of the property of a licensee.

Please note the AER is not a creditor of the Licensee and does not assert a provable claim in the receivership. Rather, the AER has a statutory mandate to regulate the oil and gas industry in Alberta, which includes enforcement of the Acts, Regulations and Rules that it administers. As such, we advise that notwithstanding the receivership, the Licensee remains obligated under the OGCA and PA to comply with and fulfil all regulatory requirements associated with the Licences, including all applicable regulations, rules and AER directives. These include responsibility for care and custody of all AER licensed wells, pipelines and related facilities, including, but not limited to, emergency and incident response and obligations relating to the Alberta One-Call system, and fulfilment of all applicable suspension and abandonment obligations in relation to all AER licensed wells, pipelines and related facilities, which includes posting of any applicable security under AER liability management programs.

The AER takes the position that the Receiver is legally and statutorily obligated to fulfil these obligations, and must do so prior to distributing any funds or finalizing any proposal to creditors, secured or otherwise. The AER is of the view that the current law in Alberta and federally supports this position and notes that suspension and abandonment address primarily public safety issues as opposed to environmental concerns, and constitute a carrying out of a duty owed by the licensee to the public.

While the AER is prepared to work with the Receiver to facilitate administration of the Licensee's AER licensed assets, please note that any agreements made by the Receiver with third parties to transfer ownership of AER licensed wells, pipelines or related facilities do not effect the transfer of the associated AER licences. Transfer of AER licences requires application to and approval by the AER. When application for transfer is made, the AER assesses both the transferor's and transferee's ability to fulfil all applicable regulatory obligations then determines whether to approve the transfer of applicable licences and approvals.

In connection with your appointment, we refer you to the attached list of AER licences, permits and approvals held by the Licensee. Please provide the following to the undersigned no later than June 15, 2014:

1. Any corrections to the attached list of AER licences, permits and approvals held by the Licensee, including licence number, surface location, and all working interest participants including full corporate names, contact information, and working interest percentage(s) for each licence.
2. Written confirmation that the Receiver has taken possession of the Licensee's AER licensed properties, is providing care and custody of the properties and is taking steps to ensure compliance with the Licensee's responsibilities and obligations under the OGCA and PA, associated regulations and rules and all applicable AER directives. If the Receiver intends to operate Licensee's properties, it must provide confirmation that it maintains adequate insurance, as per *Directive 067: Applying for Approval to Hold AER Licences*.
3. Written confirmation that the Receiver will provide the AER with at least 14 days advance written notice of any application for discharge or equivalent application.

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

Please note that failure to provide the information requested above may result in the AER suspending the licences through the issuance of AER orders and ultimately requiring the properties to be abandoned.

Also, we hereby request that the Receiver and/or its counsel provide advance notice to the AER of all future applications to the court in connection with this matter.

Please direct questions to Ms. Carole Hachey via e-mail at [carole.hachey@aer.ca](mailto:carole.hachey@aer.ca) or via telephone at 403-297-8448.

We trust you will find the above in order and await your response.

Yours truly,



Anu Nandiwada  
Manager, Liability Management

enclosure (1)

cc. Patricia M. Johnston, Q.C., AER Law Branch (via E-Mail)  
Carole Hachey, Compliance Officer (Via E-mail)

**SCHEDULE A**

**Alston Energy Inc.**

**LIST OF LICENCES**

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

[www.aer.ca](http://www.aer.ca)

**WELL LICENCES**

<b>Licence No.</b>	<b>Well Locations</b>	<b>Working Interest Participant(s)</b>	<b>Percent Interest</b>
W0070490	07-29-038-03W4	Alston Energy Inc.	100
W0121935	08-28-038-03W4	Alston Energy Inc.	100
W0129762	04-22-038-03W4	Alston Energy Inc.	100
W0130208	05-22-038-03W4	Alston Energy Inc.	100
W0132879	04-22-038-03W4	Alston Energy Inc.	100
W0135106	04-29-038-03W4	Alston Energy Inc.	100
W0138834	06-29-038-03W4	Alston Energy Inc.	100
W0139363	05-29-038-03W4	Alston Energy Inc.	100
W0140258	05-29-038-03W4	Alston Energy Inc.	100
W0140260	04-29-038-03W4	Alston Energy Inc.	100
W0141029	03-29-038-03W4	Alston Energy Inc.	100
W0141030	06-29-038-03W4	Alston Energy Inc.	100
W0141389	06-29-038-03W4	Alston Energy Inc.	100
W0141390	04-29-038-03W4	Alston Energy Inc.	100
W0141578	04-29-038-03W4	Alston Energy Inc.	100
W0144041	06-29-038-03W4	Alston Energy Inc.	100
W0144146	09-28-038-03W4	Alston Energy Inc.	100
W0186598	14-22-038-03W4	Alston Energy Inc.	100
W0196359	04-22-038-03W4	Alston Energy Inc.	100
W0200559	04-27-038-03W4	Alston Energy Inc.	100
W0200583	10-27-038-03W4	Alston Energy Inc.	100
W0202419	04-22-038-03W4	Alston Energy Inc.	100
W0202420	04-22-038-03W4	Alston Energy Inc.	100
W0205443	09-28-038-03W4	Alston Energy Inc.	100
W0205444	09-28-038-03W4	Alston Energy Inc.	100
W0205662	04-17-058-03W5	Alston Energy Inc.	100
W0207383	03-22-038-03W4	Alston Energy Inc.	100
W0207396	16-21-038-03W4	Alston Energy Inc.	100
W0207398	07-27-038-03W4	Alston Energy Inc.	100



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

W0207409	13-27-038-03W4	Alston Energy Inc.	100
W0207411	05-27-038-03W4	Alston Energy Inc.	100
W0207462	04-22-038-03W4	Alston Energy Inc.	100
W0207463	04-22-038-03W4	Alston Energy Inc.	100
W0208556	03-22-038-03W4	Alston Energy Inc.	100
W0211375	04-27-038-03W4	Alston Energy Inc.	100
W0211382	13-22-038-03W4	Alston Energy Inc.	100
W0212067	16-21-038-03W4	Alston Energy Inc.	100
W0213473	04-09-058-03W5	Alston Energy Inc.	100
W0213476	04-20-058-03W5	Alston Energy Inc.	100
W0213549	16-21-038-03W4	Alston Energy Inc.	100
W0213779	08-09-066-05W5	Apache Canada Ltd.	40
		Alston Energy Inc.	60
W0213836	10-21-038-03W4	Alston Energy Inc.	100
W0214102	16-21-038-03W4	Alston Energy Inc.	100
W0214191	14-21-038-03W4	Alston Energy Inc.	100
W0214618	09-21-038-03W4	Alston Energy Inc.	100
W0214639	11-21-038-03W4	Alston Energy Inc.	100
W0214824	06-21-038-03W4	Alston Energy Inc.	100
W0215017	09-01-058-04W5	Alston Energy Inc.	100
W0216275	14-36-057-04W5	Alston Energy Inc.	100
W0216643	12-12-058-04W5	Alston Energy Inc.	100
W0217607	16-17-058-03W5	Alston Energy Inc.	100
W0219830	10-08-058-03W5	Alston Energy Inc.	100
W0225207	09-02-058-03W5	Alston Energy Inc.	100
W0225649	16-05-058-03W5	Alston Energy Inc.	100
W0246943	11-20-057-04W5	Alston Energy Inc.	100
W0271385	02-27-038-03W4	Alston Energy Inc.	100
W0292332	11-28-038-03W4	Alston Energy Inc.	100
W0295875	12-22-038-03W4	Alston Energy Inc.	100
W0295929	12-22-038-03W4	Alston Energy Inc.	100
W0303683	03-12-058-03W5	Alston Energy Inc.	100
W0304517	12-09-058-03W5	Alston Energy Inc.	100
W0308701	03-13-058-03W5	Alston Energy Inc.	100
W0314403	11-01-058-03W5	Alston Energy Inc.	100
W0315860	08-14-058-03W5	Alston Energy Inc.	100
W0318613	05-22-038-03W4	Alston Energy Inc.	100
W0323521	03-36-057-03W5	Alston Energy Inc.	100

W0326709	12-10-054-27W4	Alston Energy Inc.	100
W0328257	09-20-061-25W4	Alston Energy Inc.	100
W0337267	07-29-057-02W5	Alston Energy Inc.	100
W0351676	05-22-038-03W4	Alston Energy Inc.	100
W0358436	02-30-057-02W5	Alston Energy Inc.	100
W0380270	12-35-057-03W5	Alston Energy Inc.	100
W0384387	06-28-054-07W5	Alston Energy Inc.	100
W0384662	05-17-058-03W5	Alston Energy Inc.	100
W0385230	15-12-058-03W5	Alston Energy Inc.	100
W0393439	02-05-066-04W5	Alston Energy Inc.	100
W0393678	01-33-057-03W5	Alston Energy Inc.	100
W0396031	08-11-059-04W5	Sword Energy Inc.	25
		Alston Energy Inc.	75
W0396438	02-22-038-03W4	Alston Energy Inc.	100
W0396439	16-27-038-03W4	Alston Energy Inc.	100
W0398162	15-27-038-03W4	Alston Energy Inc.	100
W0399572	15-21-038-03W4	Alston Energy Inc.	100
W0400152	13-22-038-03W4	Alston Energy Inc.	100
W0401186	12-22-038-03W4	Alston Energy Inc.	100
W0403939	03-29-057-02W5	Alston Energy Inc.	100
W0409452	08-20-038-03W4	Alston Energy Inc.	100
W0437475	04-29-038-03W4	Alston Energy Inc.	100
W0440353	13-22-038-03W4	Alston Energy Inc.	100
W0450791	07-29-038-03W4	Alston Energy Inc.	100

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

### FACILITY LICENCES

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

Licence No.	Location	Working Interest Participant(s)	Percent Interest
F 20688	00/12-07-058-03W5	Alston Energy Inc.	100
F 23024	00/06-29-038-03W4	Alston Energy Inc.	100
F 23452	00/08-28-038-03W4	Alston Energy Inc.	100
F 26887	04/16-21-038-03W4	Alston Energy Inc.	100
F 40530	00/04-17-058-03W5	Alston Energy Inc.	100
F 6290	00/16-21-038-03W4	Alston Energy Inc.	100
F 6291	02/16-21-038-03W4	Alston Energy Inc.	100
F 6292	03/16-21-038-03W4	Alston Energy Inc.	100
F 6309	00/09-28-038-03W4	Alston Energy Inc.	100
F 6310	00/04-29-038-03W4	Alston Energy Inc.	100
F 6311	00/05-29-038-03W4	Alston Energy Inc.	100

### PIPELINE LICENCES

Licence Number	From Location	To Location	Line Number
P 24405	04-29-038-03W4	04-29-038-03W4	1
	03-29-038-03W4	04-29-038-03W4	2
	06-29-038-03W4	04-29-038-03W4	3
	06-29-038-03W4	04-29-038-03W4	4
	05-29-038-03W4	04-29-038-03W4	5
	06-29-038-03W4	04-29-038-03W4	6
	04-29-038-03W4	04-29-038-03W4	7
	04-29-038-03W4	04-29-038-03W4	8
	04-22-038-03W4	04-29-038-03W4	9
	03-22-038-03W4	04-22-038-03W4	10
	04-22-038-03W4	04-22-038-03W4	11
	03-22-038-03W4	04-22-038-03W4	12
	04-22-038-03W4	04-22-038-03W4	13
	04-22-038-03W4	04-22-038-03W4	14
	05-22-038-03W4	04-22-038-03W4	15
	14-22-038-03W4	05-22-038-03W4	16
	02-27-038-03W4	14-22-038-03W4	17
12-22-038-03W4	13-22-038-03W4	21	

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

	12-22-038-03W4	13-22-038-03W4	22
	12-22-038-03W4	13-22-038-03W4	23
	14-22-038-03W4	13-22-038-03W4	18
	14-22-038-03W4	13-22-038-03W4	19
	14-22-038-03W4	13-22-038-03W4	20
P 24413	04-29-038-03W4	05-29-038-03W4	1
	04-29-038-03W4	06-29-038-03W4	2
	04-29-038-03W4	05-29-038-03W4	3
P 30999	04-17-058-03W5	12-07-058-03W5	1
	12-07-058-03W5	12-06-058-03W5	2
	04-20-058-03W5	04-17-058-03W5	3
	09-01-058-04W5	12-07-058-03W5	5
	14-36-057-04W5	09-01-058-04W5	6
	12-12-058-04W5	12-07-058-03W5	7
	16-17-058-03W5	04-17-058-03W5	8
	10-08-058-03W5	04-17-058-03W5	9
	09-02-058-03W5	13-34-057-03W5	10
	16-05-058-03W5	10-08-058-03W5	11
	15-12-058-03W5	03-12-058-03W5	12
	04-06-066-04W5	02-05-066-04W5	15
	03-11-066-05W5	04-06-066-04W5	17
	02-10-066-05W5	03-11-066-05W5	18
	08-09-066-05W5	02-10-066-05W5	19
	01-33-057-03W5	06-34-057-03W5	21
	13-34-057-03W5	16-05-058-03W5	22
02-04-058-03W5	06-04-058-03W5	23	
13-34-057-03W5	05-34-057-03W5	24	
P 31626	10-27-038-03W4	04-27-038-03W4	1
P 32319	04-29-038-03W4	04-29-038-03W4	1
P 36333	11-20-057-04W5	09-29-057-04W5	1
P 38160	06-21-038-03W4	16-21-038-03W4	1
	14-21-038-03W4	16-21-038-03W4	2
	11-21-038-03W4	16-21-038-03W4	3
	10-21-038-03W4	16-21-038-03W4	4
	13-22-038-03W4	04-27-038-03W4	5
	15-21-038-03W4	16-21-038-03W4	6
	16-21-038-03W4	04-27-038-03W4	7
	16-21-038-03W4	04-27-038-03W4	8

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

	04-27-038-03W4	04-29-038-03W4	9
	02-22-038-03W4	03-22-038-03W4	14
	09-28-038-03W4	04-27-038-03W4	10
	09-28-038-03W4	09-28-038-03W4	11
	08-28-038-03W4	09-28-038-03W4	12
	12-27-038-03W4	09-28-038-03W4	13
P 38161	04-27-038-03W4	09-21-038-03W4	1
	04-29-038-03W4	04-27-038-03W4	2
	04-27-038-03W4	09-28-038-03W4	3
P 41408	11-28-038-03W4	10-28-038-03W4	1
	04-27-038-03W4	09-28-038-03W4	3
	09-28-038-03W4	11-28-038-03W4	2
P 42816	12-09-058-03W5	10-08-058-03W5	1
P 44646	05-22-038-03W4	03-22-038-03W4	1
P 45390	12-10-054-27W4	09-15-054-27W4	1
P 47612	09-20-061-25W4	10-20-061-25W4	1
P 48339	02-30-057-02W5	03-36-057-03W5	1
	03-29-057-02W5	02-30-057-02W5	2
P 50100	03-12-058-03W5	09-02-058-03W5	1
	12-35-057-03W5	06-34-057-03W5	2
	08-11-059-04W5	16-11-059-04W5	3
P 50527	16-27-038-03W4	10-27-038-03W4	1
	15-27-038-03W4	10-27-038-03W4	2
P 50851	02-05-066-04W5	01-05-066-04W5	14
P 50917	02-27-038-03W4	14-22-038-03W4	1
	13-22-038-03W4	04-27-038-03W4	4
	12-22-038-03W4	13-22-038-13W4	3
	14-22-038-03W4	13-22-038-03W4	2
P 50940	07-27-038-03W4	10-27-038-03W4	1
P 54374	03-13-058-03W5	11-19-058-02W5	1
	03-13-058-03W5	03-12-058-03W5	2
	11-01-058-03W5	03-12-058-03W5	3
	03-36-057-03W5	03-12-058-03W5	4

**SCHEDULE B**

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

**Alston Energy Inc.**

**LIST OF ABANDONED, NOT RECLAIMED LICENCES**

**WELL LICENCES**

Licence No.	Well Locations	Working Interest Participant(s)	Percent Interest
W0109138	16-29-038-03W4	Alston Energy Inc.	100
W0207265	01-21-038-03W4	Alston Energy Inc.	100
W0207401	15-27-038-03W4	Alston Energy Inc.	100
W0214640	12-21-038-03W4	Alston Energy Inc.	100
W0214822	09-21-038-03W4	Alston Energy Inc.	100
W0214851	15-21-038-03W4	Alston Energy Inc.	100
W0330404	12-35-057-03W5	Alston Energy Inc.	100
W0347373	15-27-038-03W4	Alston Energy Inc.	100
W0438595	01-20-038-03W4	Tallgrass Energy Corp.	10
		Alston Energy Inc.	90

**FACILITY LICENCES**

Licence No.	Location	Working Interest Participant(s)	Percent Interest
F 36120	00/12-10-054-27W4	Alston Energy Inc.	100

# APPENDIX C



McCarthy Tétrault LLP  
Suite 4000  
421-7th Avenue S.W.  
Calgary AB T2P 4K9  
Canada  
Tel: 403-260-3500  
Fax: 403-260-3501

**Sean F. Collins**  
**Direct Line: (403) 260-3531**  
**Direct Fax: (403) 260-3501**  
**Email: [scollins@mccarthy.ca](mailto:scollins@mccarthy.ca)**

**Assistant: Marcia Smith**  
**Direct Line: (403) 260-3546**  
**Email: [marciasmith@mccarthy.ca](mailto:marciasmith@mccarthy.ca)**

June 2, 2014

Via electronic mail ([tczech@milesdavison.com](mailto:tczech@milesdavison.com))

Terry L. Czechowskyj  
Miles Davison LLP  
Suite 900, 517 – 10<sup>th</sup> Avenue  
Calgary AB T2R 0A8

Dear Sir:

**Re: In the Matter of the Receivership of Alston Energy Inc. (“Alston”)**

We are counsel to Alvarez and Marsal Canada Inc. in its capacity as court-appointed Receiver of Alston (“**Receiver**”). We write to you in the capacity as counsel to the Alberta Energy Regulator (the “**AER**”). The Receiver has provided us with a copy of AER’s letter dated May 16, 2014 addressed to the Receivers Messrs. Konowalchuk and Adams.

We confirm and take cognizance of the AER’s statement that it has received a copy of the Receivership Order of Madam Justice K.M. Horner granted on May 9, 2014 (the “**Receivership Order**”). The Receiver relies on and is administering the receivership, as an officer of the court, in accordance with the protections, rights and priorities prescribed by the Receivership Order. Without limitation, the Receiver notes it specifically relies on the following provisions in the Receivership Order in connection with the Receiver’s ongoing administration of the estate:

1. Paragraph 3 empowers, but does not obligate, the Receiver to take possession of any of Alston’s current and future assets, undertakings and properties of every nature and kind whatsoever, wherever situate including the proceeds derived therefrom (the “**Property**”).
2. Paragraph 16 of the Receivership Order contains a limitation on the Receiver’s liability. In particular, save in circumstances where the Receiver is guilty of gross negligence or wilful misconduct the Receiver shall incur no liability or obligation that exceeds an amount for which the Receiver may obtain full indemnity from the Property.
3. Paragraph 17 of the Receivership Order grants a charge (the “**Receiver’s Charge**”) to the Receiver and its counsel in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, to secure payment of the Receiver and its counsel’s reasonable fees and disbursements subject only to the other charges set out therein.
4. Paragraph 20 of the Receivership Order permits the Receiver to borrow by way of a revolving credit or otherwise, monies in the principal amount of up to \$750,000.00. The



whole of the Property is charged (the "**Receiver's Borrowing Charge**") by way of a fixed and specific charge of security for any monies borrowed by the Receiver in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise subordinate only to the Receiver's Charge and the other charges set out therein. The Receiver advises that it has arranged a revolving credit with ATB in the amount of up to \$750,000 and has issued a Receiver's Certificate to ATB therefor.

The Receiver, as officer of the court, derives its authority and takes the direction from the Court and orders issued by it including (the Receivership Order) and will continue to rely on the protections afforded to it by the Receivership Order and the relative priorities afforded to the Receiver's Charge and Receiver's Borrowing Charge.

In specific response to the queries raised in the letter under reply, we advise as follows (the response utilizes the same numbering as in the letter under reply):

1. The Receiver confirms it is reviewing with Alston's Land Administrator the list attached to the letter under reply to confirm whether the schedules attached thereto contain an accurate listing of the licences, permits and approvals held by Alston. In connection with this review the Receiver will confirm any working interest participants including full corporate name, contact information, and working interest percentages.
2. Alston's properties are primarily located in the Municipal District of Provost (and are referred to herein as the "**Provost Properties**") and in the Municipal District of Newton (and are referred to herein as the "**Newton Properties**"). The Receiver will confirm the locations of the Provost Properties and Newton Properties at the same time it provides the information in item 1 above. In accordance with the Receivership Order, the Receiver has not taken possession of the Newton Properties.

We elaborate further on the activities of the Receiver in respect of the Provost Properties and Newton Properties as follows:

### **Provost Properties**

On September 11, 2013, the AER provided written notification to Alston of high-risk enforcement action in respect of pipeline license numbers P24405, P32319, P38161, P41408. The AER required Alston to take corrective actions by October 11, 2013. On December 24, 2013, in response to a request by Alston, the AER extended the deadline to take corrective action to April 30, 2014. The Receiver has determined that Alston did not undertake the corrective action. The Receiver has corresponded directly with the AER requesting a further extension of the deadline. A copy of the Receiver's correspondence in this regard is enclosed for your reference.

The Receiver is causing Alston to continue to operate the Provost properties. The Receiver has continued the insurance held by Alston. The Receiver is marketing the Provost Properties for sale and, in this regard, has retained the services of Sayer Energy Advisors. The Receiver notes indicative bids are due June 19, 2014 with an anticipated closing in July, 2014.

### Newton Properties

As indicated above, the Receiver is not in possession of the Newton Properties. Rather, in accordance with Section 3(b) of the Receivership Order, on or around May 15, 2014 the Receiver has caused Alston to preserve and protect the Newton properties by shutting in production in accordance with sound oilfield practices. The Receiver has no intention to take possession of or to publicly market for sale the Newton Properties. On May 9, 2014, the AER delivered a letter to Alston indicating that a security deposit is required in the amount of \$760,089.00 on account of Alston's LLR rating being .92. The Receiver is not possessed of sufficient funds to cause Alston to make the LLR deposit.

### License Transfer

The Receiver takes cognizance of the AER's position as articulated in the letter under reply relative to the transfer of licenses. The Receiver is hopeful that the AER will engage in dialogue with the Receiver as to the basis upon which licence transfers can be undertaken. The Receiver acknowledges that it will not distribute any funds received from the disposition of the Provost Assets to any creditors other than beneficiaries of the Receiver's Charge, Receiver's Borrowing Charge or any federal statutory charge ranking in priority thereto without a court order obtained on prior notice to AER.

3. The Receiver will endeavour to provide the AER with at least 14 days' notice of its Application for Discharge unless exigent circumstances then exist that might require the Receiver to provide less than 14 days' notice, in which case the Receiver will provide as much notice as is practicable in the circumstances.

The Receiver notes that immediately prior to the issuance of the Receivership Order, the Court issued an Order terminating the CCAA proceedings (the "**CCAA Termination Order**"). We enclose a copy of the CCAA Termination Order. In accordance with the terms of the CCAA Termination Order the Receiver is obliged to make payments to:

- (i) Employees on account of wages;
- (ii) the beneficiaries of the Administration Charge and Directors' Charge in the CCAA proceedings and;
- (iii) without duplication, the fees of the Monitor, its counsel and counsel to Alston.

The Receiver advises that the amounts outstanding in this regard aggregate approximately \$75,000.

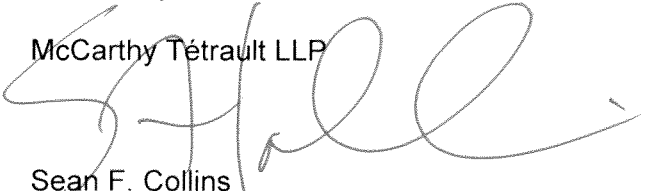
In conclusion, the Receiver reiterates that it will continue to administer the receivership estate in accordance with the direction of the Court as presently manifest in Receivership Order and the CCAA Termination Order. The Receiver is mindful of the potential for conflict as between Alston's creditors and the AER. It is the Receiver's desire that the stakeholders attempt to work together to find consensual resolution to the issues that may arise and, to this end, welcomes the opportunity to engage in further discussion with the AER as it pertains to the administration of the Alston receivership. As you will recall, the Receiver had previously requested the opportunity to meet with the AER to discuss the administration of the receivership. The

Receiver repeats its request in this regard and will make itself available to meet if the AER is favourably disposed to having such a meeting.

We look forward to hearing from you.

Yours truly,

McCarthy Tétrault LLP



Sean F. Collins

SFC/mas

Encls

c.c. Client



May 29, 2014

Alberta Energy Regulator  
C/o Ms. Holly James, Field Inspector  
Wainwright Field Centre  
Wainwright, Alberta T9W 1C4

Dear Ms. James:

Re: Alston Energy Ltd., in Receivership  
**AER High Risk Enforcement Action**  
**Provost Licence No's. P24405, P32319, P38161, P41408**

Thank you for our conversation on the telephone on May 27, 2014 regarding the subject matter.

Effective, Friday, May 9, 2014, Alvarez & Marsal Canada Inc. ("A&M") became the Court-appointed receiver (the "Receiver") of Alston Energy Inc. ("Alston") through an order of the Court of Queen's Bench of Alberta (the "Receivership Order"), without security, of all Alston's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property"). A copy of the Receivership Order can be found on the Receiver's website at [www.amcanadadocs.com/alston](http://www.amcanadadocs.com/alston).

The Receiver, through discussions with former management and a review of correspondence from Alberta Energy Regulator (the "AER") to Alston, understands that you previously issued the above referenced enforcement actions in September 2013 and have been working with Alston, in particular Mr. Bruce Eckert (former VP Operations and COO of Alston), in resolving those actions. Mr. Eckert is no longer an officer and/or director of Alston; however, Mr. Eckert is engaged as a contractor of the Receiver to assist in various operational matters.

The Receiver understands that the AER Wainwright Field Centre conducted an inspection in the Provost area on September 5, 2013. The Receiver further understands that various extensions were granted by the AER to Alston to complete the required work to address four (4) of the Provost license issues. The most recent extension expired on April 30, 2014. The following is our understanding of the outstanding High Risk Enforcement Actions for the above referenced Provost pipeline licenses:

***"Pressure Control Devices or Pressure Relief Devices installations unsatisfactory"***

- Licence. Lo. P24405, Line No's. 1-23:
- Licence No. P38161, Line No's 1-3:
- Licence No. P41408, Line No's 1-3
  - The Receiver understands that no new pressure control or relief devices have been installed as of yet.

***“No internal corrosion mitigation control”***

- Licence No. P32319, Line No.1:
  - No field work has commenced on this project as of yet; however, the Receiver understands that an AFE for approximately \$60,000 has been generated by Alston (prior to the receivership) to address this matter which involves pulling a fiberglass liner through the existing bare steel line currently being used to deliver slightly sour solution gas to a Husky facility.

The Receiver acknowledges and respects the AER’s position in relation to these licenses; however, the Receiver understands (through further discussions with former management of Alston and the current Provost field foreman) that these outstanding matters do not currently create a safety or environmental exposure in the Provost field. Specifically, the field foreman in Provost advised the Receiver that the entire pipeline system is operating at very low pressure. The compressor discharge pressure into the Husky sales line has been set at approximately 150 psig, well below the MOP of both the Alston pipeline (800psig) and the Husky pipeline (1,400 psig). In addition, no new wells have been drilled in the area so the possibility of tying in new high pressure wells into the Husky system is not likely. The Receiver is further advised that Husky would also inform all area operators in the event of increasing the Husky pipeline pressure as the system has been operating at very low pressures for many years.

The Receiver has initiated a formal sales process to sell certain of Alston’s assets (which include the Provost area) and the expected bid deadline to receive offers is June 19, 2014. The Receiver anticipates that it will find a suitable buyer to purchase the Provost assets in less than a month. The Receiver has disclosed to potential buyers that the AER’s High Risk notices exist and it would be the intention of the Receiver that the purchaser completes the AER mandated work.

Due to the short time remaining of this receivership, the sales process is well underway to find a suitable purchaser of the Provost property, the relatively low risk of there being any issue with Husky bringing on new production and that the AER having previously provided extensions to Alston in the past to have this work completed, the Receiver respectfully requests that AER provide an additional extension to August 1, 2014.

We look forward to working with the AER and hope this letter will provide the AER the information it requires to provide an additional extension. If you have any questions, please do not hesitate to contact the undersigned at (403) 538-4736.

Sincerely yours,

**ALVAREZ & MARSAL CANADA INC.**

*In its capacity as the Court appointed Receiver of  
Alston Energy Inc. and not in its personal capacity*



Orest Konowalchuk

**File No. 4004**

June 3, 2014

BY E-MAIL ONLY

Orest Konowalchuk, Director  
**Alvarez & Marsal Canada ULC**  
Bow Valley Square 1  
570, 202 – 6 Avenue SW  
Calgary, AB T2P 2R9

Email: [okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com)

**Alston Energy Inc.**  
**High Risk Enforcement Action**  
**Municipal District: M.D. of Provost**  
**Compliance Category: Pipeline – Inspection Results**  
**Licence No. P24405, Line No's. 1 – 23**  
**Inspection Location: 04-29-038-03W4**  
**Licence No. P32319, Line No. 1**  
**Inspection Location: 04-29-038-03W4**  
**Licence No. P38161, Line No's. 1 – 3**  
**Inspection Location: 04-27-038-03W4**  
**Licence No. P41408, Line No's 1 – 3**  
**Inspection Location: 04-29-038-03W4**

The Alberta Energy Regulator (AER) acknowledges receipt of the extension request from Alvarez & Marsal Canada Inc. (Alvarez), the court-appointed receiver of Alston Energy Inc. (Alston), for the outstanding deficiencies of the above noted licences.

No mitigative measures have been implemented with respect to the high risk deficiencies identified, nor has any corrective measures been made. Therefore take notice that Pipeline Licence No. P24405, Pipeline Licence No. P32319, Pipeline Licence No. P38161, and Pipeline Licence No. P41408 are fully suspended.

The AER Wainwright Field Centre acceptance must be received prior to resumption of operations of the said licences. Alvarez must ensure proper suspension of the said pipelines occurs in accordance with Alston's Pipeline Operating and Maintenance Manual. Alvarez must ensure that full disclosure of the outstanding deficiencies are provided with the transfer of said pipelines.

If you have any questions, please call me at 780 842 7612 or on cell at 780 806 6235.



Holly James, Regional Coordinator  
Enforcement and Surveillance

/ylp

ec: Darren Antos, Pipeline Technical Specialist, Wainwright  
FSOB-Portal-Inbox

Wainwright Field Centre  
801 – 2 Avenue  
Wainwright, Alberta T9W 1C4  
Canada

tel 780-842-7570  
fax 780-842-7536

[www.aer.ca](http://www.aer.ca)



McCarthy Tétrault LLP  
Suite 4000  
421-7th Avenue S.W.  
Calgary AB T2P 4K9  
Canada  
Tel: 403-260-3500  
Fax: 403-260-3501

**Sean F. Collins**  
Partner  
Direct Line: (403) 260-3531  
Direct Fax: (403) 260-3501  
Email: scollins@mccarthy.ca

Assistant: Smith, Marcia A  
Direct Line: (403) 260-3546  
Email: marciasmith@mccarthy.ca

June 4, 2014

**Via Email (Holly.James@aer.ca)**

Ms. Holly James  
Regional Coordinator, Enforcement and Surveillance  
Alberta Energy Regulator  
Wainwright Field Centre  
801-2nd Avenue  
Wainwright, Alberta T9W 1C4

Dear Ms. James:

**Re: Alston Energy Inc. ("Alston") High Risk Enforcement Action - Compliance  
Category: Pipeline - Inspection Results  
License Nos. P24405, P32319, P38161, P41408**

We are counsel to Alvarez and Marsal Canada Inc. in its capacity as court-appointed Receiver of Alston ("**Receiver**").

With reference to the letter from the Receiver to the Alberta Energy Regulator ("**AER**") dated May 29, 2014 ("**Extension Request**") and the AER's letter dated June 3, 2014 to Alston providing notice of the AER's decision to suspend Pipeline License Nos. P24405, P32319, P38161, P41408 (collectively, the "**Licences**"), we are writing to request:

1. that the AER's June 3, 2014 direction to suspend the Licences be overturned by the AER group in accordance with Section 5 of AER Directive 019: *Compliance Assurance*<sup>1</sup> ("**Directive 19**"); and
2. that the AER grant the Receiver's Extension Request to extend the deadline for the completion of the required mitigation measures to August 1, 2014.

Below is a detailed description of additional facts of grounds upon which these requests are based. Contrary to the AER's June 3, 2014 letter, mitigative measures have been implemented with respect to the high risk deficiencies. With reference to each of the Licences, a description of the measures taken to date and the steps that will be immediately taken to address each of the high and low risk deficiencies are set out below:

1. **License P24405 (Water Injection Pipeline).** We have been advised by Alston and the Receiver that required work to address the 3 non-compliance deficiencies (1 high-risk and 2 low-risk) has been completed. Alston received a letter from the AER dated April

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<sup>1</sup> Alberta Energy Regulator, *Directive 019: Compliance Assurance* (1 September 2010) at p 11.

25, 2014 stating that the investigation was complete and that this line could resume operations. A copy of this letter is enclosed as Schedule "A".

2. **License P32319 (Natural Gas Line).** With respect to the 4 non-compliance deficiencies (2 high-risk and 2 low-risk), an authorization for expenditure has been generated by Alston and work to address the 2 high-risk deficiencies is anticipated to commence (subject to third party contractor availability) the week of June 9, 2014. It is anticipated that the work will be completed by June 20, 2014. With respect to the 2 low-risk enforcement deficiencies, immediate steps are being taken to provide the AER with, among other things, the complete operations and maintenance manual, records of the internal corrosion control and documentation of the requisite right of way maintenance and patrols.
3. **License P38161 (Water Injection Line).** With respect to the non-compliance deficiencies (1 high-risk and 2 low risk), it is Alston's position that a pressure relief valve is not required to be installed on the water injection well. We have been advised that there is a pressure relief valve currently installed at the 4-29 pump designed to deal with potential pressure and blow-outs. We have been advised that a pressure relief valve on the injection well is not required because this particular line does not tie into another pressure line. Further guidance and discussion is required to confirm that work is, in fact required and if so, to obtain the requisite clarification from the AER to ensure the necessary work can be undertaken to address this issue. With respect to the 2 low-risk enforcement deficiencies, immediate steps are being taken to provide the AER with, among other things, the complete operations and maintenance manual, records of the internal corrosion control, the submission of a licence amendment application and documentation of the requisite right of way maintenance and patrols.
4. **License P41408 (Natural Gas Pipeline).** To address the 2 high-risk non-compliance deficiencies, the Receiver has ordered and arranged for installation of the requisite valves. Currently, installation of the valves is scheduled to be completed during the week of June 9, 2014 and the Receiver would request that the AER's representative be present upon completion of the installation. With respect to the 2 low-risk enforcement deficiencies, immediate steps are being taken to provide the AER with, among other things, the complete operations and maintenance manual, records of the internal corrosion control and documentation of the requisite right of way maintenance and patrols.

As set out above, mitigative measures have been implemented and plans have been made to complete the necessary corrective actions to address each of the high and low-risk deficiencies. On this basis, we submit that a suspension of the Licences is not required. In addition and as set out in detail in the Receiver's Extension Request, the sales process is well underway to find a suitable purchaser of the Provost property, the relatively low risk of there being any issue with Husky bringing on new production and the work that has been commenced and will be completed in the immediate future, on behalf of the Receiver, we respectfully request that the AER overturn its decision to suspend the Licences and grant the Extension Request.

In addition, we wish to request an immediate meeting in accordance with Section 5 of *Directive 19* to discuss the Enforcement Action and to address the discrepancies between Alston's operations and the AER's inspections records with respect to Licence Nos. P24405 and P38161. Further, such a meeting would ensure that the AER has all of the information and documentation it requires to permit the expeditious resolution of this Enforcement Action.

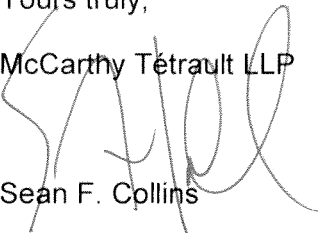


Finally, with respect to Alston's ongoing operations, immediate suspension and shut-in of the entire Provost field will be disruptive and costly and as such, the Receiver requests the AER's confirmation that it may delay suspension of the Licences and operations thereunder until the AER has reviewed and considered the request contained in this correspondence.

We look forward to hearing from you.

Yours truly,

McCarthy Tétrault LLP

  
Sean F. Collins

c.c. Terry L. Czechowskyj, Miles Davidson LLP via e-mail ([tczech@milesdavidson.com](mailto:tczech@milesdavidson.com))  
Client

**SCHEDULE "A"**

**AER's April 25, 2014 Letter re Pipeline Licence No. 24405**

See attached.



**File No. 4009.1**

April 25, 2014

BY E-MAIL ONLY

Bruce Eckert, VP Operations & COO

**Alston Energy Inc.**

Suite 1100, 744 – 4 Avenue S.W.

Calgary, AB T2P 3T4

E-mail: [beckert@alstonenergy.ca](mailto:beckert@alstonenergy.ca)

**Pipeline Incident Investigation Closed**

**Licence No. P24405, Line No. 3**

**Location: 06-29-038-03W4 to 04-29-038-03W4**

**FIS Incident No. 20132158**

The Alberta Energy Regulator (AER) Wainwright Field Centre has received and reviewed all documentation submitted regarding the above pipeline failure investigation.

Please be advised this line was allowed to resume operations and that we consider the investigation to be complete.

If you have any questions, please call me at 780 842 7574 or on cell at 780 385 4903.

A handwritten signature in black ink, appearing to read "Lawrence Newby".

Lawrence Newby, Field Inspector  
Enforcement and Surveillance

/ylp

Wainwright Field Centre  
801 – 2 Avenue  
Wainwright, Alberta T9W 1C4  
Canada

tel 780-842-7570  
fax 780-842-7536

[www.aer.ca](http://www.aer.ca)

# APPENDIX D



**File No. 4004**

September 11, 2013

BY E-MAIL ONLY

Bruce Eckert  
**Alston Energy Inc.**  
1100, 744 – 4 Avenue S.W.  
Calgary, AB T2P 3T4

Email: [beckert@alstonenergy.ca](mailto:beckert@alstonenergy.ca)

**Wainwright Field Centre**  
801 – 2 Avenue  
Wainwright, Alberta T9W 1C4  
Canada

tel 780-842-7570  
fax 780-842-7536

[www.aer.ca](http://www.aer.ca)

**High Risk Enforcement Action**  
**Partial Suspension of Operations**  
**Municipal District: M.D. of Provost**  
**Compliance Category: Pipeline – Inspection Results**  
**Licence No. P24405, Line No's. 1 – 23**  
**Inspection Location: 04-29-038-03W4**  
**Licence No. P32319, Line No. 1**  
**Inspection Location: 04-29-038-03W4**  
**Licence No. P38161, Line No's. 1 – 3**  
**Inspection Location: 04-27-038-03W4**  
**Licence No. P41408, Line No's 1 – 3**  
**Inspection Location: 04-29-038-03W4**

The Alberta Energy Regulator (AER) (successor to the ERCB) Wainwright Field Centre conducted an inspection of the above-mentioned pipelines on September 5, 2013. These inspections determined that Alston Energy Inc. (Alston) has failed to meet the requirements of *Directive 066: Requirements and Procedures for Pipelines* as detailed in the noncompliances below. Accordingly, Alston is now on High Risk Enforcement Action, as set out in *Directive 019: Compliance Assurance*.

The AER Wainwright Field Centre suspended the operations of Alston at Licence No. P24405, specifically Line No's 2, 5, 7, 8, 19 and 23 on September 5, 2013, in accordance with *Directive 019*.

For Licence No. P32319, full or partial suspension did not occur as the line does have overpressure relief at 04-29-038-03W4 that is set for 2700 kPa. The line does not extend past the lease boundaries, and there are no residents within the EPZ. The facility has H2S detection and is manned daily.

For Licence No. P38161, full or partial suspension did not occur as the failure to file a licence amendment application to reflect a change in the pipeline parameters will not result in a category/type change or a change in level designation. The system is protected by the High Pressure Shut Down on the injection pump discharge which is set at 7500 kPa. The licensee will amend the MOP of Line No. 1 to 9930 kPa.

For Licence No. P41408, full or partial suspension did not occur as the line is .15 meters long and runs lease to lease. The substance is sweet natural gas with liquids being separated out at 11-28-038-03W4 prior to entering the pipeline with the operating pressures of the pipeline being 230 kPa without the need for compression into the third party pipeline.

## HIGH RISK NONCOMPLIANCES:

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

### Licence No. P24405, Line No's. 1 – 23

- Operations Review – Pressure Control Devices or Pressure Relief Devices – Pressure control devices or pressure relief device installations unsatisfactory (i.e., not installed where required or does not function).
- No annual inspection by certified instrumentation technician where artificial lift equipment is capable of supplying pressure in excess of the pipeline maximum operating pressure with a single overpressure protection device designed to protect the pipeline for experiencing excess pressure. This is in contravention of *Directive 077: Pipelines – Requirements and Reference Tools* 3.2 (1)(b)(iv). This is deemed a High Risk noncompliance as per *Directive 066: Requirements and Procedures for Pipelines* Appendix 1, Operational Deficiencies 64(a).
- *Directive 077, 3.2 (1)(b)(iv)* states “Where artificial lift equipment is capable of supplying pressure in excess of the pipeline maximum operating pressure either (a) or (b) is required: b) the licensee of the pipeline must have iv) a certified instrumentation technician conduct annual inspections, assessments, and testing, with maximum interval of 18 months between such activities, on the single overpressure protection device to ensure that the monthly inspections, assessments, and testing are correctly conducted and that the device is not defective or nonfunctioning.”

### Licence No. P32319, Line No. 1

- Operations Review – Internal Corrosion Control –No records in corrosive environment.
- No internal corrosion mitigation program on Licence No. P32319, Line No. 1. This is in contravention of Pipeline Rules, Part 2, 9 (1) and (2)(d) and (3) and CSA Z662-07, Section 9.10.2 and 9.10.3. This is deemed a High Risk noncompliance as per *Directive 066: Requirements and Procedures for Pipelines*.
- Pipeline Rules, Part 2, 9 (1) states “A reference in this Regulation to a code or standard is to the latest published edition of the code or standard issued by the Canadian Standards Association (CSA).”
- Pipeline Rules, Part 2, 9 (2)(d) states “Except as otherwise specified by this Regulation, the following standards are in force: (d) CSA Z662, *Oil and Gas Pipeline Systems*.”
- Pipeline Rules, Part 2, 9 (3) states “Except as otherwise specified by this Regulation, the minimum requirements for the design, construction, testing, operation, maintenance, repair and leak detection of pipelines are set out in CSA Z662.”
- Operations Review – Pressure Control Devices or Pressure Relief Devices – Pressure control devices or pressure relief device installations unsatisfactory (i.e., not installed where required or does not function).
- Line No. 1 with a MOP of 3450 kPa ties into Husky Oil Operations Limited Licence No. P27514 with a MOP of 4500 kPa with no overpressure control and/or protection. This is in contravention of Pipeline Rules, Part 2, 22 (2). This is deemed a High Risk noncompliance as per *Directive 066: Requirements and Procedures for Pipelines* Appendix 1, Operational Deficiencies 64(a).
- Pipeline Rules, Part 2, 22 (2) states “If 2 or more pipelines are connected and their licensed maximum operating pressures differ by more than 5% of the lowest licensed maximum operating pressure, a pressure control system and overpressure protection must be installed in accordance with CSA Z662 to ensure that the pipeline with the lowest maximum operating pressure will not be subjected to a pressure greater than its licensed maximum operating pressure.”

**Licence No. P38161, Line No's. 1 – 3**

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

- Pipeline Specifications – H2S Content – H2S content is higher than that stated on licence and the line is operating.
- H2S was indicated in operations inspection to be 8000 ppm. Licensed content is 4100 ppm. This is in contravention of *Directive 056: Energy Development Applications and Schedules*, 6.7, 12 (b). This is deemed a High Risk noncompliance as per *Directive 066: Requirements and Procedures for Pipelines*, Appendix 1, Operational Deficiencies 62. A license amendment must be filed as per *Directive 056*, 6.7, 12 (b).
- *Directive 056*, 6.7, 12 (b) states “The licensee must submit a pipeline licence amendment application for b) H2S changes,”
- Operations Review – Pressure Control Devices or Pressure Relief Devices – Pressure control devices or pressure relief device installations unsatisfactory (i.e., not installed where required or does not function).
- Line No. 1 with a MOP of 13800 kPa ties into Line No. 2 with an MOP of 9930 kPa with no overpressure control and/or protection. This is in contravention of Pipeline Rules, Part 2, 22(2). This is deemed a High Risk noncompliance as per *Directive 066: Requirements and Procedures for Pipelines* Appendix 1, Operational Deficiencies 64(a).
- Pipeline Rules, Part 2, 22 (2) states “If 2 or more pipelines are connected and their licensed maximum operating pressures differ by more than 5% of the lowest licensed maximum operating pressure, a pressure control system and overpressure protection must be installed in accordance with CSA Z662 to ensure that the pipeline with the lowest maximum operating pressure will not be subjected to a pressure greater than its licensed maximum operating pressure.”

**Licence No. P41408, Line No's 1 – 3**

- Operations Review – Internal Corrosion Control – No records in corrosive environment.
- No internal corrosion mitigation program on Licence No. P41408, Lines No. 1. This is in contravention of Pipeline Rules, Part 2, 9 (1) and (2)(d) and (3) and CSA Z662-07, Section 9.10.2 and 9.10.3. This is deemed a High Risk noncompliance as per *Directive 066: Requirements and Procedures for Pipelines*.  
Provide confirmation that Line No. 1 has adequate cathodic protection to the Wainwright Field Centre via email to [Wainwright.FieldCentre@aer.ca](mailto:Wainwright.FieldCentre@aer.ca) by **October 4, 2013**. It does not appear in Corpro's 2013 Cathodic Protection Survey. This inspection is subject to change based on review of requested documentation.
- Pipeline Rules, Part 2, 9 (1) states “A reference in this Regulation to a code or standard is to the latest published edition of the code or standard issued by the Canadian Standards Association (CSA).”
- Pipeline Rules, Part 2, 9 (2)(d) states “Except as otherwise specified by this Regulation, the following standards are in force: (d) CSA Z662, *Oil and Gas Pipeline Systems*.”
- Pipeline Rules, Part 2, 9 (3) states “Except as otherwise specified by this Regulation, the minimum requirements for the design, construction, testing, operation, maintenance, repair and leak detection of pipelines are set out in CSA Z662.”
- Operations Review – Pressure Control Devices or Pressure Relief Devices – Pressure control devices or pressure relief device installations unsatisfactory (i.e., not installed where required or does not function).

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

- Line No. 2 a MOP of 4960 kPa ties into Line No. 1 with an MOP of 8150 kPa with no overpressure control and/or protection. This is in contravention of Pipeline Rules, Part 2, 22(2). This is deemed a High Risk noncompliance as per *Directive 066: Requirements and Procedures for Pipelines* Appendix 1, Operational Deficiencies 64(a).
- Pipeline Rules, Part 2, 22 (2) states “If 2 or more pipelines are connected and their licensed maximum operating pressures differ by more than 5% of the lowest licensed maximum operating pressure, a pressure control system and overpressure protection must be installed in accordance with CSA Z662 to ensure that the pipeline with the lowest maximum operating pressure will not be subjected to a pressure greater than its licensed maximum operating pressure.”

Alston is required to do the following to achieve compliance:

- 1) Take corrective action immediately to address the High Risk noncompliances. Corrective action must be completed by **October 11, 2013**.
- 2) Submit confirmation to [Wainwright.FieldCentre@aer.ca](mailto:Wainwright.FieldCentre@aer.ca) when the High Risk noncompliances have been corrected. AER Wainwright Field Centre acceptance must be received prior to resumption of operations.
- 3) Develop, implement, and electronically submit an action plan to [Wainwright.FieldCentre@aer.ca](mailto:Wainwright.FieldCentre@aer.ca) by **November 11, 2013**. The action plan must detail what Alston will do to prevent similar future noncompliant events in this compliance category.

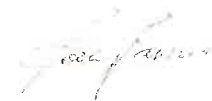
Failure to comply with the above requirements may place Alston at High Risk Enforcement Action (Failure to Comply), in accordance with *Directive 019*. Escalated enforcement action may include:

- partial or full suspension of operations,
- self-audit or inspections,
- increased audits or inspections,
- suspension and/or cancellation of permit, licence, or approval.

Detailed reports of these inspections are available on the AER’s Field Inspection System (FIS). Alston and its representatives can access FIS, which is part of the Digital Data Submission (DDS) system, through the AER Web site [www.aer.ca](http://www.aer.ca).

These inspections are a result of a Operations Inspection that was conducted on four licenses and is to be counted as one inspection for enforcement escalation reasons.

If you have any questions, please call me at 780.842.7612 or on cell at 780.806.6235.



Holly James, Field Inspector  
AER Wainwright Field Centre

/ylp

cc: Darren Antos, Pipeline Technical Specialist, Wainwright  
FSOB-Portal-Inbox





**File No. 4004**

December 24, 2013

BY E-MAIL ONLY

Bruce Eckert  
**Alston Energy Inc.**  
1100, 744 – 4 Avenue S.W.  
Calgary, AB T2P 3T4

Email: [beckert@alstonenergy.ca](mailto:beckert@alstonenergy.ca)

**High Risk Enforcement Action – Extension Granted**  
**Municipal District: M.D. of Provost**  
**Compliance Category: Pipeline – Inspection Results**  
**Licence No. P24405, Line No's. 1 – 23**  
**Licence No. P32319, Line No. 1**  
**Licence No. P38161, Line No's. 1 – 3**  
**Licence No. P41408, Line No's 1 – 3**

Dear Mr. Eckert:

The Alberta Energy Regulator (AER) (successor to the ERCB) Wainwright Field Centre has received and reviewed your e-mail of December 12, 2013, in regards to requesting an extension to the deadline date to ensure the work is completed.

The AER Wainwright Field Centre is granting the requested extension to **April 30, 2014**.

If you have any questions, please call me at 780.842.7612 or on cell at 780.806.6235.

A handwritten signature in black ink, appearing to read "Holly James".

Holly James, Assistant Team Leader  
AER Wainwright Field Centre

HJ/alh

cc: Darren Antos, Pipeline Technical Specialist, Wainwright  
FSOB-Portal-Inbox

**Wainwright Field Centre**  
801 – 2 Avenue  
Wainwright, Alberta T9W 1C4  
Canada

tel 780-842-7570  
fax 780-842-7536

[www.aer.ca](http://www.aer.ca)



# APPENDIX E



May 29, 2014

Alberta Energy Regulator  
C/o Ms. Holly James, Field Inspector  
Wainwright Field Centre  
Wainwright, Alberta T9W 1C4

Dear Ms. James:

Re: Alston Energy Ltd., in Receivership  
**AER High Risk Enforcement Action**  
**Provost Licence No's. P24405, P32319, P38161, P41408**

Thank you for our conversation on the telephone on May 27, 2014 regarding the subject matter.

Effective, Friday, May 9, 2014, Alvarez & Marsal Canada Inc. ("A&M") became the Court-appointed receiver (the "Receiver") of Alston Energy Inc. ("Alston") through an order of the Court of Queen's Bench of Alberta (the "Receivership Order"), without security, of all Alston's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property"). A copy of the Receivership Order can be found on the Receiver's website at [www.amcanadadocs.com/alston](http://www.amcanadadocs.com/alston).

The Receiver, through discussions with former management and a review of correspondence from Alberta Energy Regulator (the "AER") to Alston, understands that you previously issued the above referenced enforcement actions in September 2013 and have been working with Alston, in particular Mr. Bruce Eckert (former VP Operations and COO of Alston), in resolving those actions. Mr. Eckert is no longer an officer and/or director of Alston; however, Mr. Eckert is engaged as a contractor of the Receiver to assist in various operational matters.

The Receiver understands that the AER Wainwright Field Centre conducted an inspection in the Provost area on September 5, 2013. The Receiver further understands that various extensions were granted by the AER to Alston to complete the required work to address four (4) of the Provost license issues. The most recent extension expired on April 30, 2014. The following is our understanding of the outstanding High Risk Enforcement Actions for the above referenced Provost pipeline licenses:

***"Pressure Control Devices or Pressure Relief Devices installations unsatisfactory"***

- Licence. Lo. P24405, Line No's. 1-23:
- Licence No. P38161, Line No's 1-3:
- Licence No. P41408, Line No's 1-3
  - The Receiver understands that no new pressure control or relief devices have been installed as of yet.

***“No internal corrosion mitigation control”***

- Licence No. P32319, Line No.1:
  - No field work has commenced on this project as of yet; however, the Receiver understands that an AFE for approximately \$60,000 has been generated by Alston (prior to the receivership) to address this matter which involves pulling a fiberglass liner through the existing bare steel line currently being used to deliver slightly sour solution gas to a Husky facility.

The Receiver acknowledges and respects the AER’s position in relation to these licenses; however, the Receiver understands (through further discussions with former management of Alston and the current Provost field foreman) that these outstanding matters do not currently create a safety or environmental exposure in the Provost field. Specifically, the field foreman in Provost advised the Receiver that the entire pipeline system is operating at very low pressure. The compressor discharge pressure into the Husky sales line has been set at approximately 150 psig, well below the MOP of both the Alston pipeline (800psig) and the Husky pipeline (1,400 psig). In addition, no new wells have been drilled in the area so the possibility of tying in new high pressure wells into the Husky system is not likely. The Receiver is further advised that Husky would also inform all area operators in the event of increasing the Husky pipeline pressure as the system has been operating at very low pressures for many years.

The Receiver has initiated a formal sales process to sell certain of Alston’s assets (which include the Provost area) and the expected bid deadline to receive offers is June 19, 2014. The Receiver anticipates that it will find a suitable buyer to purchase the Provost assets in less than a month. The Receiver has disclosed to potential buyers that the AER’s High Risk notices exist and it would be the intention of the Receiver that the purchaser completes the AER mandated work.

Due to the short time remaining of this receivership, the sales process is well underway to find a suitable purchaser of the Provost property, the relatively low risk of there being any issue with Husky bringing on new production and that the AER having previously provided extensions to Alston in the past to have this work completed, the Receiver respectfully requests that AER provide an additional extension to August 1, 2014.

We look forward to working with the AER and hope this letter will provide the AER the information it requires to provide an additional extension. If you have any questions, please do not hesitate to contact the undersigned at (403) 538-4736.

Sincerely yours,

**ALVAREZ & MARSAL CANADA INC.**

*In its capacity as the Court appointed Receiver of  
Alston Energy Inc. and not in its personal capacity*



Orest Konowalchuk

**File No. 4004**

June 3, 2014

BY E-MAIL ONLY

Orest Konowalchuk, Director  
**Alvarez & Marsal Canada ULC**  
Bow Valley Square 1  
570, 202 – 6 Avenue SW  
Calgary, AB T2P 2R9

Email: [okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com)

**Alston Energy Inc.**  
**High Risk Enforcement Action**  
**Municipal District: M.D. of Provost**  
**Compliance Category: Pipeline – Inspection Results**  
**Licence No. P24405, Line No's. 1 – 23**  
**Inspection Location: 04-29-038-03W4**  
**Licence No. P32319, Line No. 1**  
**Inspection Location: 04-29-038-03W4**  
**Licence No. P38161, Line No's. 1 – 3**  
**Inspection Location: 04-27-038-03W4**  
**Licence No. P41408, Line No's 1 – 3**  
**Inspection Location: 04-29-038-03W4**

The Alberta Energy Regulator (AER) acknowledges receipt of the extension request from Alvarez & Marsal Canada Inc. (Alvarez), the court-appointed receiver of Alston Energy Inc. (Alston), for the outstanding deficiencies of the above noted licences.

No mitigative measures have been implemented with respect to the high risk deficiencies identified, nor has any corrective measures been made. Therefore take notice that Pipeline Licence No. P24405, Pipeline Licence No. P32319, Pipeline Licence No. P38161, and Pipeline Licence No. P41408 are fully suspended.

The AER Wainwright Field Centre acceptance must be received prior to resumption of operations of the said licences. Alvarez must ensure proper suspension of the said pipelines occurs in accordance with Alston's Pipeline Operating and Maintenance Manual. Alvarez must ensure that full disclosure of the outstanding deficiencies are provided with the transfer of said pipelines.

If you have any questions, please call me at 780 842 7612 or on cell at 780 806 6235.



Holly James, Regional Coordinator  
Enforcement and Surveillance

/ylp

ec: Darren Antos, Pipeline Technical Specialist, Wainwright  
FSOB-Portal-Inbox

Wainwright Field Centre  
801 – 2 Avenue  
Wainwright, Alberta T9W 1C4  
Canada

tel 780-842-7570  
fax 780-842-7536

[www.aer.ca](http://www.aer.ca)

# APPENDIX F



McCarthy Tétrault LLP  
Suite 4000  
421-7th Avenue S.W.  
Calgary AB T2P 4K9  
Canada  
Tel: 403-260-3500  
Fax: 403-260-3501

**Sean F. Collins**  
Partner  
Direct Line: (403) 260-3531  
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Assistant: Smith, Marcia A  
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June 4, 2014

**Via Email (Holly.James@aer.ca)**

Ms. Holly James  
Regional Coordinator, Enforcement and Surveillance  
Alberta Energy Regulator  
Wainwright Field Centre  
801-2nd Avenue  
Wainwright, Alberta T9W 1C4

Dear Ms. James:

**Re: Alston Energy Inc. (“Alston”) High Risk Enforcement Action - Compliance  
Category: Pipeline - Inspection Results  
License Nos. P24405, P32319, P38161, P41408**

We are counsel to Alvarez and Marsal Canada Inc. in its capacity as court-appointed Receiver of Alston (“Receiver”).

With reference to the letter from the Receiver to the Alberta Energy Regulator (“AER”) dated May 29, 2014 (“**Extension Request**”) and the AER’s letter dated June 3, 2014 to Alston providing notice of the AER’s decision to suspend Pipeline License Nos. P24405, P32319, P38161, P41408 (collectively, the “**Licences**”), we are writing to request:

1. that the AER’s June 3, 2014 direction to suspend the Licences be overturned by the AER group in accordance with Section 5 of AER Directive 019: *Compliance Assurance*<sup>1</sup> (“**Directive 19**”); and
2. that the AER grant the Receiver’s Extension Request to extend the deadline for the completion of the required mitigation measures to August 1, 2014.

Below is a detailed description of additional facts of grounds upon which these requests are based. Contrary to the AER’s June 3, 2014 letter, mitigative measures have been implemented with respect to the high risk deficiencies. With reference to each of the Licences, a description of the measures taken to date and the steps that will be immediately taken to address each of the high and low risk deficiencies are set out below:

1. **License P24405 (Water Injection Pipeline).** We have been advised by Alston and the Receiver that required work to address the 3 non-compliance deficiencies (1 high-risk and 2 low-risk) has been completed. Alston received a letter from the AER dated April

<sup>1</sup> Alberta Energy Regulator, *Directive 019: Compliance Assurance* (1 September 2010) at p 11.



25, 2014 stating that the investigation was complete and that this line could resume operations. A copy of this letter is enclosed as Schedule "A".

2. **License P32319 (Natural Gas Line).** With respect to the 4 non-compliance deficiencies (2 high-risk and 2 low-risk), an authorization for expenditure has been generated by Alston and work to address the 2 high-risk deficiencies is anticipated to commence (subject to third party contractor availability) the week of June 9, 2014. It is anticipated that the work will be completed by June 20, 2014. With respect to the 2 low-risk enforcement deficiencies, immediate steps are being taken to provide the AER with, among other things, the complete operations and maintenance manual, records of the internal corrosion control and documentation of the requisite right of way maintenance and patrols.
3. **License P38161 (Water Injection Line).** With respect to the 5 non-compliance deficiencies (1 high-risk and 2 low risk), it is Alston's position that a pressure relief valve is not required to be installed on the water injection well. We have been advised that there is a pressure relief valve currently installed at the 4-29 pump designed to deal with potential pressure and blow-outs. We have been advised that it is not required because this particular line does not tie into another pressure line. Therefore, there does not appear to be the need for this pressure relief valve to be installed at this water injection well. Further guidance and discussion is required to confirm that work is, in fact required and if so, to obtain the requisite clarification from the AER to ensure Alston can complete the necessary work to address this issue. With respect to the 2 low-risk enforcement deficiencies, immediate steps are being taken to provide the AER with, among other things, the complete operations and maintenance manual, records of the internal corrosion control, the submission of a licence amendment application and documentation of the requisite right of way maintenance and patrols.
4. **License P41408 (Natural Gas Pipeline).** To address the 2 high-risk non-compliance deficiencies, the Receiver has ordered and arranged for installation of the requisite valves. Currently, installation of the valves is scheduled to be completed during the week of June 9, 2014 and the Receiver would request that the AER be present upon completion of the installation. With respect to the 2 low-risk enforcement deficiencies, immediate steps are being taken to provide the AER with, among other things, the complete operations and maintenance manual, records of the internal corrosion control and documentation of the requisite right of way maintenance and patrols.

As set out above, mitigative measures have been implemented and plans have been made to complete the necessary corrective actions to address each of the high and low-risk deficiencies. On this basis, we submit that a suspension of the Licences is not required. In addition and as set out in detail in the Receiver's Extension Request, the sales process is well underway to find a suitable purchaser of the Provost property, the relatively low risk of there being any issue with Husky bringing on new production and the work that has been commenced and will be completed in the immediate future, on behalf of the Receiver, we respectfully request that the AER overturn its decision to suspend the Licences and grant the Extension Request.

In addition, we wish to request an immediate meeting in accordance with Section 5 of *Directive 19* to discuss the Enforcement Action and to address the discrepancies between Alston's operations and the AER's inspections records with respect to Licence Nos. P24405 and P38161. Further, such a meeting would ensure that the AER has all of the information and documentation it requires to permit the expeditious resolution of this Enforcement Action.

Finally, with respect to Alston's ongoing operations, immediate suspension and shut-in of the entire Provost field will be disruptive and extremely costly and as such, we request your confirmation that we can delay suspension of the Licences and operations thereunder until the AER has reviewed and considered this request.

We look forward to hearing from you.

Yours truly,

McCarthy Tétrault LLP

Sean F. Collins

c.c. Terry L. Czechowskyi, Miles Davidson LLP via e-mail ([tczech@milesdavidson.com](mailto:tczech@milesdavidson.com))  
Client

**SCHEDULE "A"**

**AER's April 25, 2014 Letter re Pipeline Licence No. 24405**

See attached.

**File No. 4004**

June 19, 2014

BY E-MAIL ONLY

McCarthy Tetrault LLP  
**Attention: Sean F. Collins**  
Suite 4000  
421 – 7 Avenue SW  
Calgary, AB T2P 4K9  
[scollins@mccarthy.ca](mailto:scollins@mccarthy.ca)

Alvarez & Marsal Canada Inc.  
**Attention: Orest Konowalchuk**  
Bow Valley Square 1  
570, 202 – 6 Avenue SW  
Calgary, AB T2P 2R9  
[okonowalchuk@alvarezandmarsal.com](mailto:okonowalchuk@alvarezandmarsal.com)

Wainwright Field Centre  
801 – 2 Avenue  
Wainwright, Alberta T9W 1C4  
Canada

tel 780-842-7570  
fax 780-842-7536

[www.aer.ca](http://www.aer.ca)

Dear Messrs. Collins and Konowalchuk:

**Enforcement Discussion—Work Group Response  
High Risk Enforcement Action  
Suspension of Operations  
Alston Energy Inc.  
Municipal District: M.D. of Provost  
Compliance Category: Pipeline – Inspection Results  
Licence No. P24405, Line Nos. 1 – 23  
Inspection Location: 04-29-038-03W4  
Licence No. P32319, Line No. 1  
Inspection Location: 04-29-038-03W4  
Licence No. P38161, Line Nos. 1 – 3  
Inspection Location: 04-27-038-03W4  
Licence No. P41408, Line Nos. 1 – 3  
Inspection Location: 04-29-038-03W4  
(collectively the “Pipelines”)**

This letter is in response to your letter dated June 4, 2014 and the letter from Alvarez & Marsal Canada Inc. (Receiver) in its capacity as Receiver of the estate of Alston Energy Inc. (Alston) dated May 29, 2014. In those letters you and the Receiver have requested that the Alberta Energy Regulator (AER) overturn its decision to suspend the above noted pipeline licences and extend the deadline for completion of required mitigation measures to August 1, 2014. You have also requested a meeting with AER work group level staff “to address the discrepancies between Alston’s operations and the AER’s inspection records with respect to Licence Nos. P22045 and P38161”.

By way of background, on September 11, 2013, the AER Wainwright Field Centre (WFC) issued a high risk enforcement action against Alston Energy Inc. (Alston) as a result of noncompliances discovered at the above-mentioned pipeline operations licensed to Alston.

On December 24, 2013 the WFC granted an extension to Alston to complete all of the mitigative and corrective measures required as a result of the high risk enforcement action inspections relating to the Pipelines by April 30, 2014. Alston did not comply with the revised deadline.

The WFC denied further requests by Alston for extensions for the completion of all the requirements of the high risk enforcement action inspections in connection with the Pipelines while in an operating state because of Alston’s failure to comply with the April 30, 2014 deadline as extended by the AER. As Alston failed to correct or address all the high risk non-compliances

and the WFC found that mitigative measures necessary to address the high risk noncompliances had not been implemented for the outstanding high risk deficiencies. As a result the WFC found it necessary to suspend operations fully in order to remove existing or potential impact/hazard associated with the non-compliances as per Directive 019: *Compliance Assurance* (Directive 019).

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

The list of outstanding deficiencies outlined in the Receiver's letter of May 29, 2014 is not complete; nor does the description of operations and mitigative measures in that correspondence accurately depict the risk associated with permitting the pipelines to continue operating. Specifically, we note and disagree with the Receiver's statement that "these outstanding matters do not currently create a safety or environmental exposure in the Provost Field". In fact, this assertion is contradicted by the failure of Licence No. 24406, Line 3 that occurred on October 30, 2013, which resulted in a release of product at 06-29-38-03 W4M. The fact that a segment of this pipeline failed following issuance of the high risk enforcement action on September 13, 2013 is evidence, in itself, that the mitigative and corrective measures required by the AER must be undertaken and completed without further delay and the Pipelines should not be permitted to operate unless and until this has occurred. The noncompliances identified by the AER are serious in nature and Alston and/or the Receiver have had several months to complete them. Accordingly there is no meritorious basis (other than the Receiver's concern that suspended pipelines are less attractive to potential purchasers) to overturn the suspension. While the AER is prepared to permit additional time to complete the measures required in connection with the enforcement actions (i.e., until August 1, 2014), we are not prepared to overturn our decision to suspend operation of the Pipelines during this period.

We turn now to your request for a meeting with work group level staff pursuant to section 5 of Directive 019. As you know, WFC have participated in several telephone calls with the Receiver, its counsel, and the licensee since the AER's June 3, 2014 decision to fully suspend the Pipelines. WFC staff considered the information conveyed by the Receiver during that call for potential errors of fact, regulatory requirements and/or process. WFC staff did not find any grounds to overturn the suspension. Nor did WFC staff identify any errors or discrepancies in the inspection results. In fact the inspection results have been reviewed item by item and the main concerns continue to be related to the impacts the suspension may have on the Receiver's efforts to market and sell Alston's licensed assets. With respect, that is not a proper reason to overturn the suspension and/or provide further extensions to perform the corrective and mitigative measures that have been outstanding for many months, while in an operating state.

Based on the above, the AER is not prepared to overturn its decision to suspend the Pipelines, effective June 3, 2014. Further, the AER is not prepared to provide any further extensions to Alston and/or the Receiver to complete the mitigation measures required by the AER, while the above noted pipelines are in an operating state. The Pipelines will remain suspended until the corrective and mitigation measures required by the AER have been fully completed.

Please note that formal acceptance by the AER is required before the Pipelines can resume operation. The Receiver must ensure the Pipelines are properly suspended in accordance with Alston's Pipeline Operating and Maintenance Manual. In its letter dated May 29, 2014, the Receiver advised that it has disclosed the outstanding deficiencies to potential buyers. Please note that the fact the Pipelines are suspended and cannot resume operations without AER approval is not readily apparent to third parties via AER records. As such, the AER requests the Receiver to continue to disclose to potential purchasers that: i) the Pipelines are currently suspended; ii) operations cannot resume without AER approval; and ii) AER will not approve resumption of the Pipelines unless and until its mandated corrective and mitigative measures are completed.

If you have any questions, please call me at 780 842 7612 or on cell at 780 806 6235.

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



Holly James, Regional Coordinator  
Enforcement and Surveillance

/ylp

cc: Darren Antos, Pipeline Technical Specialist, Wainwright  
Patricia Johnston, General Counsel/Executive Manager Law, Calgary  
FSOB-Portal-Inbox

**CONFIDENTIAL**  
**APPENDIX G**

**CONFIDENTIAL**  
**APPENDIX H**



**CONFIDENTIAL**  
**APPENDIX I**

**CONFIDENTIAL**  
**APPENDIX J**

**CONFIDENTIAL**  
**APPENDIX K**

# APPENDIX L

## RECEIVER CERTIFICATE

CERTIFICATE NO. 1

AMOUNT: **\$750,000**

1. **THIS IS TO CERTIFY** that Alvarez & Marsal Canada Inc., the Receiver ("**Receiver**") of all of the assets, undertakings and properties of Alston Energy Inc. appointed by Order of the Court of Queen's Bench of Alberta and Court of Queen's Bench of Alberta in Bankruptcy and Insolvency (collectively, the "Court") dated the 9<sup>th</sup> day of May, 2014 (the "**Order**") made in action number 1401-05127, has received as such Receiver from the holder of this certificate (the "**Lender**") a revolving credit facility limited to a maximum of \$750,000, being part of the total principal sum of which the Receiver is authorized to borrow under and pursuant to the Order, which allows for individual draws and repayments on a revolving basis in multiples of \$50,000.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the day of each month after the date hereof at a notional rate per annum equal to the rate of three (3) per cent above the prime commercial lending rate of ATB Financial (the "Bank") from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Calgary, Alberta:

ATB Financial  
C/o Mr. Aubrey Wells  
2<sup>nd</sup> Floor, 217-16<sup>th</sup> Avenue NW  
Calgary, Alberta T2M 0H5

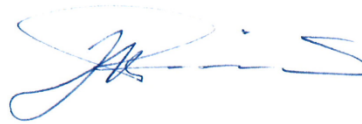
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the 23<sup>rd</sup> day of May, 2014.

Alvarez & Marsal Canada Inc., solely in its capacity as Receiver of the Property (as defined in the Order), and not in its personal capacity

A handwritten signature in blue ink, appearing to read 'Tim Reid', is written over a horizontal line.

Per: \_\_\_\_\_

**Tim Reid**  
Senior Vice President