

Via Email

July 26, 2017

Carscallen LLP

Borden Ladner Gervais LLP

**Attention: Michael Niven, Q.C. and
Hema Ahuja****Attention: Robyn Gurofsky and
Jessica Cameron**

Dear Counsel:

**RE: Reconsideration of Decision 2013 ABAER 020
Locations: 10-13-22-29W4M & 11-24-22W4M
Reconsideration No. 1882067**

The Alberta Energy Regulator (AER) has the authority to reconsider its decisions pursuant to section 42 of the *Responsible Energy Development Act* (REDA). That section states:

The regulator may, in its sole discretion, reconsider a decision made by it and may confirm, vary, suspend or revoke the decision. [emphasis added]

As indicated by section 42, it is at the AER's sole discretion to reconsider a decision made by it. That section is not intended to and does not provide any additional appeal mechanisms beyond those provided in sections 38 and 45 of REDA. Given the appeal processes available under REDA, and the need for finality and certainty in its decisions, the AER will only exercise its discretion to reconsider a decision under section 42 in the most extraordinary circumstances and where it is satisfied that there are exceptional and compelling grounds to do so. Mere disagreement with a decision is not sufficient.

The reconsideration power in section 42 exists because in its absence the AER could never reconsider its decisions, no matter what circumstances arose. The intent of REDA is not to have reconsiderations be a review tool to be invoked by application from those who believe that are affected by AER project decisions. It is an extraordinary tool to be exercised by the AER where a problem exists that must be acted on by the AER.

Having reviewed your clients' request for reconsideration, and noting that the court appointed Receiver, Grant Thornton Limited, chose not to make submissions on the reconsideration application, the AER has determined that in these extraordinary circumstances, including where there is no viable licensee to take care and custody of the wells¹ and related pipelines, it is an appropriate case to exercise its discretion under section 42 of REDA to reconsider Decision 2013 ABAER 020. The AER has decided to conduct the reconsideration without conducting a hearing and has also decided to waive the process outlined in Decision 2013 ABAER 020. Further, the AER has decided to grant the request for abandonment of the wells and the related pipelines.

¹ The 10-13-22-29 W4M and 11-24-22-29 W4M wells.

Please note, that the abandonment and reclamation of the sites are technically complex procedures, which will involve multiple agencies, such as the Orphan Well Association and the City of Calgary, and also the public. In addition, there are ongoing court proceedings which may impact this matter. Because of the complexity of these procedures, the AER staff members who are working on other Lexin Resources Ltd. matters will also be addressing this matter in order to help ensure that any suspension and abandonments are conducted in a safe manner.

You will be notified of the next steps regarding the abandonment process. If you have any questions about the abandonment, please direct them to Keely Cameron of the AER's Law Branch.

Sincerely,

<original signed by>

Barbara S. Kapel Holden
Counsel

cc: David Mercer, City of Calgary Law Department
Keely Cameron, AER