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Made at Calgary, in the  
Province of Alberta, on

August 9, 2016

ALBERTA ENERGY REGULATOR

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**Under section 113 of the *Environmental Protection and Enhancement Act (EPEA)***

**Under section 27 of the *Oil and Gas Conservation Act (OGCA)***

**Under section 23 of the *Pipeline Act***

**Lexin Resources Ltd.**

Suite 300, 1207 – 11 Avenue SW  
Calgary, Alberta T3C 0M5

LR Processing Ltd. (LR Processing)  
Suite 300, 1207 – 11 Avenue SW  
Calgary, Alberta T3C 0M5

WHEREAS Lexin Resources Ltd. (Lexin) is the holder of Facility License No. 2588 issued by the Alberta Energy Regulator (AER) for a sour gas facility located at SE ¼ 35-19-28 W4M (Mazeppa Facility);

WHEREAS Lexin and LR Processing are also the holders of AER well, pipeline, facility and/or other licences associated with and/or connected to the Mazeppa Facility (Mazeppa Infrastructure);

WHEREAS on June 30, 2016, Lexin informed the AER that it has terminated most of its staff, leaving only 6 people to operate and manage the Mazeppa Facility and Mazeppa Infrastructure;

WHEREAS on July 29, 2016, Lexin informed the AER that it cannot respond to an incident or emergency should one occur at or relating to the Mazeppa Facility and Mazeppa Infrastructure, and Lexin will defer to the AER to manage the situation;

WHEREAS on July 29, 2016, Lexin informed the AER that the supervisory control and data acquisition system used to monitor for sour gas releases for the Mazeppa Facility and Mazeppa Infrastructure, is no longer operational;

WHEREAS as the licensee of the Mazeppa Facility and Mazeppa Infrastructure, Lexin and LR Processing have many statutory responsibilities in connection with operation of the Mazeppa Facility and Mazeppa Infrastructure. This includes ensuring safe operation, emergency and incident response, and responding to public and landowner complaints;

WHEREAS sour gas is a substance known to have an adverse effect on the environment (substance);

WHEREAS Lexin and LR Processing are both a “person responsible” for the substance, as defined in section 1(tt) of EPEA;

WHEREAS, under section 113 of EPEA, the Director is of the opinion that, if Lexin and LR Processing do not provide sufficient and adequate oversight of the Mazeppa Facility and Mazeppa Infrastructure, a release of the substance into the environment may occur and such release may cause an adverse effect;

WHEREAS the AER issued an order dated June 15, 2016 against Lexin under section 22 of the OGCA (June 15 2016 Order);

WHEREAS as of the date of this order Lexin has not complied with the terms of the June 15, 2016 Order in that it has not complied with section 2 of the June 15, 2016 Order;

WHEREAS Suzanne Belliveau, Acting Director, has been appointed a Director for the purposes of issuing environmental protection orders under EPEA and orders under OGCA and the *Pipeline Act*;

THEREFORE, I, Suzanne Belliveau, Acting Director, under section 113 and 241 of the EPEA, section 27(3) of the OGCA, and section 23(2) of the Pipeline Act, DO HEREBY ORDER, the following:

#### **Immediate Actions**

1. Lexin and LR Processing shall immediately suspend and discontinue the Mazeppa Facility and Mazeppa Infrastructure in compliance with applicable AER requirements.

#### **Incident Response Plan**

2. Lexin and LR Processing shall develop and submit to the AER a comprehensive plan, to the satisfaction of the Director, describing how Lexin and LR Processing will fulfill their statutory responsibility to respond to incidents and emergencies at or relating to the Mazeppa Facility and Mazeppa Infrastructure (Incident Response Plan).
3. The Incident Response Plan shall include detailed information outlining how Lexin and LR Processing will ensure they can respond to complaints, releases, and any other emergencies or incidents at, or related to, the Mazeppa Facility and Mazeppa Infrastructure.
4. Lexin and LR Processing shall submit the Incident Response Plan to the Director by 5:00 pm on August 15, 2016, or otherwise agreed to, in writing, by the Director.
5. Lexin and LR Processing shall implement the Incident Response Plan as approved by the Director.

#### **Ongoing Monitoring Plan**

6. Lexin and LR Processing shall develop and submit to the AER a comprehensive plan, to the satisfaction of the Director, describing how Lexin and LR Processing will provide ongoing monitoring of the Mazeppa Facility and Mazeppa Infrastructure (Ongoing Monitoring Plan).

7. Lexin and LR Processing shall submit the Ongoing Monitoring Plan to the Director by 5:00 pm on August 15, 2016, or otherwise agreed to, in writing, by the Director.
8. Lexin and LR Processing shall implement the Ongoing Monitoring Plan as approved by the Director.

**Reporting to the Director and the Public**

9. Lexin and LR Processing shall provide to the Director, by 12:00 noon on each Thursday following the date of issuance of this order, a weekly written report (Director's Report), until otherwise directed in writing by the Director.
10. The Director's Report shall include:
  - a) Any actions undertaken pursuant to the Incident Response Plan;
  - b) the monitoring activities conducted by Lexin and LR Processing under the Ongoing Monitoring Plan for the week; and
  - c) the results of any incident response activities and monitoring activities undertaken by Lexin and LR Processing.
11. Lexin and LR Processing shall provide to the public, by 2:00 p.m. on each Friday following the date of issuance of this order, a weekly written report (Public Report) to be posted on Lexin's website and, in the case of LR Processing, disseminated broadly to the public by some other means, until otherwise directed in writing by the Director.
12. The Public Report shall include:
  - a) Detailed information outlining the activities undertaken by Lexin and LR Processing under the Incident Response Plan and the Ongoing Monitoring Plan for the week; and
  - b) the results of any incident response activities and monitoring activities undertaken by Lexin and LR Processing.

Dated at the City of Calgary in the Province of Alberta, the 9 day of August, 2016.

*<original signed by>*

Suzanne Belliveau, Acting Director, Enforcement and Surveillance West  
Alberta Energy Regulator

**In complying with this order, the party or parties named must obtain all approvals necessary, notwithstanding the above requirements.**

This order in no way precludes any enforcement actions being taken under the *Environmental Protection and Enhancement Act*, *Oil and Gas Conservation Act*, *Pipeline Act* or any other provincial or federal legislation or by any other regulator with jurisdiction for the matter.

Under the *Responsible Energy Development Act*, an eligible person may appeal decisions that meet certain criteria. Eligible persons and appealable decisions are defined in section 36 of the *Responsible Energy Development Act* and section 3.1 of the *Responsible Energy Development Act General Regulation*. If you wish to file a request for regulatory appeal, you must submit your request according to the AER's requirements. You can find filing requirements and forms on the AER website, [www.aer.ca](http://www.aer.ca), under Applications & Notices: Appeals.