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Made at Cochrane, in the  
Province of Alberta, on

March 4, 2021

ALBERTA ENERGY REGULATOR

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**Under sections 22, 26.2 and 27 of the *Oil and Gas Conservation Act (OGCA)*  
Under sections 22.1 and 23 of the *Pipeline Act***

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

(“SanLing” or the “Licensee”)

WHEREAS SanLing is the holder of Business Associate (BA) code A7AZ and holds the well, facility, and pipeline licences granted by the Alberta Energy Regulator (“AER”) listed in Appendix 1 (collectively, the “SanLing Licences”);

WHEREAS SanLing is the operator of the wells, facilities and pipelines associated with the SanLing Licences (collectively, the “SanLing Sites”);

WHEREAS on September 17, 2020, the Alberta Energy Regulator (the “AER”) issued an Order (the “2020 Order”) under section 22 of the *Oil and Gas Conservation Act (“OGCA”)* and section 1.300 of the *Oil and Gas Conservation Rules (“OGCR”)* to the Licensee;

WHEREAS the 2020 Order limited SanLing’s licence eligibility status under *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals* due to there being an unreasonable risk;

WHEREAS SanLing’s licence eligibility was limited in part, due to SanLing’s poor compliance history, outstanding security, and outstanding noncompliances;

WHEREAS the 2020 Order required SanLing to submit a formal Liability Management Compliance Plan to address the noncompliances listed in Appendices 1, 2, and 3 of the order, and to outline the planned closure activities and any Liability Management Rating (“LMR”) security payments to achieve an LMR of 1.0 by September 30, 2022;

WHEREAS the AER received the plan on November 23, 2020 (the “Initial Plan”);

WHEREAS the AER met with SanLing to discuss deficiencies in the Initial Plan on October 23 and November 4, 2020;

WHEREAS SanLing submitted revisions to the plan on November 23, 2020 (the “November Plan”);

WHEREAS the AER reviewed the November Plan and found it:

- a) Did not provide actions to achieve an LMR of 1.0 by September 30, 2021;
- b) Did not address the failure to abandon the Mineral Lease Expired Wells in Appendix 2;
- c) Did not address SanLing’s failure to abandon the wells it was ordered to abandon as a Working Interest Participant in Appendix 2;
- d) Did not provide an acceptable timeline to remediate the environmental noncompliances listed in Appendix 2;

WHEREAS on December 15, 2020 the AER sent a letter to SanLing stating that the AER did not approve the November Plan, and SanLing remains in contravention of AER requirements as noted in Appendix 2;

WHEREAS the AER met with SanLing on January 22, 2021, and SanLing committed to submitting further revisions to the November Plan by February 5, 2021;

WHEREAS the AER received the revisions to the November Plan on February 5, 2021 (the “February Plan”);

WHEREAS the AER reviewed the February Plan and found it did not:

- a) Provide actions to achieve an LMR of 1.0 by September 30, 2022;
- b) Did not address the failure to abandon the Mineral Lease Expired Wells in Appendix 2;
- c) Did not address SanLing’s failure to abandon the wells it was ordered to abandon as a Working Interest Participant in Appendix 2;

WHEREAS Blair Reilly, Director, Enforcement & Emergency Management, has the authority to issue orders under the *OGCA* and *Pipeline Act* (the “Director”);

WHEREAS the Director has reasonable grounds to believe that SanLing has contravened regulations and rules under the jurisdiction of the AER, and that it is necessary and appropriate to impose terms and conditions on SanLing to address those contraventions;

WHEREAS the Director is of the opinion that reasonable care and measures are not being taken to prevent impairment or damage in respect of SanLing Sites due to not fully addressing spills and failing to provide an acceptable plan to address contraventions;

WHEREAS the Director finds that as a result of the failure to provide reasonable care and measures at the SanLing Sites it is necessary to suspend the wells and facilities and discontinue the pipelines associated with SanLing Licences in order to protect the public and the environment;

WHEREAS the Director believes that issuing this order is in the public interest to protect public safety and the environment;

THEREFORE, I, Blair Reilly, Director, Enforcement & Emergency Management, under sections 22, 26.2 and 27 of the *OGCA* and sections 22.1 and 23 of the *Pipeline Act*, do hereby order the following:

### **Suspension**

1. The 2020 Order is rescinded and replaced by this Order.
2. All of the SanLing Licences in Appendix 1 are hereby suspended.
3. All SanLing wells and facilities are to be suspended immediately, and all pipelines are to be discontinued immediately, until the Director believes that reasonable care and measures are being taken to prevent impairment or damage in respect of the wells, facilities, pipelines, wells sites and facility sites, and directed in writing by the Director.
4. All SanLing Sites must be suspended in a manner acceptable to the AER;
  - a. All wells listed in Appendix 1 must be shut in, sealed, locked and chained in a manner acceptable to the AER no later than **thirty (30) calendar days** from the date of this Order;
  - b. All pipelines listed in Appendix 1 must be discontinued in a manner acceptable to the AER no later than **thirty (30) calendar days** from the date of this Order;
5. SanLing shall confirm in writing to the AER no later than **five (5) calendar days** from the date of this Order that SanLing's posted emergency number will remain active and will initiate an immediate response when called;
6. SanLing must maintain persons in control of all operations in order to ensure care and custody of its assets.
  - a. SanLing shall confirm in writing the names, titles and contact information of all persons in direct or indirect control of SanLing no later than **five (5) calendar days** from the date of this Order.
  - b. SanLing must immediately inform the AER in writing of any changes to the persons in direct or indirect control.
7. Any containment devices or equipment including, but not limited to, tanks, vessels, pipelines, lease piping, sumps, drains, tubs, containers, pits, or containment rings on any of the SanLing Sites must be depressurized, emptied (with all fluids removed from site and disposed of in a manner acceptable to the AER), and rendered safe in a manner acceptable to the AER no later than **thirty (30) calendar days** from the date of this Order;

8. Any hazards on SanLing Sites, including the pipelines, that present a risk to public safety or the environment, must be disclosed to the AER and addressed in a manner acceptable to the AER no later than **thirty (30) calendar days** from the date of this Order;

### **Reporting**

9. SanLing must provide in writing to the Director, within **thirty (30) calendar days** from the date of this Order, confirmation that all SanLing Sites have been suspended and the pipelines discontinued, to the satisfaction of the Director, in accordance with this Order.

### **Additional Terms and Conditions - Action Plan**

10. SanLing, within **thirty (30) calendar days** from the date of this Order, must submit, to the satisfaction of the Director, a detailed plan of action to demonstrate that reasonable care and measures to prevent impairment or damage in respect of the wells, facilities, pipelines, wells sites and facility sites are being provided at all SanLing Sites (an “Action Plan”) and the above-stated contraventions will be addressed. The Action Plan shall include, at a minimum:
  - a. All actions that will be taken to address any outstanding noncompliances listed in Appendix 2;
  - b. All actions that have been and will be taken to ensure that *Directive 013: Suspension Requirements for Wells* requirements have been met for SanLing’s wells;
  - c. All actions that have been taken to empty all containment devices or equipment of all fluids and remove these fluids from SanLing Sites;
  - d. All actions that have been and will be taken to discontinue and leave in a safe condition, all pipelines and related infrastructure above ground;
  - e. All actions that will be taken to address off-lease odours;
  - f. All actions that will be taken to address any substance releases that may occur;
  - g. Frequency of Site visits.
11. SanLing must implement the Action Plan until otherwise authorized and directed by the Director in writing.

### **Records Submission**

12. If requested by the AER, SanLing shall submit, within **two (2) business days**, any records in relation to the shut down and closure of the SanLing Sites.

## General

13. In carrying out the requirements of this Order, SanLing shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained immediately upon receipt;
14. All applicable regulatory requirements are to be followed and complied with in the undertaking of any actions or direction prescribed under this Order;
15. Where a deadline has been specified in this Order, the Director may authorize and direct, in writing, a different deadline or reporting frequency at the Director's sole discretion;
16. Pursuant to section 101 of the *OGCA* and section 28 of the *Pipeline Act*, SanLing, and its authorized agents, are entitled to have access to and may enter on the land and any structures on the land concerned for the purposes of carrying out activities contemplated in this Order;

Dated at the Town of Cochrane in the Province of Alberta, the 4th day of March, 2021.

<original signed by>

Blair Reilly  
Director, Enforcement & Emergency Management,  
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 regarding this matter under the *OGCA*, *Pipeline Act*, or any other provincial or federal legislation, or by any other regulator with jurisdiction.

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

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 Regulating Development: Regulatory Appeal Process.

**Appendix 1**  
**Well Licences**

This Appendix has been redacted- please contact AER Information Services to obtain the full appendix.

## Appendix 2: Noncompliances

Table 1: Mineral Lease Expiries

Well Licence	Surface Location	Expiry Date
W0320662	15-30-42-12W4	2020-05-01
W0311405	05-29-42-13W4	2020-04-01
W0349995	14-20-41-6W4	2020-03-27
W0155987	14-36-76-9W6	2020-02-06
W0438282	01-25-37-9W4	2020-01-14
W0275891	15-9-16-13W4	2020-01-09
W0179927	13-9-16-13W4	2020-01-09
W0471440	02-9-37-9W4	2019-12-30
W0471439	02-9-37-9W4	2019-12-30
W0468756	02-9-37-9W4	2019-12-30
W0468755	01-9-37-9W4	2019-12-30
W0426431	04-7-42-12W4	2019-12-30
W0342829	16-31-40-9W4	2019-12-30
W0444621	01-34-36-8W4	2019-11-29
W0436067	13-22-36-8W4	2019-11-29
W0129167	06-26-11-13W4	2019-10-28
W0135493	14-1-42-14W4	2019-10-28
W0242226	13-3-16-17W4	2019-10-28
W0367578	16-7-86-25W5	2019-06-20
W0141114	03-24-80-6W6	2019-06-13
W0161203	12-32-6-7W4	2019-03-21
W0148768	15-29-6-7W4	2019-03-07
W0353468	07-15-41-9W4	2019-01-29
W0330308	15-15-41-8W4	2018-12-10
W0342309	05-31-41-9W4	2018-12-10
W0458548	12-33-41-12W4	2018-12-10
W0325872	10-5-41-10W4	2018-12-10
W0294168	09-25-40-8W4	2018-12-10
W0150955	10-35-39-12W4	2018-12-10
W0267978	10-7-42-11W4	2018-12-10
W0372439	16-21-41-8W4	2018-12-10
W0412943	11-33-41-12W4	2018-12-10
W0308844	06-21-41-9W4	2018-12-10
W0325206	15-13-41-9W4	2018-12-10
W0431979	05-31-40-13W4	2018-12-10
W0261701	10-5-41-10W4	2018-12-10
W0178827	06-35-38-10W4	2018-12-10
W0178679	04-35-38-10W4	2018-11-02
W0434956	16-34-38-10W4	2018-11-02
W0323686	14-19-42-13W4	2018-11-02
W0324278	04-21-41-8W4	2018-11-02
W0059405	07-9-40-10W4	2018-11-02

W0318373	15-20-38-10W4	2018-09-28
W0443703	07-25-101-5W6	2017-10-05
W0048939	10-33-104-06W6	2017-07-05
W0399325	13-22-88-3W6	2017-05-11
W0039441	11-35-66-15W5	2017-05-11
W0405444	02-36-101-5W6	2017-02-09
W0405555	11-25-101-5W6	2017-02-09
W0387275	15-24-101-5W6	2017-02-09
W0405553	06-23-101-5W6	2017-02-09

Table 2: Abandonment Order Noncompliances

Order Number	Date Issued	Licensee	Well/Facility Licence	Working Interest %	Current Well/Facility Status
AD 2016-13	2016-05-04	Canadian Coyote Energy Ltd.	W0091811	25.2	Suspended
AD 2016-20A	2019-09-28	Tuscany Energy Ltd.	W0067154	17.5	Not producing-unknown
AD 2016-20A	2019-09-28	Tuscany Energy Ltd.	W0078590	50.0	Not producing-unknown
AD 2016-20A	2019-09-28	Tuscany Energy Ltd.	W0089199	66.666	Suspended
AD 2016-20A	2019-09-28	Tuscany Energy Ltd.	W0092655	7.5	Not producing-unknown
AD 2016-20A	2019-09-28	Tuscany Energy Ltd.	W0093184	80.13	Not producing-unknown
AD 2016-20A	2019-09-28	Tuscany Energy Ltd.	W0094807	41.004	Suspended
AD 2016-20A	2019-09-28	Tuscany Energy Ltd.	W0108377	50.0	Not producing-unknown
AD 2017-14	2017-11-14	LGX Oil & Gas Inc.	W0236770	50.0	Suspended
AD 2017-14	2017-11-14	LGX Oil & Gas Inc.	W0432233	65.0	Suspended
AD 2018-013	2018-10-03	Scollard Energy Ltd/	W0385144	25.0	Suspended
AD 2019-006	2019-08-21	Manitok Energy Inc.	W0275968	40.0	Suspended
AD 2019-006	2019-08-21	Manitok Energy Inc.	W0097942	25.0	Not producing-unknown
AD 2019-006	2019-08-21	Manitok Energy Inc.	W0351167	23.4375	Not producing-unknown



Table 3: Other Noncompliances

1. Incident FIS #20191412 – P45205 Line 041 release of 10m<sup>3</sup> emulsion off lease. SanLing has not fully delineated the release, and has not performed adequate remediation. Inspection at this site identified improper storage of the contaminated soils at the battery. SanLing has failed to complete proper delineation by the June 12, 2020 deadline.
2. Notice of Noncompliance issued May 5, 2020 for oilfield waste not stored in accordance with D055 on a lease located at 07-28-11-12W4. SanLing failed to achieve storage compliance by the June 10, 2020 deadline. The maximum storage period at this site lapsed on July 10, 2020.
3. Incident FIS # 20180516 – P28918 Line 014, 3-25-12-19W4 release of 5m<sup>3</sup> emulsion on February 7, 2018. SanLing has failed to delineate and remediate the site.
4. Incident FIS #20201627 – F1983 and PLA MSL 840650 crude oil battery located at 12-19-16-17-W4M. Offsite release of 11.4m<sup>3</sup> crude oil, 1.4m<sup>3</sup> contaminated soil onto Crown land. SanLing has not delineated the site or provided required remediation plan.
5. LMR security owing as of February 6, 2021 is \$67,600,996.47