
Made at
Medicine Hat, in the
Province of Alberta, on
March 3, 2023

ALBERTA ENERGY REGULATOR

The Alberta Energy Regulator (AER) orders, under sections 22, 26.2, and 27 of the *Oil and Gas Conservation Act (OGCA)*, sections 22.1 and 23 of the *Pipeline Act*, and section 113 of the *Environmental Protection and Enhancement Act (EPEA)*

Everest Canadian Resources Corp.

2080, 222 3rd Avenue SW
Calgary, AB T2P 0B4

(Everest, or the Licensee)

Alberta Oil and Gas Orphan Abandonment and Reclamation Association o/a Orphan Well Association

(the Orphan Well Association)

WHEREAS Everest is the holder of Business Associate (BA) code A81J, and holds licenses and approvals granted by the AER under the *OGCA*, the *Pipeline Act*, and *EPEA*;

WHEREAS Everest holds *EPEA* Approval 00255245;

WHEREAS Everest is the licensee and operator of the wells, facilities, and pipelines listed in Appendix 1 (collectively the Licenses);

WHEREAS there is physical infrastructure associated with the Licenses (the Sites) and whereas Everest operates a Steam Assisted Gravity Drainage (SAGD) operation to recover bitumen at the Sites (the McKay Facility);

WHEREAS the lease piping and tanks at the McKay Facility contain produced water, process water, diluent, chemicals associated with SAGD operations, and bitumen (the Substances);

WHEREAS between March 16, 2021, and July 5, 2022, a total of 93 non-compliances were issued to Everest by Field Operations Northeast;

WHEREAS a meeting was held with Everest and the AER on July 7, 2022, to set expectations for addressing Everest's various outstanding non-compliances, during which the AER requested Everest submit a Compliance Plan and address the remaining outstanding issues, and whereas the AER Field Operations Northeast staff have reviewed and accepted 81 actions in the plan submitted by Everest to address its outstanding non-compliances (Compliance Plan);

WHEREAS to date Everest has not fully addressed the outstanding compliance issues as summarized in Appendix 2;

WHEREAS on February 21, 2023, AER Field Operations Northeast staff inspected the Sites and identified that Everest was not following the accepted actions in the Compliance Plan, including the release reporting procedure as specified in the Compliance Plan;

WHEREAS in a phone call with the AER on March 1, 2023, Everest's Chief Executive Officer (CEO) confirmed that Everest was shutting-in its McKay Facility;

WHEREAS on March 2, 2023, an Everest employee notified the AER Field Operations Northeast staff that an equipment failure occurred at the McKay Facility and that the McKay Facility was without heat;

WHEREAS on March 2, 2023, an AER Inspector visited the Sites, and confirmed that the McKay Facility was being shut-in and there was reduced protection from the freezing temperatures;

WHEREAS on March 3, 2023, Everest notified AER Field Operations Northeast staff that it intended to restart steaming operations at the McKay Facility;

WHEREAS later on March 3, 2023, Everest staff notified AER Field Operations Northeast staff that the remaining heating system for the facility had to be shut-down per a third-party inspector regarding integrity concerns of the equipment;

WHEREAS freezing temperature may result in harm to the integrity of the Sites and the equipment on the Sites, and could result in the release of substances to the environment;

WHEREAS the Substances are a substance, as defined in section 1(mmm) of *EPEA*;

WHEREAS the Substances are known to cause an adverse effect to the environment;

WHEREAS Everest is a person responsible for the Substances, as defined in section 1(tt) of *EPEA*;

WHEREAS Heath Matthews, Manager of Field Operations South (the Manager), has the authority to impose terms and conditions under section 22, and issue orders under sections 26.2, and 27 of the *OGCA*, sections 22.1 and 23 of the *Pipeline Act*, and section 113 of *EPEA*;

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

WHEREAS the Manager is of the opinion that reasonable care and measures are not being taken to prevent impairment or damage at, or connected to the Sites at the McKay Facility due to the outstanding contraventions;

WHEREAS under section 26.2 of the *OGCA*, and section 22.1 of the *Pipeline Act*, the Regulator may order a working interest participant or a delegated authority under Part 11 of the *OGCA* to provide reasonable care and measures and may impose any terms and conditions necessary, if reasonable care and

measures to prevent impairment or damage are not being provided in a manner satisfactory to the Regulator;

WHEREAS the Orphan Well Association is a delegated authority under Part 11 of the *OGCA*;

WHEREAS the Manager is of the opinion that a release of a substance into the environment may occur, and may cause, an adverse effect;

WHEREAS the Manager is aware that other groups in the AER, outside of the Field Operations Northeast staff, have identified noncompliances in addition to those identified in this order, and that these non-compliances may require further action outside of this order;

WHEREAS the Manager is of the opinion that it is necessary to suspend the Sites to protect the environment;

Therefore, I, Heath Matthews, Manager, under sections 22, 26.2 and 27 of the *OGCA*, sections 22.1 and 23 of the *Pipeline Act*, and section 113 of *EPEA*, do hereby order the following;

Immediate Actions

1. The Orphan Well Association shall immediately suspend all of the wells and facilities listed in Appendix 1 and discontinue all the pipelines listed in Appendix 1.
 - 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 five (5) 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 five (5) calendar days from the date of this Order.
2. The Orphan Well Association shall ensure any released Substances are immediately contained and measures are taken to prevent the further release or migration of the Substances to the environment.
3. The Licensee must immediately identify and report to the Manager any potentially affected parties that could be adversely affected by any release including, but not limited to, domestic, indigenous, agricultural and recreational users of lands and waterbodies affected.
4. The Licensee shall immediately provide written confirmation to AER Field Operations Northeast that its 24-hour emergency number will remain in service and will initiate an immediate response.
5. Everest shall immediately provide an up-to-date copy of its current Emergency Response Plan (ERP) to the AER Field Operations Northeast.
6. By no later than two (2) calendar days from the date of this Order, Everest shall submit to the

Manager a written plan on how the 24-hour emergency response number will be maintained to ensure that a call to the 24-hour emergency number initiates immediate action.

7. Everest must provide proof of insurance to the AER, confirming insurance coverage is in place as required under section 4.2 of *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals*.

Short Term Actions

8. The Orphan Well Association shall ensure 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 Sites are depressurized, emptied (with all fluids removed from the site and disposed of in a manner acceptable to the AER) and rendered safe in a manner acceptable to the AER no later than **fourteen (14) calendar** days from the date of this Order.
9. The Orphan Well Association shall ensure any hazards, including but not limited to releases, on the sites that present a risk to public safety or the environment, are immediately reported to the AER and addressed in a manner acceptable to the AER no later than **five (5) calendar days** from the date of this Order.
10. The Orphan Well Association shall provide written confirmation to the Manager, within **fifteen (15) calendar days** from the date of this Order, that all Sites have been closed or shutdown to the satisfaction of the Manager, in accordance with this Order.

Other Reasonable Care and Measures

11. The Licensee shall ensure that the McKay Facility is properly and adequately staffed and that persons in control of all operations possess the necessary skills to ensure reasonable care and

measures are provided, and that additional services are available if on-site support is required for safe work conditions.

12. The Licensee will confirm in writing to the AER, within **five (5) calendar days** from the date of this Order that all personnel on site are familiar with the current ERP and their roles in the event of an emergency.
13. The Licensee shall monitor and inspect equipment daily at the McKay Facility to ensure reasonable care and measures are provided and any issues are identified and remedied.
14. Within **fifteen (15) calendar days** from the date of this Order, the Licensee must submit, to the satisfaction of the Manager, an Action Plan to demonstrate that reasonable care and measures are being provided at the Sites.
15. The Licensee must implement the Action Plan as authorized unless otherwise directed by the Manager in writing.

Additional Actions

16. Prior to the Manager considering lifting the suspension of operations, Everest must submit, to the satisfaction of the Manager, a Reactivation Plan for Manager review and approval. At a minimum, the Reactivation Plan must include details of actions and timelines for completions of these actions, to;
 - a. Address all remaining outstanding noncompliances and approval requirements;
 - b. Safely reactivate the Sites, including verifying the integrity of Everest's wells, facilities, and pipelines, prior to resumption of operation;
 - c. Demonstrate compliance with regulatory requirements and the ability to resume and maintain all reasonable care and measures.
17. Prior to any reactivation request being approved, Everest must reimburse the Orphan Well Association for any costs incurred in providing reasonable care and measures, including the safe suspension, to the Sites.

Reporting

18. On or before 4:00 p.m. each day, Everest shall submit to the Manager a daily report (Daily Report) summarizing the current operational status of the McKay Facility and any work completed.
19. The Daily Reports shall continue until otherwise advised in writing by the Manager.

General

20. Everest must maintain persons in control of all operations in order to ensure reasonable care and measures of its assets.
 - a. Everest shall confirm in writing the names, titles and contact information of all persons in direct or indirect control of Everest no later than **five (5) calendar days** from the date of this Order.
 - b. Everest must immediately inform the AER in writing of any changes to the persons in direct or indirect control .
21. In carrying out the requirements of this Order, Everest or the Orphan Well Association shall obtain and comply with all required federal and provincial permits and governing legislation and provide to the AER all authorizations obtained immediately upon receipt;
22. All Plans required and work to be performed required by this Order must be prepared and implemented by a qualified professional;
23. All Plans and Reports to be submitted to the Manager under this order shall be submitted to FieldOpsNortheast@aer.ca and Heath.Matthews@aer.ca.
24. Where a deadline has been specified in this Order, the Manager may authorize in writing a different deadline or reporting frequency as applicable.

Dated at the City of Medicine Hat in the Province of Alberta, the 3rd day of March, 2023.

<Original signed by>

Heath Matthews
Manager, Field Operations South
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 Sections 22 and 26.2 and any other provincial or federal legislation, or by any other regulator with jurisdiction.

All enforcement actions issued by the AER may be subject to a follow-up review to confirm previous commitments have been completed and measures have been implemented, to ensure similar

noncompliances are prevented in the future. The AER may request any information that demonstrates steps have been taken to prevent repeat noncompliances from occurring.

Under the *Responsible Energy Development Act*, 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, under Regulating Development: Project Application: Regulatory Appeal Process.

Appendix 1

Everest Canadian Resources Corp

Table 1- Well Licenses

| Licence | UWI | Surface Location | Status |
|----------------|---------------------|-------------------------|---------------|
| W0455181 | 00/16-18-091-14W4/0 | 16-18-091-14W4 | Observation |
| W0454464 | 11/10-18-091-14W4/0 | 10-18-091-14W4 | Observation |
| W0433876 | 09/10-18-091-14W4/0 | 15-07-091-14W4 | Observation |
| W0431637 | 08/11-18-091-14W4/0 | 15-07-091-14W4 | Suspension |
| W0431636 | 07/11-18-091-14W4/0 | 15-07-091-14W4 | Suspension |
| W0431635 | 08/10-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431634 | 07/10-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431633 | 06/10-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431632 | 05/10-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431606 | 08/12-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431605 | 07/12-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431604 | 06/12-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431603 | 05/12-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431602 | 06/11-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431601 | 05/11-18-091-14W4/0 | 14-07-091-14W4 | Suspended |
| W0431598 | 04/12-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431597 | 03/12-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431596 | 02/12-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431595 | 00/12-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431594 | 04/11-18-091-14W4/0 | 13-07-091-14W4 | Suspended |
| W0431593 | 03/11-18-091-14W4/0 | 14-07-091-14W4 | Suspended |
| W0431571 | 02/11-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431570 | 00/11-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431569 | 04/10-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431568 | 03/10-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431567 | 02/10-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0431566 | 00/10-18-091-14W4/0 | 15-07-091-14W4 | Suspended |
| W0427194 | 09/12-18-091-14W4/0 | 12-18-091-14W4 | Observation |
| W0427193 | 10/10-18-091-14W4/0 | 10-18-091-14W4 | Observation |
| W0427192 | 00/05-18-091-14W4/0 | 05-18-091-14W4 | Observation |
| W0427191 | 00/04-18-091-14W4/0 | 04-18-091-14W4 | Observation |
| W0426195 | 00/02-18-091-14W4/0 | 02-18-091-14W4 | Observation |
| W0416027 | 00/07-18-091-14W4/0 | 07-18-091-14W4 | Observation |

Table 2- Facility Licenses

| Licence | Location | Status |
|----------------|------------------|---------------|
| F42686 | 14-07-091-14 W4M | Issued |
| F42685 | 15-07-091-14 W4M | Issued |
| F42660 | 10-07-091-14 W4M | Issued |

Table 3- Pipeline Licenses

| Licence | Line | From Location | To Location | Status |
|----------------|-------------|----------------------|--------------------|---------------|
| P53457 | S-1 | 15-07-091-14W4 | 10-07-091-14W4 | Operating |
| P53457 | S-2 | 14-07-091-14W4 | 10-07-091-14W4 | Operating |
| P53457 | S-3 | 10-07-091-14W4 | 09-07-091-14W4 | Operating |
| P53456 | S-1 | 10-07-091-14W4 | 09-07-091-14W4 | Operating |
| P53455 | S-1 | 15-07-091-14W4 | 10-07-091-14W4 | Operating |
| P53455 | S-2 | 14-07-091-14W4 | 10-07-091-14W4 | Operating |
| P53380 | S-1 | 09-07-091-14W4 | 10-07-091-14W4 | Operating |
| P53375 | S-1 | 10-07-091-14W4 | 15-07-091-14W4 | Operating |
| P53375 | S-2 | 10-07-091-14W4 | 14-07-091-14W4 | Operating |
| P53200 | S-1 | 09-07-091-14W4 | 14-07-091-14W4 | Operating |
| P53200 | S-2 | 10-07-091-14W4 | 15-07-091-14W4 | Operating |
| P52925 | S-1 | 14-28-090-13W4 | 09-07-091-14W4 | Operating |
| P52898 | S-1 | 08-08-091-14W4 | 09-07-091-14W4 | Operating |
| P52898 | S-2 | 16-08-091-14W4 | 16-08-091-14W4 | Operating |

Appendix 2: Summary of Outstanding Noncompliances

| Inspection Number | Legislation Area | Noncompliance Item | AER Imposed Deadline (yyyy-mm-dd) | AER Comments (*2,000 Character Limit) |
|-------------------|---|--|-----------------------------------|---|
| Inspection 518587 | EPEA Approval 255245-01-00, Schedule VI, Condition 7 | The approval holder shall implement a Groundwater Monitoring Program which shall include: (a) a Groundwater Surveillance Monitoring Program to identify any impacts to the quality of groundwater associated with plant operations, and (b) a Contamination Management Program to prevent adverse effects or further adverse effects to the quality of groundwater as authorized in writing by the Director. | 2023-04-30 | The Groundwater Monitoring Program Proposal was submitted, however, after SME review, the proposal was determined to be deficient. A deficiency letter was sent to Everest highlighting the issues and areas that need to be addressed. Once the corrections are made and the proposal is approved, this non-compliance can be closed. The original deadline for response was February 28, 2023, however, after an extension request was received from Everest Resources, a new deadline has been set for April 30, 2023. |
| Inspection 518587 | EPEA Approval 255245-01-00, Schedule VI, Condition 18 | If a representative groundwater sample cannot be collected because the groundwater monitoring well is damaged or is no longer capable of producing a representative groundwater sample, the approval holder shall: (a) clean, repair or replace the groundwater monitoring well; and (b) collect and analyze a representative groundwater sample prior to the next scheduled sampling event unless otherwise authorized in writing by the Director. (Old Approval) | 2023-06-30 | Everest has taken some action to repair or decommission and replace some wells throughout the site, however, outstanding issues remain. Based on the Field Activity Report submitted to the AER, 7 wells still appear to have damage. A deficiency letter was sent to Everest highlighting the issues and areas that need to be addressed. Once the corrections are made, this non-compliance can be closed. |
| Inspection 518587 | Section 9.2 of the Directive Assessment of Thermally-Mobilized Constituents in Groundwater for Thermal In Situ Operations | Approval holders shall submit a Groundwater Monitoring Report titled Groundwater Monitoring Thermal Report <EPEA Approval 255245-01-00> under a separate cover by March 31, 2020. | 2023-04-30 | The Groundwater monitoring Thermal Report was submitted, however, after SME review, the report was determined to be deficient. A deficiency letter was sent to Everest highlighting the issues and areas that need to be addressed. Once the corrections are made and the proposal is approved, this non-compliance can be closed. The original deadline for response was February 28, 2023, however, after an extension request was received from Everest Resources, a new deadline has been set for April 30, 2023. |
| Inspection 518587 | EPEA Approval 255245-01-00, Condition 5.4 | The approval holder shall participate in regional biodiversity initiatives supporting the development of the Government of Alberta's Biodiversity Management Frameworks and Regional Plans, to the satisfaction of the Director. | 2023-03-06 | Please provide an update on Everest's participation in the regional biodiversity initiative supporting the development of the Government of Alberta's Biodiversity Management Frameworks and Regional Plans. |
| Inspection 518587 | EPEA Approval 255245-01-00, Schedule V, Condition 8 | The approval holder shall report to the Director the results of the industrial runoff control system monitoring as required in TABLE 2 of Schedule V, unless otherwise authorized in writing by the Director. | 2023-03-06 | On August 31, 2022, Everest Resources committed to submitting an Industrial Wastewater and Runoff Report to the AER for the year 2021 on September 30, 2022. The AER appears to have no record of receiving this information. It was understood that Everest did not have all the required information, however, would submit the report with what information they had. Please provide an update on the status of the Industrial Wastewater and Runoff Report for 2021 and when Everest believes they can submit the report by. Please note, the 2022 Industrial Wastewater and Runoff Report is still due on March 31, 2023. |
| Inspection 518587 | EPEA Approval 255245-01-00, Schedule V, Condition 9 | The annual Industrial Wastewater and Industrial Runoff Report shall include, at a minimum, all of the following: (a) to (e). | 2023-03-06 | On August 31, 2022, Everest Resources committed to submitting an Industrial Wastewater and Runoff Report to the AER for the year 2021 on September 30, 2022. The AER appears to have no record of receiving this information. It was understood that Everest did not have all the required information, however, would submit the report with what information they had. Please provide an update on the status of the Industrial Wastewater and Runoff Report for 2021 and when Everest believes they can submit the report by. Please note, the 2022 Industrial Wastewater and Runoff Report is still due on March 31, 2023. |
| Inspection 520414 | EPEA Approval 255245-01-00 Schedule V, Condition 4 | The approval holder shall only release industrial runoff from the industrial runoff control system. | 2023-03-06 | The information provided to the AER through applications and SIRs and the information the AER has collected through inspections does not match. Please provide a site plot plan and written description of the industrial runoff management system, ensuring that all approved structures (east, central and west sedimentation ponds), secondary ponds, drainage ditches and any other storage or conveyance structures associated with the Industrial Wastewater and Runoff Collection System are fully illustrated and described. Once this information is received, the AER will reassess the situation and provide Everest with further direction. |
| Inspection 520414 | EPEA Approval 255245-01-00 Schedule V, Condition 7 | The approval holder shall monitor the industrial runoff control systems as specified in TABLE 2 of Schedule V, with all samples analyzed as per condition 5 of Schedule III unless otherwise authorized in writing by the Director. | N/A | This non-compliance will remain open until such a time that the above-mentioned non-compliance (EPEA Approval 255245-01-00 Schedule V Industrial Wastewater and Industrial Runoff Section 4) is resolved. Once that issue is resolved, this non-compliance will be re-assessed, and the AER will determine if additional information is required, or this non-compliance can be closed. No action is required at this time. |

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|-------------------|---|--|------------|--|
| Inspection 521820 | EPEA Approval 255245-01-00 Condition 3.7 | The approval holder shall monitor the air emission sources as specified in TABLE 3.3, unless otherwise authorized in writing by the Director. | 2023-03-06 | <p>The following Action Plan for Inspection 521820 was submitted on August 31, 2022:</p> <ul style="list-style-type: none"> • The manual stack survey shall be completed by September 30, 2022. • The temporary CEMS unit application (in the form of a Notification to the AER, complete with details) will be submitted in December 2022. • The temporary CEMS unit will be installed no later than end of March 2023. • The PEMS application will be submitted by December 2023. <p>Note: Everest submitted the Manual Stack Survey Results to the AER.</p> <p>Confirm the following:</p> <ol style="list-style-type: none"> 1.) Confirm if the temporary CEMS unit application was submitted or provide an updated timeline for submission. 2.) Confirm the temporary CEMS unit is still targeting to be installed by the end of March 2023. 3.) Confirm the PEMS application is still being targeted to be submitted by December 2023. 4.) Confirm if there is any future stack testing planned for the remaining untested stacks including the 2.5MW Glycol Heater, 3.7 MW Utility Boiler and the 5.67 MW Cogeneration Unit. |
| Inspection 521820 | EPEA Approval 255245-01-00 Condition 3.8 | The approval holder shall report to the Director the results of the air emission source monitoring as required in TABLE 3.3, unless otherwise authorized in writing by the Director. | N/A | All three non-compliances associated Inspection 521820 are linked and therefore the requested action for all three is the same. Once the requested information is received, the AER will assess the information against each non-compliance and determine if the non-compliance can be closed or further information is required. |
| Inspection 521820 | EPEA Approval 255245-01-00 Condition 3.10 | The approval holder shall submit the monthly CEMS Code data required in condition 3.7 electronically to the Alberta Environment File Transfer Protocol (FTP) site, which is used for the electronic submission of continuous emissions monitoring information. | N/A | All three non-compliances associated Inspection 521820 are linked and therefore the requested action for all three is the same. Once the requested information is received, the AER will assess the information against each non-compliance and determine if the non-compliance can be closed or further information is required. |