

# Administrative Penalty Director's Decision

**Named Party:** Tamarack Valley Energy Ltd. **BA Code:** A04N

**File No.** 2024-006

## Preliminary Penalty Assessment

Number of Contraventions Identified	Base Assessment Amount	Factor Variance(s)	
Contraventions 1 to 7	\$24 500	(a) +\$3 500 (b) +\$3 500 (g) +\$3 500	
<b>Total Contraventions: 7</b>	<b>Total Base Assessment: \$24 500</b>	<b>Total Variance:</b>	<b>\$10 500</b>

**Preliminary Penalty Assessment: \$35 000**

## Director's Decision Summary

On April 1, 2025, I, Tammy Loiselle, Director, Emissions, Compliance, Support & Safety, for the Alberta Energy Regulator (AER), spoke with Richard Trost, Director, Production Engineering for Tamarack Valley Energy Ltd. (Tamarack) to discuss the Preliminary Administrative Penalty Assessment (PA). Mr. Trost agreed to meet electronically to discuss the investigation findings and PA.

On April 14, 2025, I, Tammy Loiselle, along with AER staff, met with Tamarack representatives Richard Trost, Scott Shimek, VP Production and Operations, and Reg Topham, Production Operations Engineer.

The purpose of the meeting was to review the facts on which the PA was based, how the PA was calculated, and provide an opportunity for Tamarack to share with the AER any relevant information not previously submitted to be considered prior to making a final decision.

The PA identified the following contraventions and penalty assessments.

### CONTRAVENTION 1

On or about June 15, 2023, in the Province of Alberta, the Alberta Energy Regulator became aware that on June 8, 2022, at facility ABBT0153854 located at 05-20-063-26W4M, Tamarack Valley Energy Ltd. failed to keep an original recording of the measurement used to determine the particulars for the record filed with the Regulator, contrary to section 12.030(2) of the *Oil and Gas Conservation Rules*.

<i>Responsible Energy Development Act General Regulation</i>				
BASE PENALTY TABLE				
Seriousness of Contravention				
Extent of actual or potential loss or damage		Major	Moderate	Minor
	Major	5000	3500	2500
	Moderate	3500	2500	1500
	Minor	2500	1500	1000
	None	1000	600	250

### CONTRAVENTION 2

On or about June 15, 2023, in the Province of Alberta, the Alberta Energy Regulator became aware that on June 22, 2022, at facility ABBT0153854 located at 05-20-063-26W4M, Tamarack Valley Energy Ltd. failed to keep an original recording of the measurement used to determine the particulars for the record filed with the Regulator, contrary to section 12.030(2) of the *Oil and Gas Conservation Rules*.

### CONTRAVENTION 3

On or about June 15, 2023, in the Province of Alberta, the Alberta Energy Regulator became aware that on May 11, 2022, at facility ABBT0162241 located at 09-14-063-01W5M, Tamarack Valley Energy Ltd. failed to keep an original recording of the measurement used to determine the particulars for the record filed with the Regulator, contrary to section 12.030(2) of the *Oil and Gas Conservation Rules*.

### CONTRAVENTION 4

On or about June 15, 2023, in the Province of Alberta, the Alberta Energy Regulator became aware that on May 16, 2022, at facility ABBT0162241 located at 09-14-063-01W5M, Tamarack Valley Energy Ltd. failed to keep an original recording of the measurement used to determine the particulars for the record filed with the Regulator, contrary to section 12.030(2) of the *Oil and Gas Conservation Rules*.

### CONTRAVENTION 5

On or about June 15, 2023, in the Province of Alberta, the Alberta Energy Regulator became aware that on May 17, 2022, at facility ABBT0162241 located at 09-14-063-01W5M, Tamarack Valley Energy Ltd. failed to keep an original recording of the measurement used to determine the particulars for the record filed with the Regulator, contrary to section 12.030(2) of the *Oil and Gas Conservation Rules*.

## **CONTRAVENTION 6**

On or about June 15, 2023, in the Province of Alberta, the Alberta Energy Regulator became aware that on May 20, 2022, at facility ABBT0162241 located at 09-14-063-01W5M, Tamarack Valley Energy Ltd. failed to keep an original recording of the measurement used to determine the particulars for the record filed with the Regulator, contrary to section 12.030(2) of the *Oil and Gas Conservation Rules*.

## **CONTRAVENTION 7**

On or about June 15, 2023, in the Province of Alberta, the Alberta Energy Regulator became aware that on August 8, 2022, at facility ABBT0162241 located at 09-14-063-01W5M, Tamarack Valley Energy Ltd. failed to keep an original recording of the measurement used to determine the particulars for the record filed with the Regulator, contrary to section 12.030(2) of the *Oil and Gas Conservation Rules*.

### **Seriousness of Contravention: Major**

One of the purposes of the *Oil and Gas Conservation Act* is to “afford each owner the opportunity of obtaining the owner’s share of the production of oil and gas from any pool.” The requirement to keep a daily record of production operations and original measurement recording used to determine the particulars for the record filed with the Regulator, in this case Petrinex, is essential in meeting this purpose. Petrinex tracks volumetric data from wellhead to market and allows, for example, the calculation and verification of royalties and assessing production operations. Daily production records and original measurements are the first steps in gathering and reporting production data so that each owner has the opportunity to obtain their share of oil and gas produced. More importantly, the requirement to keep these records and measurements provides the means to verify the data reported to Petrinex, ensuring accuracy for the benefit of all owners, and users, of this data. Accordingly, the seriousness is rated as “Major”.

The investigation found that on seven separate occurrences Tamarack failed to keep an original recording of the measurement used to determine the particulars for the record filed with the Regulator. In addition, Tamarack indicated that the piping configuration makes it physically impossible to test multiple wells on the pad in the same day for 24 hours and Tamarack does not have the supporting documentation to determine which test was conducted on the days in question.

### **Extent of Actual or Potential Loss or Damage: Moderate**

As the original measurement records were not retained as required, it is not possible to determine the accuracy of the volumetric reporting in Petrinex for the reporting months connected to the contraventions. The actual loss or damage, in terms of incorrectly allocated well production and, therefore each owner’s share of production, is unknown. Therefore, only an assessment on potential loss or damage can be made.

The investigation revealed that for each contravention there were at least two wells where testing of well production could not be confirmed, affecting at least one month of Petrinex volumetric reporting for each

well, and possibly the subsequent month of Petrinex reporting, depending on the next verifiable testing dates. These unsubstantiated well volumes, in turn, affect the volumetric reporting to Petrinex of all the other wells linked to their respective batteries. The potential loss of each owners' share of production, for example royalties to the Crown, appears significant or questionable enough in this case that it warranted Alberta Energy and Minerals to request an AER audit. Accordingly, the potential loss is classified as "Moderate".

**Base Assessment: \$3500 (for each contravention) x 7 contravention occurrences = \$24 500**

### Factors to be Considered to Vary the Assessment

- (a) the importance to the regulatory scheme of compliance with the provision that was contravened;
- (b) the degree of wilfulness or negligence, if any, on the part of any person responsible for the contravention;
- (c) any steps taken by a person responsible for the contravention to avoid or limit the extent of any actual loss or damage that resulted or any potential loss or damage that may reasonably be expected to result from the contravention;
- (d) any steps taken by a person responsible for the contravention to prevent its recurrence;
- (e) any previous contravention of a provision prescribed by section 8.1 by a person responsible for the contravention;
- (f) whether a person responsible for the contravention derived or is likely to derive any economic benefit from the contravention;
- (g) any other factor that, in the opinion of the Regulator, is relevant.

### Factors Applicable to this Case

Factor from above	Amount Varied	Description/Comments
(a)	+\$3 500	Accurate production data and volumetric reporting is fundamental to the regulatory scheme. The requirement to keep daily production records and original measurements provides the means to verify the volumetric data reported to the AER, for the benefit of all users of this data. \$500 is added to each contravention.
(b)	+\$3 500 <sup>1</sup>	\$500 is added to each contravention for Tamarack's failure to follow their own procedures.
(c)	Neutral	Not applied in this case.
(d)	Neutral	Not applied in this case.

<sup>1</sup> Original PA typographical error of "\$3 5000" changed in this document. Tamarack was informed of error during April 14, 2025, meeting.

(e)	Neutral	Not applied in this case.
(f)	Neutral	Not applied in this case.
(g)	+\$3 500	Tamarack was aware that their piping configuration made it impossible for multiple wells to be tested on the same pad for the same 24-hour period. Given that Tamarack's Operations personnel are responsible for entering all production information into their systems (in this case Prodman), this physical fact should have made the system's data issues obvious and requiring remedial action including verifying the data with the paper files created at the time. This is especially concerning given that this issue occurred over several months. \$500 is added to each contravention.

## Discussion

At the April 14, 2025, meeting, an AER investigator summarized the investigation's findings, and an AER senior compliance assurance specialist summarized the PA calculation, including the base penalty and variance factors.

Tamarack did not have any questions related to the investigation and calculation summaries.

Tamarack was offered the opportunity to provide further or new information. Tamarack presented an on-screen summary that appeared to contest or explain each contravention. The AER senior compliance assurance specialist asked if Tamarack was contesting Contravention 1 and Tamarack answered in the affirmative. Tamarack stated both June 8, 2022, well tests "were not valid" as the wells did not come on production until June 21, 2022, thus no reporting was required. The screen summary of the well tests showed zero hours of production.

After Tamarack's summary, I, Tammy Loiselle, asked if they had examples of any improvements related to the contraventions in the PA and if they would like to provide them in a written submission. Tamarack indicated they could provide a submission for my consideration. Tamarack also verbally indicated some improvements they made including implementing paper log sheets as a standard across the organization. Tamarack also stated they were implementing a new system to enhance their reporting process as their current systems are "not conducive to record keeping."

Tamarack indicated that they were using Prodman to record timely basic sediment and water (BS&W) changes to the wells in question as they were experiencing frequent BS&W changes to these newer on production wells drilled with water-based drilling fluids. Tamarack inquired about the AER's position on recording BS&W updates, and it was recommended to contact the AER's Production & Emissions Compliance team on this matter.

It was agreed that Tamarack would provide a written submission by end-of-day April 16, 2025, including submitting the information shared on screen and any further information. I, Tammy Loiselle, sent an email after the meeting regarding this deadline, with a reminder to provide information on "any

contraventions Tamarack would like to contest including evidence to support Tamarack's position and any information demonstrating the steps Tamarack has taken to make improvements to internal processes and systems related to the contraventions."

On April 16, 2025, Tamarack emailed their submission which included an example log sheet that Tamarack has "implemented in the field" and a six-page document of Tamarack's internal review findings and improvements to Tamarack processes and procedures (Response Submission).

The Response Submission indicated three contravention categories (Non volumetric tests, Initial well cleanup, and Noncompliant duplicate tests). Non volumetric tests relate to items such as BS&W updates for Contraventions 1, 2, and 5. Initial well cleanup relates to Contravention 3 where "wells were produced to individual temporary tanks". Noncompliant duplicate tests refers to Contraventions 4, 6, and 7.

#### Non-Volumetric Tests (Contraventions 1, 2, and 5)

For Contravention 1, the Response Submission states, "The wells were set up in our FDC system on June 8th and zero volume tests were input to ensure no volumes were allocated to them prior to starting production. Both wells commenced production on June 21, 2022."

For Contravention 2, the Response Submission states:

These 2 new wells commenced production on June 21, 2022. The tests inputted on June 22, 2022 are an engineered estimate of total volume with confirmation on BS&W. Comments should have been added to the FDC System to indicate that these tests were estimated. The tests should have been inputted on June 21, 2022 as the wells were on production for 12hrs that day. Ample time should have existed to test each well prior to the end of the month. Tamarack is unsure why this did not happen.

For Contravention 5, the Response Submission states, "A new test was input into our FDC System for both wells on May 17, 2022 as both wells started to produce oil after completing a de-watering phase during initial production. These were not full tests on each individual well. It was a BS&W update on both wells only."

#### **AER Response**

In review of the Response Submission and other previously submitted information, the AER agrees with Tamarack that the wells commenced production on June 21, not June 8, 2022, and that the June 8 well test information did not contain volumes reported to Petrinex. Accordingly, Contravention 1 and its associated factor variances are rescinded and not applied.

Contraventions 2 and 5 are confirmed as there remains no original recordings (e.g., BS&W in operator run logs) of the measurements used to determine the volumes reported to Petrinex. Factor (g) will not be

applied for these contraventions as the AER is satisfied with the Response Submission's explanation regarding the nature of these tests as BS&W, versus production, tests.

#### Initial Well Cleanup (Contravention 3)

The Response Submission states:

102/03-23 & 100/09-14 had daily tests inputted May 1-11 (May 1st was the 1st day of production for both new wells) and 100/08-14 had daily tests inputted May 4-11 (May 4th was the 1st day of production for this well). All 3 wells were de-watered from 1st day of production up to and including May 11th to individual double walled 400bbl tanks enabling individual daily tests on each well.

#### **AER Response**

Contravention 3 is confirmed as there remains no original recordings of the measurements used to determine the volumes reported to Petrinex. However, the AER accepts that these were individual production flows to separate tanks. Accordingly, Factor (g) is no longer applied.

#### Noncompliant Duplicate Tests (Contraventions 4, 6, and 7)

The Response Submission states that the multiple tests "data entry should not have transpired...The misplaced operator paper run logs may have been able to provide additional insight into this error."

#### **AER Response**

Contraventions 4, 6, and 7, and associated variance factors in the PA, are confirmed.

#### Improvements to Processes and Procedures

The Response Submission contained five points on process and procedure improvements, summarized as follows.

1. Enhancements to Field Data Capture (FDC) system to make it more comprehensive as the biggest issue was the inability to "pull a comprehensive report detailing the time stamped data entry/changes for a facility or group of wells."
2. Tamarack is developing a Well Test Audit Report for personnel to review in order to meet proration testing requirements.
3. Identification of need to streamline into single operator platform in 2024. Tamarack is currently implementing a third-party operator platform "across the entire organization which will be completed in 2025" and, once implemented, "will replace any paper record log sheets".
4. Senior operations personnel and production engineering staff are tasked with "reviewing the FDC system data at minimum weekly and at the closing of the month".

5. For the Westlock assets since January 2024, Tamarack commenced scanning and saving all operator run logs to accompany FDC data.

### AER Response

The AER is satisfied that Tamarack has taken steps to prevent recurrence of the contravention that warrant a factor variance consideration. Accordingly, a Factor (d) reduction resulting in a \$500 decrease for Contraventions 2 - 7 will be applied.

### Final Penalty Decision

I, Tammy Loiselle, Director, Emissions, Compliance, Support & Safety for the AER, have fully considered all of the information collected in the investigation and verbal submission presented to me by Tamarack in the April 14, 2025, meeting as well as the April 16, 2025, written submission sent to me from Tamarack.

I am of the opinion that, with the exception of Contravention 1, the contraventions described above did occur, are supported by the evidence, and that there was a lack of due diligence on the part of Tamarack.

I find that Contravention 1 is not supported and it, along with the base penalty and factor variance amounts in the PA, will not be applied.

I find the base penalty amounts for Contraventions 2 - 7 in the PA reasonable and they remain the same. I also find the variance factors for Contraventions 4, 6, and 7 reasonable and they remain the same.

In consideration of Tamarack's Response Submission, Factor (g) increases in the PA for Contraventions 2, 3, and 5 will no longer be applied and a Factor (d) decrease for Contraventions 2 - 7, as noted above, will be applied. For clarity, the adjusted net factors total +\$500 for Contraventions 2, 3, and 5 and +\$1000 for Contraventions 4, 6, and 7.

### Adjusted Penalty Table

Number of Contraventions Identified	Base Assessment Amount	Factor Variance(s)	
Contraventions 2 to 7	\$21 000	(a) +\$3 000 (b) +\$3 000 (d) -\$3 000 (g) +\$1 500	
Total Contraventions: 6	Total Base Assessment: \$21 000	Total Variance:	\$4 500

**FINAL PENALTY ASSESSMENT: \$25 500**



**Date:** May 23, 2025

**Director's Signature:** *<original signed by>*

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Tammy Loiselle, Director, Emissions, Compliance, Support & Safety, AER