

Administrative Penalty Director’s Decision

Named Party: Entrada Resources Inc. **BA Code:** A7DT

File No. 2024-030

Preliminary Penalty Assessment

Number of Contraventions Identified	Base Assessment Amount	Factor Variance(s)	Total Adjusted Amount
Contravention 1	\$5 000	+\$1 500	\$5 000*
Contravention 2	\$5 000	+\$1 500	\$5 000*
Contravention 3	\$5 000 x 82 = \$410 000	+ \$1 500	\$410 000*
Contravention 4	\$3 500	+\$1 500	\$5 000
Total Contraventions: 4	Total Base Assessment: \$423 500	Total Variance: \$6 000	\$425 000

* The maximum penalty permitted by section 3(3) of the *Administrative Penalty Regulation* of EPEA and section 8.3(3) of the *Responsible Energy Development Act General Regulation* is \$5 000 per contravention for each day or part of a day on which the contravention occurred.

Preliminary Penalty Assessment: \$425 000

Director’s Decision Summary

On May 27, 2026, I, Tyler Callicott, Director Enforcement and Orphaning, Regulatory Compliance for the Alberta Energy Regulator (AER), spoke with James Lord, Chief Operating Officer for Entrada Resources Inc. (Entrada) to discuss the Preliminary Administrative Penalty Assessment (PA). On June 2, 2026, Mr. Lord declined a pre-issuance meeting to discuss the investigation findings and PA or to respond back in writing to provide any additional information for my consideration before making a final decision. Mr. Lord informed me that Entrada would wait to receive the Director’s Decision, Notice of Administrative Penalty, and Invoice, and pay the penalty.

The PA identified the following contraventions and penalty assessments.

CONTRAVENTION 1

On or about July 28, 2024, the AER became aware that, between about June 25, 2022 and September 28, 2023, at or about the Legal Subdivision 8 of Section 8 within Township 42 of Range 6 West of the 5th Meridian, in the Province of Alberta, Entrada did release or permit the release into the environment of a substance in an amount, concentration or level, or rate of release, that caused or may have caused a significant adverse effect, contrary to section 109(2) of the *Environmental Protection and Enhancement Act (EPEA)*.

Administrative Penalty Regulation (EPEA)				
BASE PENALTY TABLE				
Type of Contravention				
Potential For Adverse Effect		Major	Moderate	Minor
	Major	5000	3500	2500
	Moderate	3500	2500	1500
	Minor to None	2500	1500	1000

Type of Contravention: Major

The primary purpose of the *EPEA* is the protection of the environment while allowing for sustainable development and ensuring the use of the environment for future generations. The requirement to ensure that substances that are potentially harmful to the environment are contained and managed in a manner that prevents adverse effects on the environment is of fundamental importance. The risk to the environment is greatly increased if timely and appropriate action is not taken. Accordingly, an assessment of “Major” is appropriate.

Potential for Adverse Effect: Major

An occupant of the land who utilized the affected area for rearing of livestock identified the released substance and evidence exists that the release of the substance had occurred over an extensive period of time and that livestock came into contact with the substance. The occupants and landowner of the land were adversely affected through the inability to utilize the land for their intended purpose of rearing livestock, and some evidence exists that there may have been negative impacts to the reproductive yield from their livestock due to exposure to the released substance.

The substance released was oil emulsion and is a substance known to be hazardous to the environment and components of the oil emulsion, such as benzene, are known to be

carcinogenic and to be highly toxic in the environment. Contaminants of concern identified by laboratory analysis on numerous soil samples taken throughout the release area were primarily petroleum hydrocarbons and included benzene, toluene, ethylbenzene and xylene. Numerous soil guideline exceedances compared against the *Alberta Tier 1 Soil and Groundwater Remediation Guidelines* were identified.

Remediation activities required the clearing of 6.4 acres, including 26,357 m² of trees and 61,733 tonnes of soil which was permanently disposed of in a landfill. The volume of soil that was contaminated by the substance and requiring disposal is significant. Soil is recognized as a component of the environment that is essential to the integrity of ecosystems, and its permanent removal is a significant impairment to the environment. Accordingly, an assessment of "Major" is appropriate.

Base Assessment: \$5 000

CONTRAVENTION 2

On or about July 28, 2024, the AER became aware that on or about January 1, 2023, at or about the Legal Subdivision 8 of Section 8 within Township 42 of Range 6 West of the 5th Meridian, in the Province of Alberta, Entrada, did, after releasing or permitting the release of a substance into the environment that has caused an adverse effect, did fail to report the release as soon as it ought to have known of the release, contrary to section 110(1) of the *EPEA*.

<i>Administrative Penalty Regulation (EPEA)</i>				
BASE PENALTY TABLE				
Type of Contravention				
Potential For Adverse Effect		Major	Moderate	Minor
	Major	5000	3500	2500
	Moderate	3500	2500	1500
	Minor to None	2500	1500	1000

Type of Contravention: Major

A licensee’s duty to report releases to the environment that may cause, are causing, or have caused an adverse effect as soon as they ought to have known is a cornerstone of the regulatory system and crucial for the protection of the public and the environment. Timely reporting of a release is necessary to ensure that the AER has the opportunity to provide regulatory oversight and that the Licensee provides an appropriate response.

Entrada failed to follow basic pipeline safety requirements for leak detection and the monitoring of the pipeline and right of way (ROW). An area of distressed vegetation is visible in satellite imagery beginning on July 11, 2019. Black oil staining and distressed vegetation, in an area that correlates to the area impacted by the release, are very clear in imagery from June 2022. When reviewing the evidence, there is a high degree of certainty that the observable impacts in the June 2022 imagery were caused by the release and that a reasonable person would have identified the release in 2022, had Entrada conducted the required ROW survey in 2022. That it was a member of the public, and not Entrada, that discovered the release is an aggravating circumstance. Accordingly, an assessment of "Major" is appropriate.

Potential for Adverse Effect: Major

Remediation activities required the clearing of 6.4 acres, including 26,357 m² of trees and 61,733 tonnes of soil which was permanently disposed of in a landfill. The volume of soil that was contaminated by the substance and requiring disposal is significant. Soil is recognized as a component of the environment that is essential to the integrity of ecosystems, and its permanent removal is a significant impairment to the environment.

Timely detection and reporting of the release may have prevented livestock from coming into contact with the released oil emulsion and would have afforded the AER oversight and to ensure that appropriate remedial measures were put in place to mitigate the effects to property and the environment. Satellite imagery demonstrates that adverse effects to the environment spread over time and the timely detection and reporting of the release may have significantly reduced the area affected and may have prevented sensitive environment, such as the waterbody at the bottom of the slope, from being affected by the released oil emulsion. Accordingly, an assessment of "Major" is appropriate.

Base Assessment: \$5 000

CONTRAVENTION 3:

On or about July 28, 2024, the AER became aware that on or about January 1, 2023 and continuing to July 28, 2024, at or about the Legal Subdivision 8 of Section 8 within Township 42 of Range 6 West of the 5th Meridian, in the Province of Alberta, Entrada , being the person responsible for a substance that is released into the environment and has caused an adverse effect, did fail to take all reasonable measures to repair, remedy and confine the effects of the

substance and remediate, manage, remove or otherwise dispose of the substance in such a manner as to prevent an adverse effect or further adverse effect as soon they ought to have become aware of the release, contrary to section 112(1) of the *EPEA*.

<i>Administrative Penalty Regulation (EPEA)</i>				
BASE PENALTY TABLE				
Type of Contravention				
Potential For Adverse Effect		Major	Moderate	Minor
	Major	5000	3500	2500
	Moderate	3500	2500	1500
	Minor to None	2500	1500	1000

Type of Contravention: Major

Immediate action to repair, remedy, and confine a released substance is critical for the protection of the public and the environment. Timely remediation and containment of a release is essential to prevent further adverse effects and likely would have greatly reduced the size of the area that required remediation, and the volume of vegetation and soil that required disposal due to contamination from the released oil emulsion. Containment of a released substance is not only to prevent the spread but also to prevent people and animals, including livestock, from contacting the released substance, as is known to have occurred in this circumstance. Accordingly, an assessment of "Major" is appropriate.

Potential for Adverse Effect: Major

Remediation activities required the clearing of 6.4 acres, including 26,357 m² of trees and 61,733 tonnes of soil which was permanently disposed of in a landfill. The volume of soil that was contaminated by the substance and requiring disposal is significant. Soil is recognized as a component of the environment that is essential to the integrity of ecosystems, and its permanent removal is a significant impairment to the environment.

An area of distressed vegetation is visible in satellite imagery beginning on July 11, 2019. Black oil staining and distressed vegetation, in an area that correlates to the area impacted by the release, are very clear in imagery from June 2022. When reviewing the evidence, there is a high degree of certainty that the observable impacts in the June 2022 imagery were caused by the release and that a reasonable person would have identified the release in 2022, had Entrada conducted the required ROW survey in 2022.

It is reasonable to believe that, had Entrada undertaken remedial measures at the time that it ought to have known of the release, the adverse effects on the environment, and the size of the area impacted, could have been significantly reduced. Accordingly, an assessment of “Major” is appropriate.

Base Assessment: \$5000

Daily Application

Section 237(2) of the *EPEA* states that “A notice of administrative penalty may require the person to whom it is directed to pay...(a) a daily amount for each day or part of a day on which the contravention occurs or continues;”. Administrative penalties are levied on parties who have been found to be in noncompliance or contravention of regulatory requirements. The regulatory purpose of an administrative penalty is to promote compliance and deter noncompliance. To achieve these goals, the amount of the administrative penalty must be sufficient to deter noncompliance while still being proportionate to the contravention. In this matter, when the type of contravention and potential for adverse effects are considered, an administrative penalty restricted to the amount of the base assessment is not proportional and not sufficient to achieve the regulatory goals of compliance and deterrence. Similarly, if daily application was applied for each day the contravention occurred or continued, a disproportionately high administrative penalty would result. Given this, the AER finds it appropriate and reasonable in this matter to apply a daily penalty but also exercise its discretion under section 237(2) of the *Environmental Protection and Enhancement Act* to reduce the penalty to a representative number of days. Accordingly, the administrative penalty is assessed using a representative number of days, determined in this specific context by calculating the number of weeks starting from January 1, 2023, when Entrada ought to have been aware, and ending on July 28, 2024, when remedial

activities began, for a total of 82 weeks resulting in the calculated base assessment below. The AER is satisfied that this penalty amount balances the administrative penalty’s deterrence value, both to Entrada and industry in general, promotes compliance and is proportionate with the contravention at issue.

Calculated Base Assessment: \$5000 x 82 = \$410 000

CONTRAVENTION 4:

On February 24, 2025, the AER became aware that on or about January 1, 2023, at or about the southeast Quarter of Section 8 within Township 42 of Range 6 West of the 5th Meridian, in the Province of Alberta, Entrada did fail to conduct an annual pipeline right-of-way inspection, contrary to section 43(2) of the *Pipeline Rules, AR 91/2005*.

Seriousness of Contravention: Moderate

Pipeline right-of-way inspections are important for the detection of releases and risks to pipeline integrity. Inspections are one component of pipeline integrity management and is one of several methods that contribute to a leak detection program. Due to the importance of pipeline monitoring and the intended existence of redundant pipeline integrity monitoring systems, an assessment of “Moderate” is appropriate.

Extent of Actual or Potential Loss or Damage: Major

Remediation activities required the clearing of 6.4 acres, including 26,357 m² of trees and 61,733 tonnes of soil which was permanently disposed of in a landfill. The volume of soil that was contaminated by the substance and requiring disposal is significant. Soil is recognized as a component of the environment that is essential to the integrity of ecosystems, and its permanent removal is a significant impairment to the environment.

Satellite imagery shows signs of effects on vegetation in the area where the release is known to have occurred, first evident in imagery from July 11, 2019. Black oil staining and distressed vegetation, in an area that correlates to the area impacted by the release, are very clear in

<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
Moderate		3500	2500	1500
Minor to		2500	1500	1000
None		1000	600	250

imagery from June 2022. Satellite imagery does not typically allow for the identification of features that are subtle and therefore it is likely that a reasonable person conducting ROW inspections ought to have, at the least, observed signs of a potential leak from the pipeline which would warrant further investigation and subsequent discovery of the release. The fact that the release was not detected by Entrada when affects to the environment appear evident for a significant period of time before the release was reported, that a member of the public first found it, and at a time that the release was affecting an extensive area, all contribute to the assessment of "Major" for this contravention.

Base Assessment: \$3 500

Factors Applicable to the Contravention(s)

See Appendix A: Factor Variances

Factor	Amount Varied	Description/Comments
(a)	+\$1 500	The prohibition against releasing substances into the environment in an amount, concentration or level or rate of release that causes or may cause a significant adverse effect is of critical importance in fulfilling the AER's mandate, including protecting the environment and providing for safe development of energy resources in Alberta. The timely reporting and remediation of releases is critical for regulatory oversight to ensure the protection of the public and the environment. \$500 added to contraventions 1, 2, and 3.
(b)	+\$4 000	The length of time from when satellite imagery from 2022 clearly shows the release, to the time of discovery and reporting was significant. The inadequate risk assessments of the pipeline and the failure to follow its leak detection program, of which failing to conduct a ROW survey in 2022 is an aggravating factor. \$1 000 added to each contravention.
(c)	\$0	Factor not applied.
(d)	\$0	Factor not applied.
(e)	\$0	Factor not applied.

(f)	+\$500	An economic benefit was derived for failing to conduct the ROW inspection in 2022. This is not an assessment of the economic benefit amount; it is a recognition that an economic benefit was derived from Contravention 4. \$500 added to contravention 4.
(g)	\$0	Factor not applied.

Discussion

With Entrada declining a pre-issuance meeting to discuss the investigation findings and PA or to respond back in writing to provide any additional information for consideration, there is no new relevant information to be considered prior to making a final decision.

Final Penalty Decision

I, Tyler Callicott, Director Enforcement and Orphaning, Regulatory Compliance for the AER, have fully considered all the information collected in the investigation.

I am of the opinion that the contraventions described above did occur and are supported by the evidence.

I find the total base penalty amount and the applied variance factors in the PA reasonable, and they remain the same.

I find that there was a lack of due diligence on the part of Entrada for the following reasons:

- Entrada did not include external corrosion on their risk assessments.
- Entrada’s leak detection program failed to identify the release.

Final Penalty Assessment

Number of Contraventions Identified	Base Assessment Amount	Factor Variance(s)	Total Adjusted Amount
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Total Contraventions: 4	Total Base Assessment: \$423 500	Total Variance: \$6 000	\$425 000

* The maximum penalty permitted by section 3(3) of the *Administrative Penalty Regulation* of EPEA and section 8.3(3) of the *Responsible Energy Development Act General Regulation* is \$5 000 per contravention for each day or part of a day on which the contravention occurred.

FINAL PENALTY ASSESSMENT: \$425 000

ECONOMIC BENEFIT ASSESSMENT

Preliminary Economic Benefit Assessment

Initial Cost = \$7 955.33 + Interest = \$4 656.65

Preliminary Economic Benefit Assessment: \$12 611.98

Director's Decision Summary

On May 27, 2026, I, Tyler Callicott, Director Enforcement and Orphaning, Regulatory Compliance for the AER, spoke with James Lord, Chief Operating Officer for Entrada to discuss the PA. On June 2, 2026, Mr. Lord declined a pre-issuance meeting to discuss the investigation findings and PA or to respond back in writing to provide any additional information. Mr. Lord informed me that Entrada would wait to receive the Director's Decision, Notice of Administrative Penalty, and Invoice, and pay the penalty.

The PA identified the following contravention and related economic assessment:

CONTRAVENTION 4:

On February 24, 2025, the AER became aware that on or about January 1, 2023, at or about the southeast Quarter of Section 8 within Township 42 of Range 6 West of the 5th Meridian, in the Province of Alberta, Entrada did fail to conduct an annual pipeline right-of-way inspection, contrary to section 43(2) of the *Pipeline Rules, AR 91/2005*.

Economic Benefit from failing to conduct annual right-of-way inspection in 2022.

The 2021, 2023 and 2024 ROW inspections were all conducted by Entrada using the same vendor. As such, it is reasonable to use the expense values of the 2021 and 2023 ROW inspections to estimate the amount of the avoided cost of the 2022 ROW inspection.

The cost of the 2021 ROW inspection was \$7 610.40, and the cost of the 2023 ROW inspection was \$8 300.25. It is reasonable to use the average of those sums to determine the cost of the 2022 ROW inspection, which is estimated to be \$7 955.33.

Methodology

Complying with legislation requires a commitment of financial resources. Economic benefit, or the proceeds derived directly or indirectly from a contravention, represents the financial gains

from avoiding or delaying these expenditures. The economic benefit portion of an administrative penalty is intended to ensure that a regulated party does not have an economic incentive to avoid compliance, and that the regulated party is deterred from future noncompliance.

In this case, the type of economic benefit resulting from the failure to conduct a ROW survey in 2022 is *Avoided Costs*; a noncompliance in the past that required the expenditure of funds did not occur and cannot be corrected in the present. Therefore, the costs of compliance were entirely avoided. These costs are said to be avoided because it is impossible to go back to the time of the noncompliance and correct the noncompliance, or alternatively, one cannot correct the noncompliance at the present time. More specifically, the avoided cost represents the present-day value of the costs that were avoided in the past via the noncompliance.

Calculation

In most avoided cost calculations, the economic benefit assessment will be the estimated or actual amount of the costs avoided, plus the interest up to the date the noncompliance is resolved.

The investigation revealed that Entrada failed to conduct the 2022 ROW survey, and that a reasonable cost of the 2022 ROW survey is \$7 955.33.

The period of noncompliance begins January 1, 2023, as that is the first day of 2023 and therefore the first day of noncompliance with the requirement to conduct the survey in 2022.

The noncompliance resolved date has been set as April 30, 2026 (see calculation below). This reflects the time required to prepare the preliminary assessment, including any activities which may occur prior to a final decision regarding the penalty.

In consulting with an AER Senior Economist and per the AER's internal Economic Benefit Assessment Guide the AER determined that the appropriate interest rate to assess avoided cost was calculated using the weighted average capital cost specific to Entrada.

Discussion

With Entrada declining a pre-issuance meeting to discuss the investigation findings and PA or to respond back in writing to provide any additional information, there is no new relevant information to be considered prior to making a final decision.

Final Decision on Economic Benefit

I, Tyler Callicott, Director Enforcement and Orphaning, Regulatory Compliance for the AER have fully considered the facts and supporting documented evidence.

Per the **Final Penalty Decision** section, above, the finding that Entrada contravened section 43(2) of the *Pipeline Rules, AR 91/2005*, by failing to conduct an annual pipeline right-of-way inspection, has been established.

In deciding on applying an amount for economic benefit, consideration is given to:

1. The necessity in deterring similar contraventions for regulated parties operating in the same regulated sphere;
2. Will it remove the economic benefit that resulted from the contravention; and
3. Will it educate the regulated party to encourage future compliance (deterred from future contravention and ensuring no economic incentive to avoid compliance).

In connection with the facts of the investigation, I find the application of an economic benefit meets all the above considerations.

I find that Entrada has derived an economic benefit directly or indirectly as result of the contravention described above. I find the economic benefit amount calculated in the PA reasonable, reflecting a fair assessment of the economic benefit derived from the contravention, and remains the same.

Initial Cost = \$7 955.33 + Interest = \$4 656.65

FINAL ECONOMIC BENEFIT ASSESSMENT: \$12 611.98

FINAL ADMINISTRATIVE PENALTY ASSESSMENT [Final Penalty Assessment + Final Economic Benefit Assessment]: **\$437 611.98**

Date: June 30, 2026

Director's Signature: _____ *< original signed by >*
Tyler Callicott, Director Enforcement and Orphaning,
Regulatory Compliance, AER

Administrative Penalty Director's Decision

Appendix A: Factor Variances

Factors	<i>Administrative Penalty Regulation (EPEA)</i>	<i>Public Lands Administration Regulation</i>	<i>REDA General Regulation (Energy Enactments)</i>	<i>Water (Offences and Penalties) Regulation</i>
(a)	the importance to the regulatory scheme of compliance with the provision;	the importance to the regulatory scheme of compliance with the provision that was contravened;	the importance to the regulatory scheme of compliance with the provision that was contravened;	the importance to the regulatory scheme of compliance with the provision;
(b)	the degree of wilfulness or negligence in the contravention;	the degree of wilfulness or negligence, if any, on the part of any person responsible for the contravention;	the degree of wilfulness or negligence, if any, on the part of any person responsible for the contravention;	the degree of wilfulness or negligence in the contravention;
(c)	whether or not there was any mitigation relating to the contravention;	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;	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;	whether or not there was any mitigation relating to the contravention;
(d)	whether or not steps have been taken to prevent reoccurrence of the contravention;	any steps taken by a person responsible for the contravention to prevent its recurrence;	any steps taken by a person responsible for the contravention to prevent its recurrence;	whether or not steps have been taken to prevent reoccurrence of the contravention;
(e)	whether or not the person who receives the notice of administrative penalty has a history of non-compliance;	any previous contravention of a provision prescribed by subsection (2) by a person responsible for the contravention;	any previous contravention of a provision prescribed by section 8.1 by a person responsible for the contravention;	whether or not the person who receives the notice of administrative penalty has a history of non-compliance;
(f)	whether or not the person who receives the notice of administrative penalty has derived any economic benefit from the contravention;	whether a person responsible for the contravention derived or is likely to derive any economic benefit from the contravention;	whether a person responsible for the contravention derived or is likely to derive any economic benefit from the contravention;	whether or not the person who receives the notice of administrative penalty has derived any economic benefit from the contravention;
(g)	any other factors that, in the opinion of the Director, are relevant.	any other factor that, in the opinion of the director, is relevant.	any other factor that, in the opinion of the Regulator, is relevant.	any other factors that, in the opinion of the Director, are relevant.