

COURT FILE NUMBER	2501-19519
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
MATTER	IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
APPLICANT	CABOT ENERGY INC.
PARTY FILING DOCUMENT	ALBERTA ENERGY REGULATOR
DOCUMENT	AFFIDAVIT OF LAURA CHANT
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<b>Alberta Energy Regulator</b> Suite 1000, 250 – 5 Street S.W. Calgary, AB T2P 0R4 Attention: D. Bronwhyn Simmons Legal Counsel Email: <a href="mailto:Bronwhyn.Simmons@aer.ca">Bronwhyn.Simmons@aer.ca</a>

**AFFIDAVIT OF LAURA CHANT**  
**Affirmed on March 27, 2026**

I, Laura Chant of the City of Calgary, in the Province of Alberta, SOLEMNLY AFFIRM AND DECLARE:

1. I am the Senior Advisor, Insolvency with the Regulatory Compliance Branch of the Alberta Energy Regulator ("**AER**"). As such, I have personal knowledge of the matters hereinafter deposed to except where stated to be based on information and belief, in which case I believe the same to be true.
2. The AER is a corporation established by the *Responsible Energy Development Act, SA 2012, c R-17.3*. ("**REDA**") and acts as the single regulator of oil and gas activities in the province of Alberta. Under s. 2 of REDA, the AER's mandate is to provide for the safe, efficient, orderly and environmentally responsible development of energy resources in Alberta.

***Tallahassee Exploration Inc.***

3. Tallahassee Exploration Inc. (TEI) is a privately owned junior gas producer that operated assets in Alberta and British Columbia, regulated by the AER and the British Columbia Energy Regulator. Ghazanfar Zafar (Mr. Zafar) was the president, sole director and shareholder of TEI until May 11, 2023, when Tecumseh Energy Management Ltd. (Tecumseh) became the shareholder. Mr. Zafar remains the sole director of Tecumseh. Attached and marked as **Exhibit "A"** to this affidavit is a copy of the Historical Corporate Registry Search for TEI, and current Corporate Registry search for Tecumseh.
4. TEI held a total of 1,926 AER licences, comprised of 698 wells licences, 75 facilities, and 1,153 pipeline segments with an associated estimated liability of \$84.1 million (as of May 2023) representing the estimated cost to abandon, remediate and reclaim an energy development site at the end of its life cycle. Approximately 25% of TEI's licensed wells contain hydrogen sulfide (sour gas).
5. TEI was subject to numerous compliance and enforcement measures from the AER, including those set out in the below chronology.

***TEI Compliance and Enforcement Measures***

- a. On September 15, 2023, the AER issued an Order to TEI due to outstanding regulatory contraventions and the assessment that TEI was not providing reasonable care and measures (RCAM) to prevent impairment or damage over its licensed sites (the September 2023 Order). The September 2023 Order required TEI to, among other things:
  - i. Submit a Reasonable Care and Measures Plan to the satisfaction of the AER with specific actions and timelines to address outstanding field non-compliances.
  - ii. Ensure TEI was able to respond to future incidents or emergencies, and monitor sites requiring monitoring or remedial work.
  - iii. Submit an Abandonment Plan for abandonment of overdue mineral-lease expired wells within 6 months from the date of the September 2023 Order;

- iv. Submit financial statements.
- v. Provide ongoing reporting to the AER on the progress of the work required under the September 2023 Order.

Attached and marked as **Exhibit "B"** to this affidavit is a copy of the September 2023 Order.

- b. On November 8, 2023, the AER sent a letter to TEI requiring immediate action to depressurize all pipeline systems-in all inactive wells and facilities, approving the RCAM Plan with conditions, and identifying where TEI failed to comply with the September 2023 Order. Attached and marked as **Exhibit "C"** to this affidavit is a copy of the November 8, 2023 letter.
- c. On November 27, 2023, the AER issued an Order to TEI and the Orphan Well Association (OWA) due to TEI's failure to comply with the September 2023 Order. The OWA was required to provide RCAM and safely shut-in all inactive wells, facilities and pipelines (the November 2023 Order). Attached and marked as **Exhibit "D"** to this affidavit is a copy of the November 2023 Order. To regain custody of its licensed sites, TEI was required to repay the OWA for costs incurred, come into compliance and submit an acceptable Custody Transition Plan.
- d. On January 4, 2024, the AER sent a Failure to Comply letter to TEI identifying where it had failed to comply with the November 2023 Order. Attached and marked as **Exhibit "E"** to this affidavit is a copy of the January 4, 2024 letter.
- e. I'm advised by the OWA that they became aware of additional issues while conducting its work on TEI sites, including that:
  - i. Numerous tanks and vessels associated with the TEI's licensed assets were not in service and still contained fluids. In some areas, the fluid in tanks was frozen, posing a risk of damage to the vessels and the environment if the vessel were to rupture.
  - ii. Several pipelines were not depressurized or purged before being shut-in.
  - iii. Several pipelines were left in a state of disrepair and were not remediated.

- iv. Several Licensed assets located in the Steen River area were not shut in and depressurized posing a risk to public safety due to high levels of sour gas.
  - v. A fire identified on one remote well site that was inaccurately reported by TEI as having been previously shut-in, which required a well and fire control specialist team to attend on site to suppress the fire and address needed repairs to the well.
- f. I am advised by the OWA that they incurred \$972,749.47 in costs to provide RCAM over TEI sites pursuant to the November 2023 Order, and TEI did not reimburse the OWA for these costs.
- g. On May 3, 2024, the AER issued an Administrative Penalty of \$191,885 issued to TEI for failure to submit annual methane emissions reports contrary to section 6(1) of the *Methane Emission Reduction Regulation*, failure to conduct fugitive emissions surveys contrary to section 5 of the *Methane Emission Reduction Regulation*, and providing false or misleading information contrary to section 227(b) of the *Environmental Protection and Enhancement Act*. Attached and marked as **Exhibit "F"** to this affidavit is a copy of the Administrative Penalty issued to TEI.
- h. On June 5, 2024, the AER issued an Order to TEI requiring it to abandon and reclaim all of its licensed sites (the June 2024 Order) for failing to comply with the November 2023 Order. Attached and marked as **Exhibit "G"** to this affidavit is a copy of the June 2024 Order.
- i. On September 24, 2024, the AER found that TEI posed an unreasonable risk and limited TEI's eligibility due to noncompliance with the 2022 and 2023 Mandatory Closure Spend Quota (MCSQ) and failure to pay the AER Administrative Penalty, Administration Fee, and Orphan Fund Levy. TEI was prohibited from acquiring any additional well, facility or pipeline licences, either through licence transfers or new licensing (Limited Eligibility Letter). Attached and marked as **Exhibit "H"** to this affidavit is a copy of TEI's Limited Eligibility Letter.

- j. On October 23, 2024, the OWA and the British Columbia Energy Regulator petitioned TEI into receivership, with PricewaterhouseCoopers Inc. appointed as Receiver.
  - k. TEI's Receiver has concluded the sales process over TEI's licensed sites in Alberta. On March 25, 2026, the Receiver filed a limited discharge certificate over TEI's remaining licensed sites in Alberta that were not sold during the sales process. The AER is in the process of turning over TEI's remaining unsold sites to the OWA for closure. At present, TEI continues to hold 1,925 licences comprised of 697 wells, 75 facilities, and 1,152 pipeline segments, with an estimated liability of \$97.9 million.
6. The AER's regulations ensure that operators operate their assets in a safe and environmentally responsible manner. Operators who are in noncompliance with oil and gas regulations pose a risk to the public and to the environment. While some non-compliances, such as failure to repair leaking wells or pipelines, have obvious and immediate consequences, non-compliances for unpaid security or Orphan Fund Levy also have more long-term and insidious consequences, such as underfunding of the Orphan Well Fund. This latter type of non-compliance can lead to longer-term environmental impacts as unfunded abandonment liability leads to abandoned wells on the landscape. Eventually abandonment costs must be funded, or defunct wells become unsafe and pose a hazard to human health.

***Sandin Resources Inc.***

7. Sandin Resources Inc. (Sandin) is an AER Licensee and privately owned micro-oil producer holding two well licences. Sandin was previously known as Tallahassee Resources Inc. until name change with Alberta Corporate Registry occurred on November 24, 2025. Sandin continues to reflect Mr. Zafar as 100% voting shareholder, and he was the sole director of Sandin (then Tallahassee Resources Inc.) until July 31, 2024, and now remains as one of the two directors listed. Attached and marked as **Exhibit "I"** to this affidavit is a copy of the current Corporate Registry Search for Sandin.
8. On June 23, 2025, the AER found that Sandin posed an unreasonable risk and limited Sandin's eligibility due to failing to comply with its 2023 and 2024 MCSQ. Sandin failed to complete closure work on its licensed sites, and did not pay a security deposit to the AER in lieu. Sandin is currently not permitted to acquire additional AER licences (including new

energy infrastructure or through licence transfer). Attached and marked as **Exhibit “J”** to this affidavit is a copy of Sandin’s Limited Eligibility Letter.

9. On September 23, 2025, the AER issued a Compliance Summary Letter to Sandin for noncompliances that included missing financial statements, failing to report a material change, failure to meet its 2022, 2023, and 2024 MCSQ, failure to meet *Directive 013: Suspension* Requirements for inactive wells, failure to pay the 2024 and 2025 AER Administration Fee and Orphan Fund Levy invoices, and outstanding field inspections. Attached and marked as **Exhibit “K”** to this affidavit is a copy of Sandin’s September 23, 2025 Compliance Summary Letter.
10. Sandin and TEI have a combined total of \$3,467,884.03 in outstanding AER Administration Fees, Orphan Fund Levies, MCSQ security payments, and an administrative penalty.

***Cabot Energy Inc.***

11. Cabot Energy Inc. (Cabot) is an AER licensee holding 352 licences comprised of 138 well licences, 33 facility licences and 181 pipeline segments with estimated liability of \$26.91 million.
12. Cabot has outstanding noncompliances that require resolution if they are to re-emerge as a going concern. These include:
  - a. Completing abandonment of 9 mineral lease-expired wells.
  - b. Addressing serious surface casing vent flows on two wells.
  - c. Addressing outstanding MCSQ over Cabot’s inactive inventory that required Cabot to complete \$552,863 in closure activity and submit the associated details to the AER. In 2025, Cabot only completed \$311, 966 in 2025 closure activity, resulting in \$240, 897 that would need to be paid to the AER as security deposit. Cabot’s 2026 MCSQ is \$902,611.
13. I am advised that on December 18, 2025, Cabot entered into Companies’ Creditors Arrangement Act (CCAA) protection, and received court approval to initiate a sales and solicitation process.

14. I am advised that Cabot will apply for court approval on March 30, 2026, for Transaction Approval and Vesting Order over a share purchase agreement that would see Tecumseh Energy Management Ltd. purchase all issued and outstanding shares of Cabot and become the new shareholder owner.
15. As the AER is a fulcrum stakeholder in energy insolvencies, it is typical for insolvency professionals to seek AER's feedback on potential purchasers to ensure they are eligible to hold AER licences, and that they are in good standing with the AER.
16. I am advised that the AER's Orphaning & Insolvency Team held a meeting with Cabot's Monitor, KSV Restructuring Inc. (KSV), and Cabot representatives on December 18, 2025, and requested engagement with the AER before proceeding with sales approval to ensure AER regulatory requirements were met, and to provide feedback over a company's eligibility to hold AER licenses.
17. The AER contacted KSV with an offer to review bids, and followed up on March 10, 2026, and March 19, 2026. KSV deferred to Cabot on sharing bid review details, and the AER was only notified of Tecumseh as proposed purchaser in the share transaction on March 24, 2026. As such, the AER was not able to raise its concerns about the identity of Cabot's share purchaser prior. A copy of the AER's correspondence with KSV and Cabot with respect to the bid process is attached hereto as **Exhibit "L"**.
18. I am advised that Tecumseh does not have eligibility to hold AER licenses.
19. The use of a RVO to facilitate the purchase of Cabot by Tecumseh would have the effect of bypassing the AER's regulatory scrutiny at the licensee eligibility or licence transfer review stage, where Mr. Zafar's prior involvement with TEI, and current involvement with Sandin would have been reviewed. Following the AER's transfer review processes, this review would result in consideration of the following options by the statutory decision-maker at the eligibility and/or license transfer stage:
  - a. Denial of licensee eligibility or the transfer due to:
    - i. the AER compliance history of entities currently or previously affiliated with Tecumseh's directors, officers or shareholders,

- ii. Outstanding noncompliances of current or former AER licensees that are directly or indirectly associated with Tecumseh or its directors, officers or shareholders.
  - iii. Outstanding debts owed to AER or Orphan Fund by former AER licensees such as TEI directly or indirectly associated with Tecumseh's directors, officers or shareholders.
- b. Conditional approval of licensee eligibility or transfers, with potential terms and conditions, including:
- i. Significant security deposit due to the unreasonable risk factors noted above; and
  - ii. Consideration of security deposit based on volume of inactive and/or marginal assets held being transferred.

AFFIRMED BEFORE ME at the City of )  
 Calgary in the Province of Alberta, this )  
 27th day of March, 2026. )  
 )  
 )  
 )  
 )  
 )  
 )



\_\_\_\_\_  
 A Commissioner for Oaths in and for the  
 Province of Alberta

**KRISTA GIBSON**  
 BARRISTER & SOLICITOR



\_\_\_\_\_  
 Laura Chant

# Government Historical Corporation/Non-Profit of Alberta ■ Search

## Corporate Registration System

This is Exhibit " A " referred to in the Affidavit of Laura Chant  
 Sworn before me this 27<sup>th</sup> day of March/2026

KRISTA GIBSON  
~~BARRISTER & SOLICITOR~~  
 A Commissioner for Oaths in and for the Province of Alberta  
 My commission expires \_\_\_\_\_

Historical Date: 2023/05/11  
 Date of Search: 2026/03/26  
 Time of Search: 03:40 PM  
 Search provided by: ALBERTA ENERGY REGULATOR (WITH GOVERNMENT OF ALBERTA AGENCY)

Service Request Number: 46828154  
 Customer Reference Number:

Corporate Access Number: 2018161733  
 Business Number: 732345723  
 Legal Entity Name: TALLAHASSEE EXPLORATION INC.

Legal Entity Status: Active  
 Alberta Corporation Type: Named Alberta Corporation  
 Registration Date: 2014/04/16 YYYY/MM/DD  
 Date of Last Status Change: 2017/01/11 YYYY/MM/DD  
 Revival/Restoration Date: 2017/01/11 YYYY/MM/DD

Registered Office:  
 Street: 1910, 401 - 9TH AVENUE SW  
 City: CALGARY  
 Province: ALBERTA  
 Postal Code: T2P3C5

Records Address:  
 Street: 1910, 401 - 9TH AVENUE SW  
 City: CALGARY  
 Province: ALBERTA  
 Postal Code: T2P3C5

**Primary Agent for Service:**

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code
RIZVI	SYED HYDER		TALLAHASSEE EXPLORATION INC.	1910, 401 - 9 AVE SW	CALGARY	ALBERTA	T2P3C5

**Directors:**



**Last Name:** ZAFAR  
**First Name:** MOHAMMAD  
**Middle Name:** G  
**Street/Box Number:** 133 ROYAL RIDGE MOUNT NW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3G0A2

#### Voting Shareholders:

**Legal Entity Name:** TECUMSEH ENERGY MANAGEMENT LTD.  
**Corporate Access Number:** 2023451061  
**Street:** 1910, 401 9TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P3C5  
**Percent Of Voting Shares:** 100

#### Details From Current Articles:

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** 100 CLASS "A" VOTING SHARES  
**Share Transfers Restrictions:** NONE  
**Min Number Of Directors:** 1  
**Max Number Of Directors:** 10  
**Business Restricted To:** NONE  
**Business Restricted From:** NONE  
**Other Provisions:** NONE

#### Other Information:

##### Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2022	2022/05/25

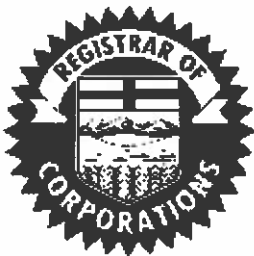
##### Filing History:

List Date (YYYY/MM/DD)	Type of Filing
------------------------	----------------



2014/04/16	Incorporate Alberta Corporation
2016/09/06	Status Changed to Start for Failure to File Annual Returns
2017/01/02	Status Changed to Struck for Failure to File Annual Returns
2017/01/11	Initiate Revival of Alberta Corporation
2017/01/11	Complete Revival of Alberta Corporation
2019/01/18	Change Address
2020/02/21	Update BN
2022/05/25	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2023/05/11	Change Director / Shareholder

The Registrar of Corporations certifies that, as of the historical date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.





# Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2026/03/25  
 Time of Search: 04:13 PM  
 Search provided by: ALBERTA ENERGY REGULATOR (WITH GOVERNMENT OF ALBERTA AGENCY)  
 Service Request Number: 46818397  
 Customer Reference Number:

Corporate Access Number: 2023451061  
 Business Number: 761116268  
 Legal Entity Name: TECUMSEH ENERGY MANAGEMENT LTD.

Legal Entity Status: Active  
 Alberta Corporation Type: Named Alberta Corporation  
 Registration Date: 2021/05/01 YYYY/MM/DD  
 Date of Last Status Change: 2025/03/24 YYYY/MM/DD

Revival/Restoration Date: 2025/03/24 YYYY/MM/DD

Registered Office:  
 Street: 3300, 421 - 7TH AVENUE S.W.  
 City: CALGARY  
 Province: ALBERTA  
 Postal Code: T2P4K9

Records Address:  
 Street: 3300, 421 - 7TH AVENUE S.W.  
 City: CALGARY  
 Province: ALBERTA  
 Postal Code: T2P4K9

Email Address: CALGARYCORPORATESERVICES@PARLEE.COM

**Primary Agent for Service:**

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
FRIDHANDLER	DARYL	S.	PARLEE MCLAWS LLP	3300, 421 - 7TH AVENUE S.W.	CALGARY	ALBERTA	T2P4K9	CALGARYCORPORATESERVICES@PARLEE.COM

**Directors:**

Last Name: ZAFAR  
 First Name: MOHAMMAD  
 Middle Name: G  
 Street/Box Number: 133 ROYAL RIDGE MT. N.W.  
 City: CALGARY  
 Province: ALBERTA  
 Postal Code: T3G0A2

**Voting Shareholders:**

Legal Entity Name: TECUMSEH ENERGY MANAGEMENT LTD.  
 Corporate Access Number: 2023451061



**Street:** 133 ROYAL RIDGE MT. N.W.  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3G0A2  
**Percent Of Voting Shares:** 100

**Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** 100 CLASS A VOTING SHARES, 100 CLASS B NON-VOTING SHARES.  
**Share Transfers Restrictions:** NONE  
**Min Number Of Directors:** 1  
**Max Number Of Directors:** 6  
**Business Restricted To:** NONE  
**Business Restricted From:** NONE  
**Other Provisions:** NONE

**Holding Shares In:**

Legal Entity Name
NEXT OIL & GAS INC.
T-INTEGRATED ENERGY SERVICES INC.
TECUMSEH ENERGY MANAGEMENT LTD.

**Other Information:**

**Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2024	2025/03/24

**Outstanding Returns:**

Annual returns are outstanding for the 2025 file year(s).

**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2021/05/01	Incorporate Alberta Corporation
2021/05/01	Update Business Number Legal Entity
2023/05/11	Change Director / Shareholder
2024/07/02	Status Changed to Start for Failure to File Annual Returns
2024/11/02	Status Changed to Struck for Failure to File Annual Returns
2025/03/24	Initiate Revival of Alberta Corporation
2025/03/24	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2025/03/24	Complete Revival of Alberta Corporation

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.









This is Exhibit " B " referred to in the  
 Affidavit of Laura Chant  
 Sworn before me this 27<sup>th</sup>  
 day of March / 2026

AER 021

**Order**

**KRISTA GIBSON  
 BARRISTER & SOLICITOR**

A Commissioner for Oaths in and for the Province of Alberta  
 My commission expires \_\_\_\_\_

Made at Edmonton, in the  
 Province of Alberta, on

September 15, 2023

ALBERTA ENERGY REGULATOR

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

**Tallahassee Exploration Inc.**

1900, 401 9<sup>th</sup> Avenue SW

Calgary, AB T2P 3H7

(Tallahassee, or the Licensee)

WHEREAS Tallahassee is the holder of Business Associate (BA) code A7HE, and holds licences granted by the Alberta Energy Regulator (the AER or Regulator) under the *OGCA* and *Pipeline Act* as listed in Appendix 1 (collectively, the Licences);

WHEREAS there is physical infrastructure associated with the Licenses, including wells, well sites, facilities, facility sites, and pipelines (collectively, the Sites);

WHEREAS Tallahassee's field compliance rating remains below the industry average and has been below the industry average since 2021, with 0% satisfactory inspections in 2021, 23% in 2022, and with 2023 preliminary results indicating 25% satisfactory inspections;

WHEREAS on September 8, 2021, an AER inspector conducted an inspection (FIS #514404) at 10-03-122-23W5M and found several noncompliant items related to *Directive 050: Drilling Waste Management*. These items included no signage, no fencing around the pit, freeboard not being maintained, and water entering the lease. To-date these items have not been addressed. A comprehensive summary of the outstanding noncompliances identified during the field inspections is provided in Appendix 2;

WHEREAS on August 26, 2022, the AER sent Tallahassee a field compliance rating letter informing Tallahassee that its field compliance ratings for 2021 and 2022 were below the industry average. On the same date, the AER sent Tallahassee a compliance summary letter outlining various noncompliant items that needed to be addressed;

WHEREAS on October 18, 2022, Tallahassee had an emulsion release (Incident #20222356) at 03-34-040-07W4M caused by a pipeline failure. Tallahassee was granted an extension to submit a Record of Site Condition for May 15, 2023, and to-date no submission has been made. A summary of the

outstanding incidents is provided in Appendix 3;

WHEREAS on November 15, 2022, Tallahassee had a release (Incident #20222580) at 09-20-092-02W6M resulting in produced water being released on lease. Tallahassee was to perform vertical delineation and to date no report has been submitted to the AER;

WHEREAS on November 30, 2022, Tallahassee was sent a second compliance summary letter outlining a number of noncompliant items relating to field inspections;

WHEREAS on December 1, 2022, Tallahassee had an amine release (Incident #20222700) at 09-17-122-20W5M. Tallahassee has not completed required remedial measures at the site;

WHEREAS on December 12, 2022, the AER met with the Licensee and shared concerns regarding Tallahassee's delayed responses and meeting regulatory deadlines;

WHEREAS on May 11, 2023, an AER inspector conducted an inspection (FIS #531186) at 02-24-122-22W5 and found several noncompliant items with the *Public Lands Act*. To-date these items remain outstanding;

WHEREAS on May 11, 2023, an AER inspector conducted inspection (FIS #531214) at 11-17-122-20W5 and identified a 400bbl tank was taken out of service for greater than 180 days and was noncompliant with *Directive 055: Storage Requirements for the Upstream Petroleum Industry* with respect to withdrawal of storage device requirements. To-date, this remains outstanding;

WHEREAS on June 1, 2023, an AER inspector conducted inspections (FIS #531977, #531986, and #531846) at 04-05-062-06W5, 05-05-062-06W5, and 05-07-062-06W5 respectively and found several noncompliant items relating to *Directive 077: Pipelines – Requirements and Reference Tools*, Canadian Standards Association (CSA), and the Pipeline Rules. To-date these items remain outstanding;

WHEREAS on June 12, 2023, Tallahassee received a Notice of Noncompliance with section 4.1 (3) of *Directive 088: Licensee Life-Cycle Management* for failure to meet the stipulated annual mandatory closure spend for 2022.

WHEREAS on July 18, 2023, an AER inspector conducted inspection (FIS #533078) at 08-16-020-10W4 and found the facility was not maintained in a clean condition as required under section 8.150(4) of the *Oil and Gas Conservation Rules (OGCR)*;

WHEREAS on July 27, 2023, an AER inspector conducted inspections (FIS #533353, #533361, #533362) at 15-07-108-06W6, 06-14-108-07W6, and 07-14-108-07W6 respectively and found a number of noncompliant items under the *OGCR*;

WHEREAS on August 10, 2023, Tallahassee had a release of 5m<sup>3</sup> of tetrathermal oil (Incident #20232034) that was not immediately reported to the AER;

WHEREAS Tallahassee has not fulfilled the obligation to submit audited financial statements to the AER, as stipulated by the transfer conditions imposed by the AER on April 14, 2022;

WHEREAS on August 1 and August 15, 2023, Tallahassee communicated to the AER regarding limitations on the company's cash flow;

WHEREAS of the date of this Order, the deadlines in the Notices of Noncompliance for the 13-mineral lease-expired wells (MLE) have passed without coming into compliance (Overdue MLE Wells), see Appendix 4 for details;

WHEREAS Rob Borth, Senior Advisor, Technical Science & External Innovation (Senior Advisor), has the authority to issue orders under the *OGCA* and the *Pipeline Act*;

WHEREAS based on the above, and in particular, Tallahassee's compliance history and indications of financial distress, the Senior Advisor is of the opinion that Tallahassee is not providing reasonable care and measures in a manner satisfactory to the Regulator and finds it necessary to impose terms and conditions to prevent impairment or damage in respect of the Sites;

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

WHEREAS the Senior Advisor considers it appropriate to direct Tallahassee to provide financial information to ensure the safe, orderly and environmentally responsible development of energy resources in Alberta including closure;

WHEREAS the Senior Advisor is of the opinion that the MLE wells require abandonment according to the regulations and rules. The Senior Advisor finds it necessary to direct abandonment of these wells;

Therefore, I, Rob Borth, Senior Advisor, Technical Science and External Innovation, under sections 22, 26.2, and 27 of the *OGCA*, and sections 22.1 of the *Pipeline Act*, do hereby order the follow:

#### **Reasonable Care and Measures**

1. **By 30 days from the date of this Order**, submit a Reasonable Care and Measures Plan (RCAM Plan), to the satisfaction of the Senior Advisor, to demonstrate that reasonable care and measures are being provided at the Sites. The RCAM Plan must include, at a minimum:
  - a. Specific actions to address existing noncompliances including timelines and vendors.
  - b. Specific actions, including timelines, to improve Tallahassee's compliance rating to at least 75%.
  - c. Specific actions to ensure Tallahassee will respond to future noncompliances, incidents, information requests, and required reporting by the deadlines set by the AER.
  - d. Specific actions that will be taken to ensure Tallahassee is able to respond in the event of an incident or emergency, including actions and timelines to address all previous releases (e.g., release reporting and remedial action plans).

- e. Specific actions, including timelines, to monitor historical contaminated sites requiring monitoring and/or remedial work, including groundwater and soil monitoring (e.g., contaminated site monitoring, sites that require monitoring as an approval condition).
  - f. Specific actions, including timelines and resourcing details, to ensure that the 2023 annual mandatory spend, under *Directive 088*, is met.
2. Tallahassee must implement the RCAM Plan, when an acceptable RCAM plan is approved by the Senior Advisor.

### Other Terms and Conditions

3. **By 30 days from the date of this Order**, submit an Abandonment Plan with specific actions and timelines, to the satisfaction of the Senior Advisor, to abandon all overdue mineral lease-expired wells within six (6) months from the date of this Order.
4. Tallahassee must submit:
- a. Third-party audited financial statements and a financial summary (Directive 067, Schedule 3) for fiscal year end 2022 by **October 30, 2023**.
  - b. Interim quarterly financial statements for fiscal year 2023 within **30 days from the date of this Order**.
  - c. Future interim quarterly financial statements within **30 days** of the end of the respective annual quarter.
5. **By 30 days from the date of this Order**, complete delineation of the two spills at 09-17-122-20W5M and submit a plan for remedial action for FIS #20232034 and 20222700, respectively.
6. **By 30 days from the date of this Order**, complete delineation of the spill at 09-20-092-02W6M and submit a plan for remedial action for FIS #20222580.

### General

7. Beginning **fourteen (14) calendar days** from the date of this Order, Tallahassee must provide written updates **every two (2) weeks** to the AER with details on the progress of the work required under this Order, and the various plans provided for under this Order, if and when they are approved by the Senior Advisor.
8. All plans and information required in this Order shall be submitted to [compliancecoordination@aer.ca](mailto:compliancecoordination@aer.ca).
9. If requested by the Senior Advisor, Tallahassee shall submit, within **two (2) business days**, any records pertaining to this Order.

10. All submissions of work related to work required in this Order shall be submitted in the format, and to the appropriate AER system, as required by AER regulations.
11. Where a deadline has been specified in this Order, the AER may authorize in writing a different deadline or reporting frequency as applicable.
12. In carrying out the requirements of this Order, Tallahassee shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained upon request by the AER.
13. All applicable regulatory requirements are to be followed and complied with in the undertaking of any actions or direction prescribed under this Order.

Dated at the City of Edmonton in the Province of Alberta, the 15<sup>th</sup> day of September, 2023.

<Original Signed by>

Rob Borth  
Senior Advisor, Technical Science & External Innovation  
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*, *OGCR*, or *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 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](http://www.aer.ca), under Regulating Development: Project Application: Regulatory Appeal Process.

This is Exhibit C referred to in the  
Affidavit of Laura Chant  
Sworn before me this 27<sup>th</sup>  
day of March 2026  
Krista Gibson  
BARRISTER & SOLICITOR  
A Commissioner for Oaths in and for the Province of Alberta  
My commission expires \_\_\_\_\_  
**KRISTA GIBSON**  
**BARRISTER & SOLICITOR**

AER 026



**Calgary Head Office**  
Suite 1000, 250 - 5 Street SW  
Calgary, Alberta T2P 0R4  
Canada

[www.aer.ca](http://www.aer.ca)

November 8, 2023

By email only

Ghazanfar Zafar, President  
**Tallahassee Exploration Inc. (A7HE)**  
1900, 401 9<sup>th</sup> Avenue SW  
Calgary, AB T2P 3H7

Email: [ghazanfar.zafar@tallah.ca](mailto:ghazanfar.zafar@tallah.ca)

### **Tallahassee Exploration Inc. (Tallahassee) – Immediate Actions and RCAM Plan Response**

Dear Ghazanfar Zafar:

The Alberta Energy Regulator (AER) issued an Order under sections 22, 26.2, and 27 of the *Oil and Gas Conservation Act* (OGCA), and section 22.1 of the *Pipeline Act* on September 15, 2023. Since the issuance of the Order, the AER has conducted field inspections of Tallahassee's sites to assess Tallahassee's operational performance. The AER has significant concerns regarding Tallahassee's compliance. It has come to the attention of the AER that noncompliant conditions exist in the field which are creating a hazard to public safety and the environment.

#### **Immediate Action Required**

Considering the recent field inspections, please see the digital data submission system for more details, immediate action is required. Actions required are:

- 1) All pipeline systems, including Rainbow and Marlowe, must be depressurized immediately. The restoration of cathodic protection must be completed by November 17, 2023.
- 2) Wells and facilities that are not presently active must be properly shut-in/suspended to ensure safe condition prior to the onset of freezing temperatures.

#### **Failure to Comply with Order Requirements**

The AER has identified that Tallahassee Exploration Inc. (Tallahassee) has failed to comply with certain requirements stipulated in the Order. These items are detailed below.

- 3) Failure to provide Audited Financial Statements for the year-end 2022 by October 30, 2023

- 4) Failure to complete delineation of the two spills at 09-17-12220W5M and submit a plan for remedial action for FIS #20232034 and 20222700 within 30 days of the Order's issuance.
- 5) Failure to complete delineation of the spill at 09-20-092-02W6M and submit a plan for remedial action for FIS #20222580 within 30 days of the Order's issuance.

Tallahassee is required to immediately come into compliance with the Order.

### **RCAM Plan Response**

The AER would like to express appreciation to Tallahassee for the submission of the RCAM Plan on November 3, 2023. Subsequently, the statutory decision maker has reviewed the plan and is satisfied with the plan with a few conditions below:

- 6) Tallahassee will **provide updates twice a week**, on Mondays and Thursdays, until such time as otherwise directed by the AER.
- 7) Tallahassee will have **until November 17<sup>th</sup>** to complete the shut-in plans as outlined in the November 3, 2023, submission.

At this time the AER would also like to remind Tallahassee that compliance with AER requirements and orders is mandatory. Failure to come into compliance may result in further enforcement responses.

If you have any questions or wish to discuss any part of this letter, please contact me via email at [Nathan.nguyen@aer.ca](mailto:Nathan.nguyen@aer.ca) after which we can schedule a time to speak via phone.

Sincerely,



Nathan Nguyen  
Senior Specialist, Compliance Assurance

cc: Rob Borth, AER



This is Exhibit "D" referred to in the  
 Affidavit of Laura Chant  
 Sworn before me this 27<sup>th</sup>  
 day of March 2026  
**KRISTA GIBSON**  
**BARRISTER & SOLICITOR**

**Order**

A Commissioner for Oaths in and for the Province of Alberta  
 My commission expires \_\_\_\_\_

Made at Edmonton, in the  
 Province of Alberta, on  
 November 27, 2023

ALBERTA ENERGY REGULATOR

**Under sections 22, 26.2, 27, 28 and 105 of the *Oil and Gas Conservation Act (OGCA)*, and sections 22.1, 24, and 26 of the *Pipeline Act***

**Tallahassee Exploration Inc.**

1900, 401 9<sup>th</sup> Avenue SW  
 Calgary, AB T2P 3H7

(Tallahassee, or the Licensee)

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

(the Orphan Well Association)

WHEREAS Tallahassee is the holder of Business Associate (BA) code A7HE, and holds licences granted by the Alberta Energy Regulator (the AER or Regulator) under the *OGCA* and *Pipeline Act* as listed in Appendix 1 (collectively, the Licences);

WHEREAS there is physical infrastructure associated with the Licences, including wells, well sites, facilities, facility sites, and pipelines (collectively, the Sites);

WHEREAS on September 15, 2023, the Alberta Energy Regulator (the AER or Regulator) issued an Order (the September Order) to Tallahassee pursuant to sections 22, 26.2, and 27 of the *OGCA*, and section 22.1 of the *Pipeline Act*, due to concerns regarding Tallahassee's failure to provide reasonable care and measures to prevent impairment or damage of the Sites;

WHEREAS the September Order directed Tallahassee to submit a Reasonable Care and Measures Plan (RCAM Plan), to the satisfaction of the Senior Advisor, within thirty (30) calendar days to demonstrate that reasonable care and measure were being provided at the Sites;

WHEREAS the September Order further required Tallahassee to submit an Abandonment Plan to the satisfaction of the Senior Advisor to abandon all mineral-lease expired wells within six (6) months;

WHEREAS on October 13, 2023, Tallahassee submitted the RCAM Plan and Abandonment Plan to the AER for approval;

WHEREAS on October 26, 2023, the AER issued a request to Tallahassee for additional information

regarding the RCAM Plan, and set a deadline of November 2, 2023;

WHEREAS on November 3, 2023, Tallahassee submitted the required information to the AER;

WHEREAS on November 8, 2023, the AER instructed Tallahassee via letter to take immediate action to depressurize all pipeline systems, properly shut-in/suspend inactive wells and facilities, and ensure the restoration of cathodic protection by November 17, 2023, to ensure adequate protection of assets;

WHEREAS in the same letter, the AER conveyed approval with conditions of the RCAM Plan and the Abandonment Plan. Tallahassee's RCAM Plan outlined procedures for suspending various sites on or before November 30, 2023, with new conditions requiring bi-weekly updates and the safe shut-in/suspension of all inactive sites by November 17, 2023;

WHEREAS within the same correspondence, the AER notified Tallahassee of its failure to comply with some of the requirements outlined in the September Order, specifically citing the failure to provide audited financial statements and delineate several spills within the specified deadlines;

WHEREAS on November 15, 2023, there was a meeting between the AER and Tallahassee, regarding the progress of the RCAM Plan and facilitating clarifications sought by Tallahassee. Tallahassee conveyed their inability to meet the November 17, 2023 deadline, proposing an alternative completion timeframe by December 7<sup>th</sup> for the required tasks. This AER asserted the necessity for tangible actions to assure regulatory compliance;

WHEREAS as of November 21, 2023, Tallahassee has failed to comply with the shut-in/suspension for its inactive wells and facilities, and the depressurization of its inactive pipelines as per the approved RCAM Plan. Furthermore, Tallahassee still has unresolved outstanding FIS inspections stipulated in the September Order;

WHEREAS the AER, since the issuance of the September Order, has conducted 45 field inspections across various Tallahassee sites, with 11 inspections deemed satisfactory, while the remaining inspections identified various noncompliant issues that demonstrated Tallahassee was not providing reasonable care and measures, as detailed in Appendix 2;

WHEREAS failure to execute proper shut-in/suspension and depressurization procedures heightens the potential for a release and failing to maintain cathodic protection in pipelines containing stagnant fluids may accelerate corrosion;

WHEREAS 55% of Tallahassee's licensed facilities and 25% of its licensed wells contain sour inventory, a significant portion of which remains inactive and improperly shut-in/suspended;

WHEREAS the Sites present a potential risk to the public or the environment if reasonable care and measures to prevent impairment or damage are not diligently undertaken. Such impairment or damage could result in compromising the integrity of wells, facilities, or pipelines, consequently posing risks to the environment, human health, or property.

WHEREAS Rob Borth, Senior Advisor, Technical Science & External Innovation (Senior Advisor), has the authority to issue orders under the *OGCA* and the *Pipeline Act*;

WHEREAS based on the above and Tallahassee's current field performance under the September order, the Senior Advisor is of the opinion that Tallahassee is not providing reasonable care and measures to prevent impairment or damage in respect of the Sites;

WHEREAS Tallahassee has failed to fully take reasonable care and measures pursuant to the September Order, and this has resulted in a public safety concern such that the AER needs to enforce upon the September Order;

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*, and is the AER's authorized representative for the purposes of this Order to conduct any operations considered necessary;

WHEREAS under the Orphan Fund Delegated Administration Regulation, the Orphan Well Association is directed and authorized to exercise the AER's powers, duties, and functions including, but not limited to, those under section 105 of the *OGCA* for the purposes of compliance with the September Order;

WHEREAS the Senior Advisor finds it necessary to impose this Order naming the Orphan Well Association to ensure that reasonable care and measures are taken at the Tallahassee Sites, and in order to protect public safety and the environment;

WHEREAS to ensure that there is no ambiguity regarding the OWA's and Tallahassee's roles and responsibilities, the September Order is rescinded and replaced by this Order.

Therefore, I, Rob Borth, Senior Advisor, Technical Science and External Innovation, under sections 22, 26.2, 27, 28, and 105 of the *OGCA*, and sections 22.1, 24, and 26 of the *Pipeline Act*, do hereby order the following:

**Orphan Well Association**

1. Provide reasonable care and measures, including emergency response, for all the Licenses, in Appendix 1, and the Sites and in accordance to section 26.2 and 105 of the *OGCA* until otherwise directed by the AER
2. The Orphan Well Association is entitled to have access to, and enter on, the land and any structures on the land, pursuant to section 101 of the *OGCA* and section 28 of the *Pipeline Act*. Should entrance onto the land be denied to the Orphan Well Association following reasonable

prior written notice, the Orphan Well Association may apply to the Alberta courts for an order authorizing access.

3. The Orphan Well Association may take, deal with, and dispose of, all oil, gas, crude bitumen, water, or other substances, pursuant to section 105(3) of the *OGCA*.
4. The Orphan Well Association may sell oil, gas, crude bitumen, water or any other substance in accordance with section 105 (5) of the *OGCA*.
5. The Orphan Well Association shall ensure all inactive pipeline systems, including Rainbow and Marlowe, are depressurized and cathodic protection is restored, if safe to do so.
6. The Orphan Well Association shall ensure all wells and facilities that are not presently active must be properly shut-in to ensure a safe condition.
7. The Orphan Well Association shall examine the spills at locations 09-17-122-20W5M and 09-20-092-02W6M and create a plan of action specifically targeting any critical issues that demand urgent attention.
8. The Orphan Well Association shall provide and monitor for any emergency phone calls received until otherwise directed by the AER.

#### **Tallahassee Exploration Inc.**

9. Tallahassee and any contractors of Tallahassee are not permitted to take any actions, operate, and be present at the Sites without obtaining prior written approval from the Orphan Well Association.
10. Tallahassee will be responsible for all costs and expenses incurred by the Orphan Well Association in relation to completing the steps required to provide reasonable care and measures to prevent impairment or damage to the Sites.
11. Tallahassee shall, upon request by the Orphan Well Association, actively cooperate by providing necessary information and/or support as deemed necessary by the Orphan Well Association.
12. Tallahassee is not permitted to sell or remove any equipment or other infrastructure associated with the Sites.
13. Tallahassee must maintain persons in control of the company in order to support the Orphan Well Association's actions to ensure reasonable care and measures of Tallahassee's Sites
  - a. Confirm in writing names, titles and contact information of all persons in direct or indirect control of Tallahassee no later than five calendar days from the date of this Order.
14. Maintain insurance as required by *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approval (Directive 067)*

**Other Terms and Conditions**

15. Tallahassee is required to complete the Abandonment Plan as submitted to the AER under the September Order and as approved by the AER to complete all abandonments for the Mineral Lease Expired Wells by the deadlines specified in the plan (Appendix 3).
16. Tallahassee must submit:
  - a. Third-party audited financial statements and a financial summary (Directive 067, Schedule 3) for fiscal year end 2022 by November 30, 2023.
  - b. Interim quarterly financial statements for fiscal year 2023 within 30 days from the date of this Order.
  - c. Future interim quarterly financial statements within 30 days of the end of the respective annual quarter.
17. Prior to returning care and custody to Tallahassee, Tallahassee must:
  - a. Pay Orphan Well Association costs incurred by, owing to, and as invoiced by the Orphan Well Association and reviewed by the AER within the required deadline, for actions taken in fulfilling the requirements to safely shut-in, and/or provide reasonable care and measures for the Tallahassee Licenses as listed in Appendix 1;
  - b. Submit an acceptable Custody Transition Plan, to the Senior Advisor for approval, for how Tallahassee proposes to resume reasonable care and measures, including:
    - i. Specific actions, including timelines, to improve Tallahassee's compliance rating to at least 75%.
    - ii. Specific actions to ensure Tallahassee will respond to future noncompliances, incidents, information requests, and required reporting by the deadlines set by the AER.
    - iii. Specific actions that will be taken to ensure Tallahassee is able to respond in the event of an incident or emergency, including actions and timelines to address all previous releases (e.g., release reporting and remedial action plans).
    - iv. Specific actions, including timelines, to monitor historical contaminated sites requiring monitoring and/or remedial work, including groundwater and soil monitoring (e.g., contaminated site monitoring, sites that require monitoring as an approval condition).
    - v. Submit an up-to-date corporate emergency response plan and proof of an emergency response number that will initiate immediate action if called, in accordance with *Directive 071: Emergency Preparedness and Response*.

- c. Come into compliance with the 2022 closure spend quota program.

### General

18. The Orphan Well Association shall submit to the Senior Advisor a weekly report summarizing actions and progress in providing reasonable care and measures.
19. All plans and information required in this Order shall be submitted to [compliancecoordination@aer.ca](mailto:compliancecoordination@aer.ca).
20. If requested by the Senior Advisor, the Orphan Well Association and/or Tallahassee shall submit, within **two (2) business days**, any records pertaining to this Order.
21. All submissions of work related to work required in this Order shall be submitted in the format, and to the appropriate AER system, as required by AER regulations.
22. Where a deadline has been specified in this Order, the AER may authorize in writing a different deadline or reporting frequency as applicable.
23. In carrying out the requirements of this Order, the Orphan Well Association or Tallahassee shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained upon request by the AER.
24. All applicable regulatory requirements are to be followed and complied with in the undertaking of any actions or direction prescribed under this Order.

Dated at the City of Edmonton in the Province of Alberta, the 27<sup>th</sup> day of November, 2023.

<original signed by>

Rob Borth  
Senior Advisor, Technical Science & External Innovation  
Alberta Energy Regulator

This is Exhibit "E" referred to in the  
Affidavit of Laura Chant  
Sworn before me this 27<sup>th</sup>  
day of March 2024  
**KRISTA GIBSON**  
**BARRISTER & SOLICITOR**  
A Commissioner for Oaths in and for the Province of Alberta  
My commission expires \_\_\_\_\_

AER 034



Calgary Head Office  
Suite 1000, 250 - 5 Street SW  
Calgary, Alberta T2P 0R4  
Canada

[www.aer.ca](http://www.aer.ca)

January 4, 2024

By email only

Ghazanfar Zafar, President  
**Tallahassee Exploration Inc. (A7HE)**  
1900, 401 9<sup>th</sup> Avenue SW  
Calgary, AB T2P 3H7

Email: [ghazanfar.zafar@tallah.ca](mailto:ghazanfar.zafar@tallah.ca)

**Failure to Comply with an Order of the Alberta Energy Regulator (AER) issued under sections 22, 26.2, 27, 28 and 105 of the *Oil and Gas Conservation Act (OGCA)*, and sections 22.1, 24, and 26 of the *Pipeline Act***

Dear Ghazanfar Zafar:

The AER has identified that Tallahassee Exploration Inc. (Tallahassee) failed to comply with the requirements imposed on Tallahassee in an Order issued on November 27, 2023.

Tallahassee failed to meet clause 16 of the order issued on November 27, 2023 (the Order).

*Clause 16 states:*

*"Tallahassee must submit:*

*a. Third-party audited financial statements and a financial summary (Directive 067, Schedule 3) for fiscal year end 2022 by November 30, 2023.*

*b. Interim quarterly financial statements for fiscal year 2023 within 30 days from the date of this Order.*

*c. Future interim quarterly financial statements within 30 days of the end of the respective annual quarter."*

- As of the date of this letter, no third-party audited financial statements for fiscal year end 2022 have been submitted by Tallahassee, as well as interim quarterly financial statements.

Tallahassee is required to immediately come into compliance with the Order. Tallahassee must submit the required documents to [ComplianceCoordination@aer.ca](mailto:ComplianceCoordination@aer.ca).

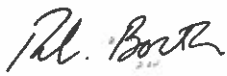
inquiries 1-855-297-8311  
24-hour  
emergency 1-800-222-6514

Failure to come into compliance may result in further enforcement responses.

If you have any questions or wish to discuss this letter or the order, please contact Rob.Borth@[aer.ca](mailto:Rob.Borth@aer.ca).

Dated at the City of Edmonton in the Province of Alberta, the 4<sup>th</sup> day of January, 2024.

Sincerely,



Rob Borth  
Senior Advisor, Technical Science & External Innovation  
Alberta Energy Regulator

This is Exhibit " F " referred to in the  
 Affidavit of Laura Chant  
 Sworn before me this 27<sup>th</sup>  
 day of March 2026  
**KRISTA GIBSON**  
**BARRISTER & SOLICITOR**  
 A Commissioner for Oaths in and for the Province of Alberta  
 My commission expires \_\_\_\_\_



## Administrative Penalty Director's Decision

**Named Party:** Tallahassee Exploration Inc. **BA Code:** A7HE

**File No.** 2022-060

### Preliminary Penalty Assessment

Number of Counts Identified	Base Assessment Amount	Factor Variance(s)	
Count 1	\$82 500		
Count 2	\$2 500		+\$1 500
Count 3	\$61 500		+\$1 500
			+\$500
<b>Total Counts: 3</b>	<b>Total Base Assessment: \$146 500</b>	<b>Total Variance:</b>	<b>+\$3 500</b>

### Preliminary Penalty Assessment: \$150 000

#### Director's Decision Summary

On March 1, 2024, I, Tammy Loiselle, Director, Emissions, Compliance, Support & Safety, Regulatory Compliance for the Alberta Energy Regulator (AER), spoke with Guz Zafar, President for Tallahassee Exploration Inc. (TEI) to discuss the Preliminary Administrative Penalty Assessment (PA). Mr. Zafar agreed to meeting via Microsoft Teams to discuss the investigation findings and PA.

On March 13, 2024, I, Tammy Loiselle, Director for the AER, along with AER subject-matter experts, met with Guz Zafar, President, for TEI.

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 TEI 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 counts and penalty assessments.

*Environmental Protection and Enhancement Act***COUNT 1**

On or about June 1, 2022, on 55 occasions [55 facilities] in the Province of Alberta, Tallahassee Exploration Inc., did contravene section 8.2(1) of *Directive 060* which states, “The operator of record for a facility that was active in a reporting period must electronically submit an annual methane emissions report to the AER by June 1 of the following calendar year”, and therefore did contravene section 6(1) of the *Methane Emission Reduction Regulation*.

		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: Moderate**

The primary purpose of the *Methane Emission Reduction Regulation* is the protection of the environment by reducing methane emissions. In supporting this aim, the requirement for a duty holder to submit an annual methane emissions report, prepared in accordance with section 8.2 of *Directive 060*, exists to inform the AER of the gas volumes, and corresponding mass of methane, the facility emits from defined vent gas sources (defined in *Directive 060*, section 8.4, as “vent gas from routine venting excluding vent gas from pneumatic devices, compressor seals, and glycol dehydrators”), fugitive emissions, and gas emitted from pneumatic instruments and pumps. Only by understanding the nature and volume of a facility’s emissions can steps be taken to effectively reduce or manage its emissions over time.

While this requirement is time-based, it is not immediate reporting, such as when a spill occurs. It is a once per year report pertaining to routine venting and fugitive emissions, not nonroutine, emergency, or upset venting occurrences at a facility. As such, a rating of “moderate” for type of contravention is assigned.

**Potential for Adverse Effect: Minor to None**

Methane is a greenhouse gas, and its global warming potential is estimated to be 25 times greater than that of carbon dioxide over a 100-year period. The investigation revealed that all subject Tallahassee facilities were active in 2021 as “nonzero volumetric data was reported in Petrinex”. However, key contextual pieces, relating to the quantity of a substance, which could help assess potential for adverse effect are not available. For example, specific Petrinex volumetric data relating to a facility’s total gas production and venting for the year (out of scope for investigation) and the specific mass and volume methane data required to be reported to OneStop for 2021, was not submitted for each facility. In addition, Tallahassee did not complete fugitive emission surveys or inventories for many of its facilities and, for one facility, it submitted false or misleading information.

While the lack of information required detracts from efforts to monitor and reduce future emissions that may impact the environment, the emissions of concern generally relate to normal, not emergency or upset,

operations. In this instance, the potential for adverse effect, based on the nature of the emissions in general, is assigned as “minor to none”.

In this case, Tallahassee failed to submit 55 annual methane emissions reports for the 2021 reporting period. This is calculated by taking the 61 Facility IDs in Table 1 [of the PA] where Tallahassee was the “operator of record”, as defined in *Directive 060*, on December 31, 2021, and subtracting the 6 Facility IDs in Table 2 [of the PA] where Tallahassee was not the “duty holder” on June 1, 2022, as defined in the *Methane Emission Reduction Regulation*.

**Base Assessment:** \$1500 x 55 facilities for which an annual report was not submitted = \$82 500

*Environmental Protection and Enhancement Act*

**COUNT 2**

On or about June 1, 2022, in the Province of Alberta, Tallahassee Exploration Inc. provided false or misleading information pursuant to a requirement under the *Environmental Protection and Enhancement Act* to provide information, thereby contravening section 227(b) of the *Environmental Protection and Enhancement Act*.

		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 purpose of the *Environmental Protection and Enhancement Act* is “to support and promote the protection of the environment, enhancement and wise use of the environment”. The AER, through its administration of the Act, monitors reported activities that may affect the environment. The purpose of the *Environmental Protection and Enhancement Act* cannot be fulfilled if regulated parties provide false or misleading information to affect the administration of the Act.

Providing false or misleading information is considered a “major” type of contravention as it directly jeopardizes the purpose of the *Environmental Protection and Enhancement Act* and the AER’s ability to effectively administer the protection, enhancement, and wise use of the environment.

**Potential for Adverse Effect: Minor to None**

Providing false or misleading information will almost invariably increase the potential for adverse effect, as would providing unsupported information. Tallahassee did both. In this case, Tallahassee submitted unsupported methane emission information for Facility ID ABBT0085204, from the 2020 calendar year, to also populate and report the facility’s emissions for the 2021 calendar year.

Similar to Count 1, while the lack of information required provides no information on the quantity of a substance (methane) and detracts from efforts to monitor and reduce future methane emissions that may

impact the environment, the emissions of concern generally relate to normal, not emergency or upset, operations. In this instance, the potential for adverse effect, based on the nature of the emissions in general, is assigned as “minor to none”.

**Base Assessment:** \$2500

*Environmental Protection and Enhancement Act*

**COUNT 3**

On or about June 1, 2022, on 41 occasions [41 facilities] in the Province of Alberta, Tallahassee Exploration Inc., did contravene section 8.10.2.1 of *Directive 060* which states, “the duty holder must conduct fugitive emissions surveys at the frequency specified in table 4”, and therefore did contravene section 5 of the *Methane Emission Reduction Regulation*.

		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: Moderate**

Fugitive emissions are the unintentional releases of hydrocarbons to the atmosphere. *Directive 060*, section 8.10.2.1 requires fugitive emissions surveys be conducted annually or triannually depending on the type of facility as detailed in table 4. Fugitive emissions surveys are required as part of a duty holder’s Fugitive Emissions Management Program. The aim of the program is to reduce fugitive emissions and includes requirements to allocate resources towards the program, preventive maintenance, conduct surveys, ensure training and accuracy of detection methods, and reporting.

Most notably, the aim of conducting a survey is to identify the source of a fugitive emission and repair it. Repairs are required within 30 days of source identification, or within 24 hours if there are odour, flare, or potential safety issues, in addition to reducing the facility’s emissions. Similar to Count 1, while this requirement has a time element, the surveys are only required annually or triannually. Therefore, an assessment of “moderate” for type of contravention is assigned.

**Potential for Adverse Effect: Minor to None**

During the investigation it was confirmed that Tallahassee did not conduct any fugitive emission surveys at any of their facilities in 2021. While the investigation provided information on the types of facilities in question there was no information to assess on the specific operations, equipment, or operational issues, such as failed pilots or ignitors on flare stacks, of each individual facility. This lack of information provides no data on the quantity of any methane emitted and detracts from efforts to monitor and reduce methane emissions that may impact the environment.

Given the above, and due to the varying types of facilities involved, only a generalized, conservative assessment of potential for adverse effect will be applied in this case. Consequently, the potential for adverse effect is assigned as “minor to none”.

In this case, Tallahassee failed to conduct at least 41 fugitive emission surveys in 2021. This is calculated by considering:

- There was a total of 103 fugitive emission surveys required, at facilities where Tallahassee was the operator of record for 61 Facility IDs in 2021;
- 42 of these surveys are subtracted to conservatively account for only one survey per year per facility;
- Subtracting six (6) facilities where Tallahassee was not the licensee or duty holder; and
- Subtracting 14 facilities that had zero net non-vented gas volumes because *Directive 060*, section 8.10.2.1, states, “Facilities that are designed to vent all received and produced gas do not require fugitive emission surveys”.

**Base Assessment:** \$1500 x 41 uncompleted fugitive emission surveys in 2021 = \$61 500

#### Factors to be Considered to Vary the Assessment

- (a) the importance to the regulatory scheme of compliance with the provision;
- (b) the degree of wilfulness or negligence in the contravention;
- (c) 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;
- (e) 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;
- (g) any other factors that, in the opinion of the Director, are relevant.

#### Factors Applicable to this Case

Factor from above	Amount Varied	Description/Comments
(a)	+\$1500	In 2015, the Government of Alberta directed the AER to develop requirements to reduce methane emissions from upstream oil and gas operations by 45 per cent by 2025 (relative to 2014 levels). AER requirements set out in the <i>Methane Emission Reduction Regulation</i> and <i>Directive 060</i> were created to achieve this goal in the time allotted. Not following these requirements directly jeopardizes this time-bound regulatory

		<p>scheme. \$500 is applied for not submitting annual methane emissions reports and \$500 is applied for not conducting fugitive emission surveys.</p> <p>\$500 is applied for providing false or misleading information. Fundamental to the regulatory scheme is regulated parties providing factual, trustworthy information to the AER.</p>
(b)	+\$1500	\$500 is applied regarding the significant number of instances of contravention, which speaks to larger, systemic concerns, regarding complying with AER requirements. \$500 is applied for realizing that false or misleading information was being submitted to the AER but not taking steps to inform or explain this noncompliant submission. \$500 is applied for Tallahassee, prior to the subject contraventions, being previously notified of the same noncompliance (failure to submit the annual methane emissions reports regarding 2019 data) and not implementing processes to operate in compliance.
(c)	Neutral	Factor not applied in this case.
(d)	Neutral	Factor not applied in this case.
(e)	Neutral	Factor not applied in this case.
(f)	+\$500	\$500 is applied as Tallahassee derived an economic benefit for not complying with the requirement to conduct fugitive emission surveys. This is not an assessment of the economic benefit amount; it is a recognition that an economic benefit was derived from the contravention.
(g)	Neutral	Factor not applied in this case.

## Discussion

At the March 13, 2024, meeting an AER investigator provided a summary of the investigation's findings related to the contraventions and an AER senior compliance assurance specialist discussed the PA calculation, including the base penalty and variance factors.

Mr. Zafar stated that the investigation findings made sense and that TEI was at fault. Mr. Zafar questioned how TEI could have reported the necessary information given the number of facilities TEI acquired. The investigator referenced the portion of the PA that spoke to the ability for companies to conduct site visits and create an inventory for the required reporting. The investigator also noted that the reporting is required for active sites and information could be obtained prior to reactivating inactive sites. The investigator indicated that a written defence on this matter could be submitted but Mr. Zafar indicated that he was not intending to provide a defence, rather was seeking to learn.

Mr. Zafar did have questions about the counts. While admitting that TEI was at fault, Mr. Zafar questioned the application of 55 counts for Count 1. Mr. Zafar's argument was that TEI was being penalized 55 times for one mistake and that the one error for not submitting the information should not be multiplied by 55.

Mr. Zafar shared that TEI assets, in relation to an AER order, are currently being managed by the Orphan Well Association (OWA) and that TEI has until the end of April 2024 to secure funds in order to have the assets returned to TEI. Mr. Zafar asked if a decision on the administrative penalty could be deferred until the assets were back in TEI custody.

I, Tammy Loiselle, stated that the order and administrative penalty processes were independent of each other. Mr. Zafar was advised several times that he could provide a written submission regarding any of his concerns or questions, that he believed were relevant, for consideration. Additionally, it was recommended that any claims he made in his written submission be accompanied by supporting evidence.

A deadline of midnight, March 22, 2024, was agreed upon for the receipt of any written submission to be provided by TEI for consideration prior to final decision.

On the afternoon of March 22, 2024, Mr. Zafar sent an email accepting the penalty in full for Count 2 and proposing that Count 1 be considered as “one package count” (for a total of \$1500) and Count 3 also be considered as “one package count” (for a total of \$1500). Mr. Zafar also shared more comments related to financial constraints. The email closed with,

*In general, we agree with the AER's Emission, Compliance & Safety group's findings and intends to rectify it once we are able to take charge of the assets in AB. TEI is currently in a financial constraint position due to its fields being shut down in AB, thus lack of revenues to pay for any high cost at the moment. We therefore, ask you to consider this point as well where we are acknowledging our fault in full, and request the penalty to be considered on one wholesome count basis versus in multiples on the same subject matter such as Count 1 and 3.*

On March 27, 2024, I, Tammy Loiselle, responded to the March 22 email requesting supporting evidence regarding TEI's “financial constraint position”, to be submitted by April 5, 2024.

On April 5, 2024, TEI submitted information regarding its financial position for 2022 and 2023, along with projections for 2024-2026.

### **Final Penalty Decision**

I, Tammy Loiselle, Director, Emissions, Compliance, Support & Safety, Regulatory Compliance for the AER, have fully considered all of the information collected in the investigation and verbal submission presented to me by TEI in the March 13, 2024, meeting as well as the written submissions sent to me from TEI.

I am of the opinion that the contraventions described above did occur and are supported by the evidence. I find that there was a lack of due diligence on the part of TEI.

TEI did not dispute the investigation findings and accepted that TEI was at fault. TEI's proposal to treat Count 1 and Count 3 as one package has been considered and is rejected. TEI's contention, specifically for

Count 1, that it was one mistake for not submitting a report, is not supported by the facts. The contravention involves 55 separate facilities, with accompanying actions to acquire the data necessary to prepare, and then submit, 55 reports. Additionally, as described in factor b), above, TEI contravened the same requirement previously and had not implemented steps to prevent recurrence. The end result is not reflective of “one mistake”, but it does reflect a systemic issue at TEI in relation to the contravention.

The request from Mr. Zafar to defer a decision until assets are back in TEI custody is rejected as it has no bearing or impact on the final decision, and issuance of administrative penalties are time bound by statute.

TEI did not question the factor variance applications and amounts at the March 13, 2024, meeting or in their written submission, other than in the general request to reduce the penalty due to financial constraints.

The financial information submitted by TEI was considered but did not provide sufficient evidence to support a reduction in the penalty. Given the importance to the regulatory scheme of complying with the requirements, the systemic issues identified, and lack of commitment and demonstrated actions to make improvements in the future, the penalty is determined to be proportional to the contraventions and achieving the goals of compliance and deterrence.

I find the total base penalty amounts reasonable and they remain the same. I also find the amounts applied in the variance factors reasonable and they remain the same.

## **FINAL PENALTY ASSESSMENT: \$150 000**

# ECONOMIC BENEFIT ASSESSMENT

## Preliminary Economic Benefit Assessment

The investigation revealed that TEI failed to conduct fugitive emission surveys in 2021 and that a quote, in the amount of \$41,885 for conducting these surveys, was obtained by TEI.

Therefore, the calculation of the avoided costs economic benefit is:

Actual/estimated avoided costs (2021 fugitive emission surveys quote): \$41 885

+ Interest, up to the date(s) the noncompliance(s) is resolved: N/A

**= Preliminary Economic Benefit Assessment: \$41 885**

## Director's Decision Summary

On March 1, 2024, I, Tammy Loiselle, Director, Emissions, Compliance, Support & Safety, Regulatory Compliance for the AER, spoke with Guz Zafar, President for TEI to discuss the PA. Mr. Zafar agreed to meeting via Microsoft Teams to discuss the investigation findings and PA.

On March 13, 2024, I, Tammy Loiselle, Director for the AER, along with AER subject-matter experts, met with Guz Zafar, President, for TEI.

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 TEI 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 contravention and related economic benefit assessment.

### COUNT 3

On or about June 1, 2022, on 41 occasions [41 facilities] in the Province of Alberta, Tallahassee Exploration Inc., did contravene section 8.10.2.1 of *Directive 060* which states, "the duty holder must conduct fugitive emissions surveys at the frequency specified in table 4", and therefore did contravene section 5 of the *Methane Emission Reduction Regulation*.

### ECONOMIC BENEFIT FROM FAILING TO CONDUCT FUGITIVE EMISSIONS SURVEYS

TEI obtained a quote from SolutionCorp for the fugitive emissions surveys for 2021. The quote was an email dated April 5, 2021. The total cost on the quote was \$41,885.

## 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 fugitive emission surveys in 2021 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. Cost cannot be incurred in the present to correct the past noncompliant behaviour. Therefore, avoided-costs situations are where the cost cannot be invested in the present to correct or abate the noncompliance that occurred in the past.

## CALCULATION

Typically, when assessing avoided costs, costs should be adjusted for interest to reflect the availability of funds for other uses over the period of noncompliance. In most avoided-costs instances, 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. However, due to the large number of fugitive emission surveys required and the variable times that they may have been completed in 2022, for example, to help resolve the noncompliances, it is not feasible to incorporate interest adjustments to the calculation.

Given this, the calculation will only comprise any actual or estimated amount of the costs avoided, as supported by the evidence in the investigation findings, for failure to conduct fugitive emission surveys in 2021.

The investigation revealed that Tallahassee failed to conduct fugitive emission surveys in 2021 and that a quote, in the amount of \$41,885 for conducting these surveys, was obtained by Tallahassee.

## Discussion

At the March 13, 2024, meeting an AER investigator provided a summary of the investigation's findings related to the economic benefit derived from the contravention and an AER senior compliance assurance specialist discussed the PA calculation of the economic benefit.

Mr. Zafar challenged the addition of the economic benefit, indicating TEI had already been penalized under Count 3. Mr. Zafar also stated that TEI did not deliberately contravene to obtain an economic benefit, rather the cause was a matter of disorganization. Mr. Zafar disagreed with statements from their vendor regarding TEI's slowness in paying bills.

Mr. Zafar was advised several times that he could provide a written submission regarding any of his concerns or questions, that he believed were relevant, for consideration. Additionally, it was recommended that any claims he made in his written submission be accompanied by supporting evidence.

A deadline of midnight, March 22, 2024, was agreed upon for the receipt of any written submission to be provided by TEI for consideration prior to final decision.

On the afternoon of March 22, 2024, Mr. Zafar sent an email acknowledging that TEI did not conduct the surveys “when the quotes were sent”, further disputing payment issues with the vendor, and stating that “the issue in this specific case was not the financial constraint, or avoiding the cost of getting work done, but rather internal lack of focus on TEI’s part for basically not getting the work done when it was fairly due”. Mr. Zafar also shared more comments related to current financial constraints. The email closed with,

*In general, we agree with the AER’s Emission, Compliance & Safety group’s findings and intends to rectify it once we are able to take charge of the assets in AB. TEI is currently in a financial constraint position due to its fields being shut down in AB, thus lack of revenues to pay for any high cost at the moment. We therefore, ask you to consider this point as well where we are acknowledging our fault in full, and request the penalty to be considered on one wholesome count basis versus in multiples on the same subject matter such as Count 1 and 3.*

On March 27, 2024, I, Tammy Loiselle, responded to the March 22 email requesting supporting evidence regarding TEI’s “financial constraint position”, to be submitted by April 5, 2024.

On April 5, 2024, TEI submitted information regarding its financial position for 2022 and 2023, along with projections for 2024-2026.

### **Final Decision on Economic Benefit**

I, Tammy Loiselle, Director, Emissions, Compliance, Support & Safety, Regulatory Compliance for the AER, have fully considered all of the information collected in the investigation and verbal submission presented to me by TEI in the March 13, 2024, meeting as well as the written submissions sent to me from TEI.

Per the Final Penalty Assessment, above, the finding that TEI contravened section 5 of the *Methane Emission Reduction Regulation*, by not conducting fugitive emission surveys, has already been established.

In relation to Mr. Zafar’s comments about already being penalized under Count 3 and that there was no intent to contravene in order to obtain an economic benefit it is worth noting the following:

1. The economic benefit portion of an administrative penalty concerns restoring the status quo, which would have existed if the legislative requirements were followed, it is not about punishment, and

2. Intention is not of consideration for a regulated party to have benefitted economically from a contravention. All that is required is a positive finding to the question, “Is a regulated party financially better off for not having complied with a requirement?”.

Given the above, any concerns regarding payment disagreements between various parties are not relevant to the determination that an economic benefit was derived as a result of a contravention.

The financial information submitted by TEI was considered but did not provide sufficient evidence to support a reduction in the economic benefit portion of this penalty. Given the importance to the regulatory scheme of compliance with the requirement, and the purpose of economic benefit is to restore the economic status quo, the economic benefit portion of this penalty is determined to be proportional to the contravention and achieving the goals of compliance and deterrence.

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 ensure 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 also find that TEI 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.

## **FINAL ECONOMIC BENEFIT ASSESSMENT: \$41 885**

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**FINAL ADMINISTRATIVE PENALTY ASSESSMENT** [Final Penalty Assessment + Final Economic Benefit Assessment]: **\$191 885**

**Date:** May 3, 2024

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

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

Made at Edmonton, in the  
Province of Alberta, on

June 5, 2024

A Commissioner for Oaths in and for the Province of Alberta  
My commission expires \_\_\_\_\_

ALBERTA ENERGY REGULATOR

**Under sections**

- **22 of the *Oil and Gas Conservation Act (OGCA)*,**
- **27 of the *OGCA*,**
- **23 of the *Pipeline Act*, and**
- **140 and 241 of the *Environmental Protection and Enhancement Act (EPEA)***

**Tallahassee Exploration Inc.**

1900, 401 9<sup>th</sup> Avenue SW

Calgary, AB T2P 3H7

(Tallahassee, or the Licensee)

WHEREAS Tallahassee is the holder of Business Associate (BA) code A7HE, and holds licences granted by the Alberta Energy Regulator (AER) under the *OGCA* and *Pipeline Act* as listed in Appendix 1 (collectively, the Licences);

WHEREAS there is physical infrastructure associated with the Licences, including wells, well sites, facilities, facility sites, and pipelines (collectively, the Sites);

WHEREAS Tallahassee was licensed or otherwise authorized by the AER to operate the Sites on the lands as legally described in Appendix 1 (the Lands);

WHEREAS the Lands are specified land as defined in section 134(f) of *EPEA* and section 1(t) of the *Conservation and Reclamation Regulation*;

WHEREAS Tallahassee, in respect of the Lands, is an operator as defined in section 134(b) of *EPEA*;

WHEREAS on September 15, 2023, the AER issued an order (the September Order) to Tallahassee pursuant to sections 22, 26.2, and 27 of the *OGCA*, and section 22.1 of the *Pipeline Act*, due to concerns regarding Tallahassee's failure to provide reasonable care and measures to prevent impairment or damage in respect of the Sites;

WHEREAS on November 27, 2023, the AER rescinded the September Order and issued a new order (the November Order) under sections 22, 26.2, 27, 28, and 105 of the *OGCA*, and sections 22.1, 24, and 26 of

the *Pipeline Act* to Tallahassee and to the Orphan Well Association (the OWA) due to Tallahassee's failure to meet the requirements of the September Order to provide reasonable care and measures in respect of the Sites and resolve outstanding noncompliances;

WHEREAS, among other things, the November Order requires the OWA to provide reasonable care and measures to prevent impairment or damage in respect of the Sites until otherwise directed by the AER, and prohibits Tallahassee and its contractors from taking any actions, operating, or being present at the Sites without obtaining prior written approval from the OWA;

WHEREAS the November Order also required Tallahassee to submit third-party audited financial statements and a financial summary for fiscal year end 2022 by November 30, 2023; interim quarterly financial statements for fiscal year 2023 within 30 days from the date of the order; and future interim quarterly financial statements within 30 days of the end of the respective annual quarter;

WHEREAS on January 4, 2024, the AER issued a Failure to Comply letter to Tallahassee for failure to comply with the November Order, specifically citing Tallahassee's failure to provide audited financial statements and quarterly financial statements;

WHEREAS the AER held a pre-issuance meeting with Tallahassee on January 23, 2024, to discuss potential amendments to the November Order to include deadlines for Tallahassee to comply with certain requirements of the order;

WHEREAS the AER agreed to a deadline of January 31, 2024, for Tallahassee to provide submissions in support of any alternative deadlines it proposed;

WHEREAS on January 31, 2024, Tallahassee submitted materials proposing alternative deadlines and plans to resume operations at the Sites (the Plan);

WHEREAS the Plan proposed that:

- 1) by June 2024, Tallahassee would resume control of the Sites;
- 2) by the end of 2024, Tallahassee would reimburse the OWA for costs it incurred in providing reasonable care and measures to prevent impairment or damage in respect of the Sites under the November Order; and
- 3) by calendar year 2025, Tallahassee would come into compliance with the closure spend quota program for the years 2022, 2023, and 2024;

WHEREAS the AER reviewed the Plan and notified Tallahassee that the Plan was not satisfactory to the AER, because the proposed timelines for coming into compliance were unreasonable and the cash forecasts could not be analyzed and validated as Tallahassee had failed to provide audited financial statements to the AER;

WHEREAS on February 27, 2024, the AER held a pre-issuance meeting with Tallahassee to discuss a potential abandonment order the AER was considering;

WHEREAS the AER gave Tallahassee until March 4, 2024 to submit any materials or supporting documents that disputed the need for the potential Abandonment Order or propose any changes to the draft Order it thought were necessary or appropriate;

WHEREAS on March 4, 2024, Tallahassee requested an extension until April 15, 2024, to allow it to engage an investment firm to raise sufficient capital, as estimated by Tallahassee, for Tallahassee to provide reasonable care and measures;

WHEREAS on March 8, 2024, the AER issued a letter to Tallahassee granting an extension until April 19, 2024, to provide confirmation of funding, and to submit an acceptable custody transition plan and audited 2022 financial statements;

WHEREAS Tallahassee submitted a custody transition plan (Custody Transition Plan) on April 19, 2024 and the confirmation of funding on April 20, 2024 ;

WHEREAS Tallahassee provided a draft audited financial statement for 2022 on April 22, 2024, but did not provide a final copy approved by the financial auditor, as was required by the November Order;

WHEREAS the AER has reviewed Tallahassee's confirmation of funding, the Custody Transition Plan, and the draft audited financial statement for 2022 and determined that the information provided does not demonstrate that Tallahassee is capable of providing reasonable care and measures to prevent impairment or damage in respect of the Sites;

WHEREAS according to its confirmation of funding, the amount of capital Tallahassee has raised is insufficient to demonstrate that it is capable of providing reasonable care and measures to prevent impairment or damage in respect of the Sites;

WHEREAS on May 3, 2024, the AER issued a Failure to Comply letter to Tallahassee for failure to comply with the November Order, specifically citing Tallahassee's failure to complete the Abandonment Plan that Tallahassee had submitted under the September Order, as was required by the November Order;

WHEREAS the AER has not approved the Custody Transition Plan, as required by the November Order, due to concerns regarding Tallahassee's historical compliance performance, AER's lack of confidence in Tallahassee's operational capabilities based on the financial statement provided, and concerns about Tallahassee's ability to hire knowledgeable and willing field staff;

WHEREAS there is a risk of impairment or damage to the Sites if reasonable care and measures are not provided;

WHEREAS the impairment or damage could reasonably be expected to result in harm to the integrity of the Sites or harm to the environment, human health or safety or property;

WHEREAS Rob Borth, Senior Advisor, Technical Science & External Innovation (the Senior Advisor), has the authority to issue orders under the *OGCA*, *EPEA* and the *Pipeline Act*;

WHEREAS Tallahassee has failed to provide reasonable care and measures to prevent impairment or

damage in respect of the Sites and has failed to comply with the November Order;

WHEREAS based on the above, and having assessed the capability of Tallahassee to meet its regulatory and liability obligations throughout the energy development life cycle, the Senior Advisor is of the opinion that Tallahassee is unable to meet these obligations;

WHEREAS section 22 of the *OGCA* permits the AER to impose on a licensee any terms and conditions it considers appropriate where it has reasonable grounds to believe the holder of the licence has contravened any act or regulation under the jurisdiction of the AER;

WHEREAS section 27 of the *OGCA* permits the AER to order a licensee to abandon a well or facility where the AER considers that it is necessary to do so in order to protect the public or the environment;

WHEREAS section 23 of the *Pipeline Act* permits the AER to order that a pipeline be discontinued or abandoned where the AER considers it necessary to do so in order to protect the public or the environment;

WHEREAS the Senior Advisor considers it necessary, to protect the public and the environment, to issue an order directing Tallahassee to abandon the Sites;

WHEREAS section 137 of *EPEA* states that an operator must conserve and reclaim specified land, and unless exempted by the regulations, obtain a reclamation certificate in respect of the conservation and reclamation;

WHEREAS reclamation certificates have not been issued for the Lands under section 138 of *EPEA*;

WHEREAS section 140 of *EPEA* permits the AER to issue an environmental protection order directing the performance of any work if the AER is of the opinion the work is necessary to conserve and reclaim specified land;

WHEREAS the Senior Advisor is of the opinion that the performance of the work described in this Order is necessary to conserve and reclaim the Lands;

Therefore, I, Rob Borth, Senior Advisor, Technical Science and External Innovation, under sections 22 and 27 of the *OGCA*, section 23 of the *Pipeline Act*, and sections 140 and 241 of *EPEA*, do hereby order the following:

#### **Abandonment**

1. Tallahassee shall abandon the Sites, listed in appendix 1, within **sixty (60) calendar days** of the date of this Order.
2. Abandonment work, including surface abandonment and removal of cement pads, debris and produced liquids associated with the wells, must be completed in accordance with AER requirements.

## Reclamation

3. **Within thirty (30) calendar days** of the date of this Order, Tallahassee shall submit a Reclamation Plan for AER approval for the conservation and reclamation of the Lands.
4. The Reclamation Plan shall include the actions Tallahassee will take to reclaim the Lands and obtain reclamation certificates as required by section 137 of the *EPEA*. The Reclamation Plan shall include:
  - a. A list of all actions to be taken in obtaining a reclamation certificate (examples: Environmental Site Assessments, Detailed Site Assessments, Reclamation Certificate application submission to AER); and
  - b. A schedule of implementation for each step in the Reclamation Plan.
5. If any changes occur to the Reclamation Plan, Tallahassee must immediately inform the AER in writing.
6. Tallahassee must implement the Reclamation Plan, as approved by the AER. The AER will advise Tallahassee if the Reclamation Plan is complete or requires changes. Tallahassee will be required to submit any outstanding elements to the AER, or provide additional information to the AER, until the AER advises that the Reclamation Plan is complete.
7. Tallahassee shall apply for a reclamation certificate for each of the Sites once that site is fully reclaimed in accordance with section 137(2) of the *EPEA*.

## Reporting

8. Tallahassee shall submit to the Senior Advisor a weekly report summarizing actions and progress in abandoning the Sites, the weekly report shall be sent to [complianceassurance@aer.ca](mailto:complianceassurance@aer.ca).

## General

9. As required by the November Order, Tallahassee and any contractors must obtain written approval from the OWA before accessing and taking any actions at the Sites.
10. Tallahassee is not permitted to sell or remove any equipment or other infrastructure associated with the Sites unless there is written approval from the OWA.
11. All submissions related to the completion of abandonment or reclamation must be submitted in the format and to the appropriate AER system, as required by AER regulations. All submissions required in this Order shall be sent to [complianceassurance@aer.ca](mailto:complianceassurance@aer.ca).
12. If requested by the Senior Advisor, Tallahassee shall submit, within **two (2) business days**, any records pertaining to this Order.

13. Where a deadline or reporting frequency has been specified in this Order, the AER may authorize in writing a different deadline or reporting frequency as applicable.
14. In carrying out the requirements of this Order, Tallahassee shall obtain and comply with all required federal, provincial, or municipal permits and governing legislation and provide to the AER all authorizations obtained upon request by the AER.
15. All applicable regulatory requirements are to be followed and complied with in the undertaking of any actions or direction prescribed under this Order.

Dated at the City of Edmonton in the Province of Alberta, the 5<sup>th</sup> day of June, 2024.

<original signed by>

Rob Borth  
Senior Advisor, Technical Science & External Innovation  
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*, *EPEA* or *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 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](http://www.aer.ca), under Regulating Development: Project Application: Regulatory Appeal Process.

This is Exhibit "H" referred to in the  
Affidavit of Laura Chant  
Sworn before me this 27  
day of March 2026  
**KRISTA GIBSON**  
**BARRISTER & SOLICITOR**  
A Commissioner for Oaths in and for the Province of Alberta  
My commission expires \_\_\_\_\_



Calgary Head Office  
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Canada

[www.aer.ca](http://www.aer.ca)

September 24, 2024

Ghazanfar Zafar  
**Tallahassee Exploration Inc. (A7HE)**  
1900, 401 9th Avenue SW  
Calgary, AB T2P 3H7

Email: [ghazanfar.zafar@tallah.ca](mailto:ghazanfar.zafar@tallah.ca)

By Email Only

***Directive 067 Eligibility Status of Tallahassee Exploration Inc.***

Dear Ghazanfar Zafar:

Acquiring and holding a licence or approval for energy development in Alberta is a privilege, not a right. The Alberta Energy Regulator (AER) has reviewed Tallahassee Exploration Inc.'s (Tallahassee) eligibility and finds that Tallahassee poses an unreasonable risk.

Pursuant to s. 1.300 of the Oil and Gas Conservation Rules (OGCR), the AER may revoke or restrict licence eligibility if a licensee does not meet the licence eligibility requirements of *Directive 067*. Section 6 of *Directive 067* states that the AER may revoke or restrict licence eligibility if there is a finding by the AER that the licensee or approval holder poses an unreasonable risk.

The factors considered when determining whether a licensee poses an unreasonable risk are set out in section 4.5 of *Directive 067* and include:

- the compliance history of the licensee;
- the assessed capability of the applicant, licensee, or approval holder to meet its regulatory and liability obligations throughout the energy development life cycle, including financial capability;
- outstanding debts owed to AER or the Orphan Fund by the applicant, licensee, or approval holder or by current or former AER licensees or approval holders that are directly or indirectly associated or affiliated with the applicant, licensee, or approval holder or its directors, officers, or shareholders

In making this determination, the Director considered the following:

- 1) On May 3, 2024, Tallahassee was issued an Administrative Penalty in the amount of \$191,885. The Director set a deadline of June 2, 2024, for payment of the penalty.

- 2) Tallahassee was issued a final demand letter from the AER on June 11, 2024. The Director set a deadline of June 26, 2024, for payment of the penalty.
- 3) Tallahassee has failed to pay the AER the administrative penalty and has an outstanding debt with the AER.
- 4) Tallahassee has also failed to meet the required deadlines for payment of the Administrative Fee and Orphan Fund Levy, with outstanding amounts of \$211,999.89 for the Administrative Fee and \$493,348.55 for the Orphan Fund Levy.
- 5) Tallahassee failed to meet its 2022 Mandatory Closure Spend Quota as established by the AER.
- 6) Tallahassee was issued a Notice of Noncompliance for failure to meet the 2022 Mandatory Closure Spend Quota on June 12, 2023. The Notice of Noncompliance enabled Tallahassee to update their OneStop reporting and/or pay a baseline security deposit for the remaining deficit to the AER by July 12, 2023, to achieve compliance.
- 7) Tallahassee requested an extension on June 19, 2023, and a new deadline to come into compliance was August 11, 2023.
- 8) Tallahassee failed to meet the requirement and was placed on Global Refer on July 11, 2024.
- 9) Tallahassee failed to meet the 2022 Mandatory Closure Quota and remains noncompliant.
- 10) Tallahassee failed to meet its 2023 Mandatory Closure Spend Quota as established by the AER.
- 11) Tallahassee was issued a Notice of Noncompliance for failure to meet the 2023 Mandatory Closure Spend Quota on April 25, 2024. The Notice of Noncompliance enabled Tallahassee to update their OneStop reporting and/or pay a baseline security deposit for the remaining deficit to the AER by May 25, 2024, to achieve compliance.
- 12) Tallahassee was issued a Notice of Proposed Action letter on August 22, 2024 and provided the opportunity to come into compliance with the 2022 and 2023 Mandatory Closure Spend quota through payment of the outstanding security deposit in full.
- 13) Tallahassee failed to do so and remains in noncompliance with both the 2022 and 2023 mandatory closure spend quota.

The purpose of the Mandatory Closure Spend Quota is to increase the amount of closure work occurring in Alberta, reduce liability, and to increase the amount of land being returned to equivalent capabilities. Licensees are required to complete closure work and demonstrate progress in reducing their inactive liability. The Mandatory Closure Spend Quota is based on the Licensee's inactive liability and the Licensee's level of financial distress as determined by the Liability Capability Assessment (LCA). Noncompliance with Mandatory Closure Spend Quota requirements, and not providing security to address the noncompliance, constitutes a failure to demonstrate progress in managing Tallahassee's inactive liabilities and indicates unreasonable risk in the licensee's capability to meet regulatory and liability obligations throughout the energy development life cycle.

### Decision

Due to the factors listed above and the nature of the noncompliance(s), and pursuant to section 1.300 of the *OGCR* and section 6 of *Directive 067*, the AER is of the opinion that Tallahassee poses an unreasonable risk. The AER hereby restricts the licence eligibility status of Tallahassee to Limited effective **September 24, 2024**, as follows:

- 1) Tallahassee is prohibited from acquiring any well, facility or pipeline licences, either through transfers or applications;
- 2) Tallahassee will remain on Global Refer for all applications.
- 3) An exemption to the above restrictions will apply to applications for activities which are required by Tallahassee in an emergency response situation, or as directed by the AER.
- 4) There is no change to:
  - a. Tallahassee's access to the DDS system.
  - b. Tallahassee's environmental and operational responsibilities related to its current licence inventory.
  - c. Tallahassee's ability to submit applications for activities required by the AER and as directed by the AER.

### Expected Actions

- 1) Pay the outstanding Administrative Penalty owing.
- 2) Pay the outstanding Administrative Fee and Orphan Fund Levy.
- 3) Demonstrate compliance with the 2022 and 2023 Mandatory Closure Spend Quota
  - a. Update OneStop reporting and/or provide payment of the outstanding security deposit in full, and
  - b. Notify [ComplianceVerification@acr.ca](mailto:ComplianceVerification@acr.ca) when reporting is complete and/or payment has been submitted to the AER.

Failure to meet the above may result in further regulatory action.

Tallahassee may reapply for *Directive 067* General Eligibility in the future. In order to obtain general eligibility Tallahassee must demonstrate they do not pose an unreasonable risk.

Under the *Responsible Energy Development Act (REDA)* an eligible person may file a request for a regulatory appeal on an appealable decision. Eligible persons and appealable decisions are defined in section 36 of REDA 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 in the form and manner and within the timeframe required by the AER. You can find filing requirements and forms on the AER website, <http://www.aer.ca/applications-and-notices/appeals>.

Should you have any questions, please contact Tammy Loiselle at [Tammy.Loiselle@aer.ca](mailto:Tammy.Loiselle@aer.ca).

Yours truly,

<Original Signed by>

Tammy Loiselle  
Director, Emissions, Compliance, Support & Safety

# Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2026/03/27  
 Time of Search: 08:17 AM  
 Search provided by: ALBERTA ENERGY REGULATOR (WITH GOVERNMENT OF ALBERTA AGENCY)  
 Service Request Number: 46829906  
 Customer Reference Number:

Corporate Access Number: 2015464700  
 Business Number: 850386509  
 Legal Entity Name: SANDIN RESOURCES INC.

**Name History:**

Previous Legal Entity Name	Date of Name Change (YYYY/MM/DD)
TALLAHASSEE RESOURCES INC.	2025/11/24

Legal Entity Status: Active  
 Alberta Corporation Type: Named Alberta Corporation  
 Registration Date: 2010/07/06 YYYY/MM/DD  
 Date of Last Status Change: 2025/03/24 YYYY/MM/DD

Revival/Restoration Date: 2025/03/24 YYYY/MM/DD

**Registered Office:**

Street: 3300, 421 - 7TH AVENUE S.W.  
 City: CALGARY  
 Province: ALBERTA  
 Postal Code: T2P4K9

**Records Address:**

Street: 3300, 421 - 7TH AVENUE S.W.  
 City: CALGARY  
 Province: ALBERTA  
 Postal Code: T2P4K9

Email Address: CALGARYCORPORATESERVICES@PARLEE.COM

**Primary Agent for Service:**

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
FRIDHANDLER	DARYL	S.	PARLEE MCLAWS LLP	3300, 421 - 7TH AVENUE S.W.	CALGARY	ALBERTA	T2P4K9	CALGARYCORPORATESERVICES@PARLEE.COM

**Directors:**

Last Name: DIWAN  
 First Name: OSMAN  
 Middle Name: DANISH  
 Street/Box Number: 133 ROYAL RIDGE MT NW  
 City: CALGARY  
 Province: ALBERTA  
 Postal Code: T3G0A2

**Last Name:** ZAFAR  
**First Name:** MOHAMMAD  
**Street/Box Number:** 133 ROYAL RIDGE MT. N.W.  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3G0A2

**Voting Shareholders:**

**Last Name:** ZAFAR  
**First Name:** MOHAMMAD  
**Middle Name:** G  
**Street:** 133 ROYAL RIDGE MT. N.W.  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3G0A2  
**Percent Of Voting Shares:** 100

**Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** ONE HUNDRED (100) CLASS A SHARES  
**Share Transfers Restrictions:** NONE  
**Min Number Of Directors:** 1  
**Max Number Of Directors:** 10  
**Business Restricted To:** NONE  
**Business Restricted From:** NONE  
**Other Provisions:** NONE

**Other Information:**

**Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2024	2025/03/24

**Outstanding Returns:**

Annual returns are outstanding for the 2025 file year(s).

**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2010/07/06	Incorporate Alberta Corporation
2020/02/20	Update BN
2021/12/06	Change Address
2024/07/31	Change Director / Shareholder
2024/09/02	Status Changed to Start for Failure to File Annual Returns
2025/01/02	Status Changed to Struck for Failure to File Annual Returns
2025/03/24	Initiate Revival of Alberta Corporation
2025/03/24	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2025/03/24	Complete Revival of Alberta Corporation
2025/11/24	Name Change Alberta Corporation

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.





June 23, 2025

**Tallahassee Resources Inc. (A63N)**

1910- 401 9th Avenue SW,  
Calgary, AB T2P 3C5

Email: karen.collins@tallah.ca; Ken.badry@tallah.ca; dave.summers@tallah.ca; ghazanfar.zafar@tallah.ca

This is Exhibit "J" referred to in the  
Affidavit of Laura Chant  
Sworn before me this 27  
day of March 2026  
**KRISTA GIBSON**  
**BARRISTER & SOLICITOR**

A Commissioner for Oaths in and for the Province of Alberta  
My commission expires \_\_\_\_\_

**Calgary Head Office**

📍 Suite 1000, 250 – 5 Street SW  
Calgary, Alberta T2P 0R4

tel 403-297-8311

aer.ca

### **Administrative Sanction: Limited Eligibility Noncompliance with 2023 and 2024 Mandatory Closure Spend Quota**

Acquiring and holding a licence or approval for energy development in Alberta is a privilege, not a right. The Alberta Energy Regulator (AER) has reviewed Tallahassee Resources Inc.'s Mandatory Closure Spend Quota compliance and finds that Tallahassee Resources Inc. has not paid the required security deposit for the 2023 or 2024 quota years.

The noncompliance history is as follows:

- Tallahassee Resources Inc. failed to meet its 2023 and 2024 Mandatory Closure Spend Quota as established by the AER.
- Tallahassee Resources Inc. was issued a Notice of Noncompliance for failure to meet the 2023 Mandatory Closure Spend Quota on April 25, 2024. The Notice of Noncompliance enabled Tallahassee Resources Inc. to update their OneStop reporting and/or pay a baseline security deposit for the remaining deficit to the AER by May 25, 2024, to achieve compliance.
- Tallahassee Resources Inc. failed to do so and remains in noncompliance with the 2023 Mandatory Closure Spend Quota.
- Tallahassee Resources Inc. failed to meet its 2024 Mandatory Closure Spend Quota as established by the AER.
- Tallahassee Resources Inc. was issued a Notice of Noncompliance for failure to meet the 2024 Mandatory Closure Spend Quota on April 23, 2025. The Notice of Noncompliance enabled Tallahassee Resources Inc. to update their OneStop reporting and/or pay a baseline security deposit for the remaining deficit to the AER by May 23, 2025, to achieve compliance.
- Tallahassee Resources Inc. failed to do so and remains in noncompliance with the 2024 Mandatory Closure Spend Quota.

- Tallahassee Resources Inc. remains noncompliant with the 2023 and 2024 Mandatory Closure Spend Quotas.

The purpose of the Mandatory Closure Spend Quota is to increase the amount of closure work occurring in Alberta, reduce liability, and to increase the amount of land being returned to equivalent capabilities. Licensees are required to complete closure work and demonstrate progress in reducing their inactive liability. The Mandatory Closure Spend Quota is based on the Licensee's inactive liability and the Licensee's level of financial distress as determined by the Liability Capability Assessment (LCA). Noncompliance with Mandatory Closure Spend Quota requirements, and not providing security to address the noncompliance, constitutes a failure to demonstrate progress in managing Tallahassee Resources Inc.'s inactive liabilities.

Section 1.300(7) of the *Oil and Gas Conservation Rules (OGCR)* requires the AER to limit eligibility if a licensee fails to provide a security deposit under section 1.120:

1.300(7) The Regulator shall restrict a licensee's or approval holder's eligibility to hold a license or approval if the licensee or approval holder fails to provide a security deposit as required under section 1.120 or 1.130.

In accordance with section 1.300 of the OGCR, the AER hereby restricts the licence eligibility status of Tallahassee Resources Inc. to Limited effective June 23, 2025, as follows:

1. Tallahassee Resources Inc. is prohibited from acquiring any well, facility or pipeline licences, either through transfers or applications.
2. Tallahassee Resources Inc. will remain on Global Refer for all applications.
3. An exemption to the above restrictions will apply to applications for activities which are required by Tallahassee Resources Inc. in an emergency response situation, or as directed by the AER.
4. There is no change to:
  - a. Tallahassee Resources Inc.'s access to the DDS system.
  - b. Tallahassee Resources Inc.'s environmental and operational responsibilities related to its current licence inventory.
  - c. Tallahassee Resources Inc.'s ability to submit applications for activities required by the AER and as directed by the AER.

#### **Expected Actions**

- 1) Demonstrate compliance with the 2023 and 2024 Mandatory Closure Spend Quota.
  - a. Provide payment of the outstanding security deposits in full, and
  - b. Notify [ComplianceVerification@aer.ca](mailto:ComplianceVerification@aer.ca) when payment has been submitted to the AER.

Failure to meet the above may result in further regulatory action. Pursuant to section 1.220 of the OGCR, if a licensee or approval holder fails to provide a security deposit as required under section 1.120 or 1.130, the AER may direct that operations of the licensee or approval holder be suspended until the security deposit is provided.

Tallahassee Resources Inc. may reapply for Directive 067 General Eligibility in the future. In order to obtain general eligibility Tallahassee Resources Inc. must at a minimum demonstrate that they are in compliance with the 2023 and 2024 Mandatory Closure Spend Quotas.

Should you have any questions, please contact Compliance Verification at [ComplianceVerification@aer.ca](mailto:ComplianceVerification@aer.ca).

Yours truly,

<Original Signed>

**Michael McCrank, P.Eng.**

Manager, Compliance Verification



This is Exhibit "K" referred to in the  
 Affidavit of Laura Chant  
 sworn before me this 27<sup>th</sup>  
 day of March 2026  
**KRISTA GIBSON**  
**BARRISTER & SOLICITOR**  
 A Commissioner for Oaths in and for the Province of Alberta  
 My commission expires \_\_\_\_\_

## Edmonton Regional Office

📍 Suite 205, 4999 – 98 Avenue NW  
 Edmonton, Alberta T6B 2X3

tel 1-855-297-8311

aer.ca

September 23, 2025

### Tallahassee Resources Inc. (A63N)

1910 – 401 9<sup>th</sup> Avenue SW,  
 Calgary, AB T2P 3C5

By email only: calgarycorporateservices@parlee.com

### Compliance Summary Letter and Information Request

#### Attention: Daryl S. Fridhandler

On July 7, 2025, the Alberta Energy Regulator (AER) sent a compliance summary letter and information request to Tallahassee Resources Inc. (Tallahassee). The letter was addressed to Ghazanfar Zafar, Dave Summers, Ken Badry, and Karen Collins. To date, the AER has not received any communication in response. Accordingly, this letter is addressed to Dayl Fridhandler, who is listed in the Alberta Corporate Registry as the primary agent for service, in an effort to have it forwarded to Tallahassee's directors or to facilitate direct contact with them.

The Alberta Energy Regulator (AER) completed a Holistic Licensee Assessment (HLA) of Tallahassee Resources Inc. (Tallahassee) and has identified several outstanding noncompliances and compliance concerns:

#### 1) Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals:

##### a) Financial Statements

- i. *Directive 067, section 5 (14), "licensees and approval holders must annually submit financial statements (audited or management-prepared) and a financial summary (schedule 3), once finalized, or within 180 days of fiscal year end, whichever comes first, or as directed by the AER."*

The financial statements and financial summary (Schedule 3) for 2023 and 2024 are outstanding and must be submitted immediately into OneStop. Additionally, please submit the digitally-signed Schedule 3 form in its original PDF fillable format (i.e., not scanned) to [FinancialSubmissions@aer.ca](mailto:FinancialSubmissions@aer.ca) and direct any questions to [Directive067@aer.ca](mailto:Directive067@aer.ca).

## b) Material Change Reporting

- i. *Directive 067*, section (18), "an updated Schedule 1 and any associated documents must be provided within 30 days of any material change. Changes to directors, officers, or shareholders directly or indirectly holding 20 percent or more of the outstanding voting securities of the licensee or approval holder"

As of the date of this letter, the Alberta Corporate Registries System (CORES) shows a director changed occurred in July of 2024 and that update was not reported to the AER. The AER is requesting Tallahassee to submit an updated Schedule 1 through OneStop including all relevant attachments.

## c) Insurance

- i. *Directive 067*, section 4.2 (requirement 9), "unless otherwise authorized, an applicant, licensee, or approval holder must have insurance issued from a company registered in Alberta to provide insurance in Alberta."

The AER requests a copy of Tallahassee's current valid insurance per *Directive 067* requirements with an invoice showing proof of payment.

## 2) Directive 013: Suspension Requirements for Wells:

- a. *Directive 013*, section 2.5, "The initial suspension and ongoing inspections for the inactive well must be reported to the AER via the designated information submission system in accordance with section 2.1."

The AER has identified the following well is not compliant with Directive 013:

Well Licence	UWI	Noncompliance Details
321866	00/14-22-089-09W5/0	Suspension not reported for current inactive period

Tallahassee is required to meet Directive 013 requirements. Initial suspension activities and ongoing inspections must be reported to the AER through OneStop. The AER is requesting Tallahassee provide a plan outlining the actions and timelines it intends to take to achieve compliance. Please direct any questions regarding suspension requirements for wells to [WellOperations@aer.ca](mailto:WellOperations@aer.ca).

## 3) Directive 088 Licensee Life-Cycle Management:

- a. Section 4.1 of *Directive 088* states "The AER will annually publish industry-wide closure spend requirements. Licensee-specific mandatory and supplemental spends will be calculated and released through OneStop each year. 3) Each licensee must meet their mandatory closure spend directed by the AER."

AER records show Tallahassee failed to meet its 2022, 2023 and 2024 Mandatory Closure Spend Quota (MCSQ) as shown in the table below:

Year	Mandatory Closure Spend Quota	Licensee Funded Spend
2022	\$3,358	\$0
2023	\$5,625	\$0
2024	\$5,541	\$0

Tallahassee is expected to come into compliance with this quota **by September 30, 2025** by reporting closure updates in OneStop and/or providing payment of the outstanding security deposit in accordance with *Directive 068: Security Deposits*. Questions regarding MCSQ should be directed to [ComplianceVerification@aer.ca](mailto:ComplianceVerification@aer.ca).

4) Failure to pay Orphan Fund Levy (OFL) and AER's Administrative Fee:

- a. AER records indicate Tallahassee has failed to pay its OFL and Administrative fees and associated penalties:

Year	Orphan Fund Levy	OFL Penalty Amount	Administration Fee	Administration Fee Penalty Amount
2024	\$1,475.74	-	\$392.14	-
2025	\$1,831.93	\$366.39	\$179.57	\$35.91

As of the date of this letter, Tallahassee has outstanding debts related to OFL and Administrative Fees totalling **\$4,281.68** and is required to pay its balance immediately. Any questions regarding levy payments should be directed to [AdminFeeCoordinator@aer.ca](mailto:AdminFeeCoordinator@aer.ca).

5) Field Operations:

- a. The following field inspections remain unaddressed and are past the deadline for compliance:

FIS #	Date of Inspection	Location	Outstanding Issues	Deadline
551240	January 23, 2025	14-22-089-09W5	<ul style="list-style-type: none"> <li>24-hour emergency number listed on the LSD sign is out of service</li> <li>Dike area was overgrown with weeds and trees</li> <li>Liquid level of approximately 1.5 meters appears to be frozen. The</li> </ul>	February 21, 2025

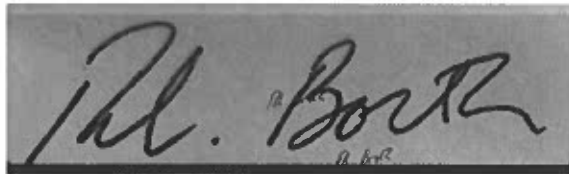
			<p>storage take is out of service the duty holder must remove all fluids from the storage tank and its connecting piping and clearly mark it empty and out of service.</p> <ul style="list-style-type: none"> <li>The south production tank had frozen fluid level of approximately 1.5 meters and the storage tank has a crack/slit approximately 10 inches long.</li> </ul>	
551521	January 23, 2025	10-18-069-26W5	<ul style="list-style-type: none"> <li>24-hour emergency number listed on the LSD sign is out of service.</li> </ul>	February 20, 2025

Tallahassee is expected to respond to information requests and address the above noncompliances.

In addition to responding to any other applicable AER correspondence regarding the above items, Tallahassee is required to submit a written response to Rob Borth by **September 30, 2025**, **indicating the above items have been completed or providing an acceptable commitment plan for any items that cannot be finalized within the specified timeframe.** Written submissions are to be provided by email to [Rob.Borth@aer.ca](mailto:Rob.Borth@ aer.ca).

Failure to respond to this letter and achieve compliance by the specified deadline may result in further regulatory action such as a suspension or abandonment Order. If you have any questions, please contact the undersigned at [Rob.Borth@aer.ca](mailto:Rob.Borth@ aer.ca) and [Complianceassurance@aer.ca](mailto:Complianceassurance@ aer.ca).

Sincerely,



Rob Borth  
Senior Advisor, External Innovation & Industry Performance

**Laura Chant**

**From:** Giselle Fonseca  
**Sent:** March 19, 2026 9:41 AM  
**To:** Andrew Basi; Kim Beloglowka  
**Cc:** Bonni Pierce; Ross Graham  
**Subject:** RE: Cabot Energy CCAA - Sale Process

This is Exhibit "L" referred to in the  
 Affidavit of Laura Chant  
 Sworn before me this 27  
 day of March 2024  
**KRISTA GIBSON**  
**BARRISTER & SOLICITOR**  
 A Commissioner for Oaths in and for the Province of Alberta  
 My commission expires \_\_\_\_\_

Hello Andrew and Kim,

Thank you for your response Andrew.

If you are considering a bidder, I can check the eligibility of the bidder. This is to help identify and navigate any regulatory challenges that could come up during the licence transfer process.

Please let me know if there are any other updates.

Thank you,  
 Giselle

---

**From:** Andrew Basi <abasi@ksvadvisory.com>  
**Sent:** March 11, 2026 3:38 PM  
**To:** Giselle Fonseca <Giselle.Fonseca@aer.ca>; Kim Beloglowka <k.beloglowka@cabot-energy.com>  
**Cc:** Bonni Pierce <Bonni.Pierce@aer.ca>; Ross Graham <rgraham@ksvadvisory.com>  
**Subject:** RE: Cabot Energy CCAA - Sale Process

**CAUTION: External email alert.**

**DO NOT click links, open attachments, reply, or enter AER credentials unless you recognize the sender and know the content is safe. Report phishing via Outlook 'Report Message' button.**

Hi Giselle, we will defer to the Company to discuss bidders. We understand a potential purchaser has been identified for a share transaction.

Thank you.

---

**From:** Giselle Fonseca <Giselle.Fonseca@aer.ca>  
**Sent:** Tuesday, March 10, 2026 11:10 AM  
**To:** Kim Beloglowka <k.beloglowka@cabot-energy.com>; Andrew Basi <abasi@ksvadvisory.com>  
**Cc:** Bonni Pierce <Bonni.Pierce@aer.ca>  
**Subject:** Cabot Energy CCAA - Sale Process

Hello Kim and Andrew,

I am following up to inquire whether there have been any updates.

As your sales process is underway, do you have any potential bidders that you would like me to check eligibility?

In my December 18, 2025, correspondence I had sent the attached spreadsheets. Can you please confirm that your inventory matches that listed here, and inform me of any discrepancies?

Finally, can you please provide me with proof of insurance over your sites please?

Thank you,

**Giselle Fonseca** (she/her) Specialist, MSc.  
Orphaning & Insolvency, Regulatory Compliance  
e [giselle.fonseca@aer.ca](mailto:giselle.fonseca@aer.ca) t (403) 476-9395  
a Suite 1000, 250 – 5 Street SW, Calgary, AB T2P 0R4  
inquiries 1-855-297-8311 24-hour emergency 1-800-222-6514



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