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<p>Clerk's stamp:</p> <hr/> <p style="text-align: center;">QUESTIONING OF JOHN KEVIN BRANNAN CALGARY, ALBERTA BY MR. P. G. CHISWELL AFFIDAVITS SWORN JULY 15, 2020 AND AUGUST 12, 2020 HELD SEPTEMBER 16, 2020 VIA REMOTE VIDEO</p> <hr/> <p>COURT FILE NUMBER 1801-10960</p> <p>COURT OF QUEEN'S BENCH OF ALBERTA</p> <p>JUDICIAL CENTRE Calgary</p> <p>PLAINTIFF(S) PricewaterhouseCoopers Inc., LIT, in its capacity as the Trustee in Bankruptcy of Sequoia Resources Corp. and not in its personal capacity</p> <p>DEFENDANT(S) Perpetual Energy Inc., Perpetual Operating Trust, Perpetual Operating Corp. and Susan Riddell Rose</p>	<p>1</p> <p>2 INTERVENOR(S) Orphan Well Association,</p> <p>3 Canadian Natural Resources</p> <p>4 Limited, Cenovus Energy Inc.</p> <p>5 and Torxen Energy Ltd.</p> <p>6</p> <p>7 DOCUMENT QUESTIONING ON AFFIDAVIT</p> <p>8</p> <p>9</p> <p>10 _____</p> <p>11 Taken before L. D. Stevenson, Official Court Reporter,</p> <p>12 pursuant to Rules 5.26, 6.20, and 13.46 of the Court of</p> <p>13 Queen's Bench of Alberta.</p> <p>14 _____</p> <p>15</p> <p>16 FOR THE PLAINTIFF(S) PRICEWATERHOUSECOOPERS INC., LIT,</p> <p>17 IN ITS CAPACITY AS THE TRUSTEE IN BANKRUPTCY OF SEQUOIA</p> <p>18 RESOURCES CORP., NOT IN ITS PERSONAL CAPACITY:</p> <p>19 R. de Waal</p> <p>20 L. Rasmussen (Not Present)</p> <p>21 de Waal Law</p> <p>22 Suite 1010, 505 3rd Street SW</p> <p>23 Calgary, Alberta</p> <p>24 403-266-0012</p> <p>25</p> <p>26</p> <p>27</p>
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<p>1 FOR THE DEFENDANT(S) PERPETUAL ENERGY INC., PERPETUAL</p> <p>2 OPERATING TRUST, PERPETUAL OPERATING CORP.:</p> <p>3 D. J. McDonald, Q.C.</p> <p>4 P. G. Chiswell</p> <p>5 Burnet, Duckworth & Palmer LLP.</p> <p>6 2400, 525 - 8 Avenue SW</p> <p>7 Calgary, Alberta</p> <p>8 403-260-0100</p> <p>9</p> <p>10 FOR THE DEFENDANT SUSAN RIDDELL ROSE:</p> <p>11 S. Leidl (Not Present)</p> <p>12 G. Benediktsson (Not Present)</p> <p>13 Norton Rose Fulbright Canada LLP.</p> <p>14 3700, 400 3rd Avenue SW</p> <p>15 Calgary, Alberta</p> <p>16 403-267-8222</p> <p>17</p> <p>18 FOR THE INTERVENOR(S) ORPHAN WELL ASSOCIATION:</p> <p>19 K. T. Lenz, Q.C.</p> <p>20 Bennett Jones LLP.</p> <p>21 4500, 855 - 2 Street SW</p> <p>22 Calgary, Alberta</p> <p>23 403-298-3100</p> <p>24</p> <p>25</p> <p>26</p> <p>27</p>	<p>1 FOR THE INTERVENOR(S) CANADIAN NATURAL RESOURCES</p> <p>2 LIMITED, CENOVUS ENERGY INC., AND TORXEN ENERGY LTD.:</p> <p>3 G. S. Watson</p> <p>4 K. Gramlich</p> <p>5 Parlee McLaws LLP.</p> <p>6 3300, 421 - 7 Avenue SW</p> <p>7 Calgary, Alberta</p> <p>8 403-294-7000</p> <p>9</p> <p>10 OFFICIAL COURT REPORTER:</p> <p>11 L. D. Stevenson, CSR(A)</p> <p>12 Dicta Court Reporting Inc.</p> <p>13 760, 1015 - 4 Street SW</p> <p>14 Calgary, Alberta</p> <p>15 403-531-0590</p> <p>16 _____</p> <p>17 (PROCEEDINGS COMMENCED AT 10:05 AM)</p> <p>18 JOHN KEVIN BRANNAN, Sworn, Examined by Mr. Chiswell</p> <p>19 THE COURT REPORTER: Please state and spell your</p> <p>20 full name for the record.</p> <p>21 A It's John Kevin Brannan. Last name is spelt</p> <p>22 B-R-A-N-N-A-N. First name is spelt J-O-H-N.</p> <p>23 THE COURT REPORTER: Thank you.</p> <p>24 Q MR. CHISWELL: Mr. Brannan, you swore two</p> <p>25 affidavits in this action, one on July 15th, 2020, and</p> <p>26 another one on August 12th, 2020?</p> <p>27 A That's correct.</p>

<p style="text-align: right;">5</p> <p>1 Q And do you have both those before you?</p> <p>2 A I do.</p> <p>3 Q Do you have any changes or corrections to your</p> <p>4 affidavits?</p> <p>5 A No.</p> <p>6 Q If you have any problems hearing me today, can you</p> <p>7 please let me know?</p> <p>8 A I will. I can hear you fine now. Thank you.</p> <p>9 Q Great, and if you need me to repeat a question, please</p> <p>10 let me know.</p> <p>11 Now, your affidavit says that you have a bachelors</p> <p>12 in engineering. Do you have any other post-secondary</p> <p>13 education?</p> <p>14 A I have a number of leadership and management courses</p> <p>15 probably as long as my arm. I was on several boards,</p> <p>16 including the board of SAIT and others, but I do not</p> <p>17 have any other official degrees or masters. I went to</p> <p>18 different business schools and those things for</p> <p>19 generally executive leadership and business and</p> <p>20 economics courses.</p> <p>21 Q I understand you're also a professional engineer. Do</p> <p>22 you have any other professional designations?</p> <p>23 A My original professional designation was in the State</p> <p>24 of Texas. Then moved to California. Then to Canada.</p> <p>25 I had an official designation in the APENS, which is</p> <p>26 the Nova Scotia Professional Engineering Board. I've</p> <p>27 since retired from that one, and I'm still a member in</p>	<p style="text-align: right;">6</p> <p>1 good standing of APEGA.</p> <p>2 Q Those professional designations, they're all</p> <p>3 engineering designations?</p> <p>4 A That's correct.</p> <p>5 Q And so you're not a member of the Alberta Bar?</p> <p>6 A No, I'm not.</p> <p>7 Q And you're not trained as a lawyer?</p> <p>8 A No, I'm not.</p> <p>9 Q And have you ever been called to any Bar of any</p> <p>10 jurisdiction?</p> <p>11 A No, I have not.</p> <p>12 Q I assume then you don't provide legal advice of the</p> <p>13 interpretation of legislation, the regulations.</p> <p>14 A I do not provide legal advice.</p> <p>15 Q And you're not an accountant. You don't have formal</p> <p>16 training in accounting?</p> <p>17 A I am not a formal accountant.</p> <p>18 Q And so you are not a chartered professional accountant</p> <p>19 or member of any chartered accountant association like</p> <p>20 Professional Accountants of Alberta?</p> <p>21 A No, I'm not.</p> <p>22 Q And have you ever been a director of a publically</p> <p>23 traded oil and gas company?</p> <p>24 A No, I've been on the executive end of several oil and</p> <p>25 gas companies and represented to the board and those</p> <p>26 type of things.</p> <p>27 Q Have you ever been a director and officer of a</p>
<p style="text-align: right;">7</p> <p>1 corporation that went bankrupt?</p> <p>2 A No.</p> <p>3 Q Do you have any experience in corporate bankruptcy?</p> <p>4 A No.</p> <p>5 Q Do you have any experience with the Bankruptcy</p> <p>6 Insolvency Act?</p> <p>7 A No.</p> <p>8 Q Have you ever held an executive or director position</p> <p>9 with a Canadian oil and gas industry organization?</p> <p>10 A With leading oil and gas companies, but when you say</p> <p>11 organization, what do you mean by organization versus</p> <p>12 company?</p> <p>13 Q I mean an association of oil and gas industry members.</p> <p>14 A Like, CAPP or APEGA or those -- sorry, CAPP or -- yeah,</p> <p>15 no, I have not.</p> <p>16 Q Between what years were you the CEO at Cenovus?</p> <p>17 A I think the actual dates were around 2010 to two</p> <p>18 thousand and -- I retired in '16, 2016. About a</p> <p>19 five-year term.</p> <p>20 Q What were your responsibilities as CEO at Cenovus?</p> <p>21 A Was responsible for all of Cenovus's operations both</p> <p>22 domestic and international. I, in the U.S., obviously</p> <p>23 responsible for safe operations, for -- and as a member</p> <p>24 of the executive team for the results of the company</p> <p>25 and understanding strategy and direction and those kind</p> <p>26 of things, where the company was going to be going.</p> <p>27 Q At Cenovus, would you have been responsible for</p>	<p style="text-align: right;">8</p> <p>1 calculating abandonment and reclamation obligations?</p> <p>2 A I would not have been directly, but people that worked</p> <p>3 for me would have been, yes.</p> <p>4 Q I understand Cenovus has a separate group that does</p> <p>5 that within Cenovus.</p> <p>6 A Yeah, I haven't been at Cenovus for, you know, five --</p> <p>7 five years now or whatever -- how long that's been,</p> <p>8 2016 --</p> <p>9 Q Right.</p> <p>10 A -- but when I was there, we did have an environmental</p> <p>11 safety and regulatory group.</p> <p>12 Q And at Torxen, is it the same that somebody else</p> <p>13 calculates abandonment and reclamation obligations, not</p> <p>14 you?</p> <p>15 A We do have an individual and a group that manages our</p> <p>16 environmental and regulatory affairs, including</p> <p>17 calculating LMR ratios, viability ratios, understanding</p> <p>18 what our abandonment liabilities are, but we all -- I</p> <p>19 mean, that's part of -- Torxen is a smaller company</p> <p>20 obviously than Cenovus and so I'm a lot more aware of</p> <p>21 and the implications of those at Torxen than I was</p> <p>22 necessarily at Cenovus.</p> <p>23 Q Right, and I appreciate that you're aware of the</p> <p>24 implications of ARO, but you don't calculate the ARO</p> <p>25 yourself at Torxen, somebody else does that?</p> <p>26 A That's correct.</p> <p>27 Q What records did you review before you swore your</p>

<p style="text-align: right;">9</p> <p>1 affidavits?</p> <p>2 A And which records do you mean?</p> <p>3 Q Well, are there any records that you would have</p> <p>4 reviewed in -- before you swore your affidavits that</p> <p>5 you would have used to form some of the statements that</p> <p>6 you make in your affidavits?</p> <p>7 A Yeah, I didn't review any details of the transaction</p> <p>8 and those type of things. Yeah, no.</p> <p>9 Q Okay. Did you read the statement of claim?</p> <p>10 A I have.</p> <p>11 Q Did you read the Perpetual Energy statement of defence?</p> <p>12 A I did not.</p> <p>13 Q Did you read Mr. Paul Darby's August 2018 affidavit?</p> <p>14 A No, I just read Ron Laing's, because that's the one I</p> <p>15 refer to.</p> <p>16 Q Okay. I'm assuming then you didn't read Mr. Darby's --</p> <p>17 the exhibits to Mr. Darby's affidavit.</p> <p>18 A No.</p> <p>19 Q And you told me earlier you didn't review sort of the</p> <p>20 any of the underlying transactional documents; is that</p> <p>21 correct?</p> <p>22 A That's correct.</p> <p>23 Q Would you have reviewed any of the transcripts of any</p> <p>24 of the cross-examinations in this lawsuit?</p> <p>25 A Say that again.</p> <p>26 Q Did you review or read any of the transcripts of</p> <p>27 cross-examinations on affidavits in this lawsuit?</p>	<p style="text-align: right;">10</p> <p>1 A No, I did not.</p> <p>2 Q Have you read Ms. Rose's October 2018 affidavit?</p> <p>3 A No, I have not.</p> <p>4 Q What about Mr. Schweitzer's 2018 affidavit?</p> <p>5 A No, I did not.</p> <p>6 Q Do you know why you didn't read any of those</p> <p>7 affidavits?</p> <p>8 A I -- I didn't -- I don't know. I didn't read them. I</p> <p>9 didn't understand that I needed to.</p> <p>10 Q Okay. Were they available to you or provided to you?</p> <p>11 A No, they were not.</p> <p>12 Q You didn't think you might want to review those to get</p> <p>13 a complete sense of what happened before you swore your</p> <p>14 affidavits?</p> <p>15 A No.</p> <p>16 Q Did you read Justice Nixon's reasons dated January</p> <p>17 13th, 2020?</p> <p>18 A No.</p> <p>19 Q Did you read the BI -- the BIA summary dismissal</p> <p>20 application that was filed by the Perpetual Energy</p> <p>21 defendants in February of 2020 that's referenced at</p> <p>22 paragraph 7 of your July 15, 2020, affidavit?</p> <p>23 A Say that again?</p> <p>24 Q Did you read the BIA summary dismissal application for</p> <p>25 the BIA application that's referenced at paragraph 7 of</p> <p>26 your July 15, 2020, affidavit?</p> <p>27 A Related to application to strike. Just see which one</p>
<p style="text-align: right;">11</p> <p>1 I'm missing here. No, I don't believe I did.</p> <p>2 Q Are there any documents that I missed, that I didn't</p> <p>3 cover that you might have reviewed in swearing your</p> <p>4 affidavits?</p> <p>5 A No.</p> <p>6 Q So I'm assuming you also didn't read any of the Sequoia</p> <p>7 bankruptcy records.</p> <p>8 A No.</p> <p>9 Q And what about any of the trustee's records or reports?</p> <p>10 A No.</p> <p>11 Q Who did you speak with in preparing your affidavits</p> <p>12 other than your lawyer?</p> <p>13 A Did speak with Brad McFadden who was our attorney. I</p> <p>14 did speak with Holly MacDonald who is our environmental</p> <p>15 regulatory advisor. Maybe Mark Grant who's also one of</p> <p>16 our regulatory individuals, but, yeah, I think that's</p> <p>17 it.</p> <p>18 Q Did you speak with Mr. Paul Darby?</p> <p>19 A No.</p> <p>20 Q Did you speak with any other representatives of PWC?</p> <p>21 A Not in relation to this case. PWC does work for us on</p> <p>22 accounting and other matters but not in relation to</p> <p>23 this case.</p> <p>24 Q Okay. Did you speak with any representatives from</p> <p>25 Sequoia?</p> <p>26 A No, I did not.</p> <p>27 Q So, for example, you didn't speak to Mr. Wang or</p>	<p style="text-align: right;">12</p> <p>1 Mr. Yang?</p> <p>2 A No.</p> <p>3 Q Did you speak with any representatives for Perpetual?</p> <p>4 A No.</p> <p>5 Q Any members from the Orphan Well Association?</p> <p>6 A No.</p> <p>7 Q Did you speak with Mr. Kendall Dilling?</p> <p>8 A I know Kendall Dilling, but I did not speak with him in</p> <p>9 reference to this matter.</p> <p>10 Q Did you speak with any of the other inspectors of the</p> <p>11 Sequoia estate?</p> <p>12 A No, I have not.</p> <p>13 Q Have you spoken with anybody from CNRL or Cenovus?</p> <p>14 A No, I know individuals from those companies, but I</p> <p>15 didn't speak to them in relation to this matter.</p> <p>16 Q Okay.</p> <p>17 A I did get one e-mail from an Ivor Ruste, who used to be</p> <p>18 the CFO, who stated that he was -- he read in the paper</p> <p>19 and was glad to see that we were providing an affidavit</p> <p>20 in this case, but that's the only contact I had with</p> <p>21 anybody at Cenovus in relationship to this affidavit.</p> <p>22 Q Is Torxen a creditor of the Sequoia estate?</p> <p>23 A I do not believe so.</p> <p>24 Q Is Torxen providing any sort of financial support to</p> <p>25 the trustee in pursuing this lawsuit?</p> <p>26 A No, we're not, other than my costs and time to be here.</p> <p>27 Q At paragraph 3 of your affidavit sworn July 15, 2020,</p>

13	<p>1 you state that you're qualified to provide opinions</p> <p>2 with respect to transactions that impact the industry</p> <p>3 in general. Does that include transactions, sir, where</p> <p>4 you haven't read the underlying transactional</p> <p>5 documents?</p> <p>6 A I think it was a general statement about transaction</p> <p>7 between companies, particularly M&A transactions of</p> <p>8 which I had been part of for a number of years since</p> <p>9 I've been in Alberta either through initially Mobil,</p> <p>10 then ExxonMobil, then PanCanadian, then EnCana, then</p> <p>11 Cenovus and now Torxen.</p> <p>12 Q Right, so you have a lot of experience doing</p> <p>13 transactions, but specifically you don't -- you haven't</p> <p>14 read these transactions and so you wouldn't provide</p> <p>15 opinion evidence on these specific transactions because</p> <p>16 you haven't read them. Agreed?</p> <p>17 A I'm not aware of the finite details of this</p> <p>18 transaction, no.</p> <p>19 Q Okay. At paragraph 4, you say you'll use some of the</p> <p>20 defined terms set out in the statement of claim, so if</p> <p>21 I use those terms, you'll understand what I'm talking</p> <p>22 about?</p> <p>23 A Yes, I believe so.</p> <p>24 Q And in your August 12th affidavit, at paragraph 2, you</p> <p>25 adopt some of the parts of Mr. Laing's affidavit and</p> <p>26 that includes some defined terms in the affidavit of</p> <p>27 Paul Darby, so if I reference some of those defined</p>	14	<p>1 terms, you'll know what I'm talking about?</p> <p>2 A Now, the August 12th affidavit says incorporate</p> <p>3 paragraphs 2 to 12, 16 to 19, 22 to 23 of the affidavit</p> <p>4 of Ron Laing. I've read Ron Laing's affidavit. I'll</p> <p>5 know what you're talking about in reference to Ron</p> <p>6 Laing.</p> <p>7 Q Okay, but Mr. Laing's affidavit dated August -- or,</p> <p>8 sworn August 12th at paragraph 2 says (AS READ):</p> <p>9 Capitalized terms used in this affidavit have</p> <p>10 the meaning set out in the affidavit of Paul</p> <p>11 Darby.</p> <p>12 So I assume, by adopting Mr. Laing's affidavit, you're</p> <p>13 comfortable with the defined terms in Mr. Paul Darby's</p> <p>14 affidavit; correct?</p> <p>15 A Yeah, I would assume they're the same terms, but if</p> <p>16 there's one I don't know, I'll ask you about it.</p> <p>17 Q Okay. So what do you mean when you say you'll adopt</p> <p>18 and incorporate certain paragraphs from Mr. Laing's</p> <p>19 affidavit?</p> <p>20 A So if you read those paragraphs in Mr. Laing's</p> <p>21 affidavit, it's their general kind of statements about</p> <p>22 how business was done in association with the</p> <p>23 regulator, calculations of LMRs, relation of assets to</p> <p>24 liabilities, Directive 6 of the AER, security deposits,</p> <p>25 LMR ratios, those type of things, so when I say I adopt</p> <p>26 those, I understand and adopt those in my affidavit.</p> <p>27 Q Okay. So one of the paragraphs that you adopt is</p>
15	<p>1 paragraph 2 of Mr. Laing's affidavit and that doesn't</p> <p>2 just talk about general industry knowledge about LMRs</p> <p>3 and the like, but specifically adopts certain</p> <p>4 paragraphs from Mr. Darby's affidavit. Did you mean to</p> <p>5 do that, or is that an oversight? And it's fine if</p> <p>6 it's an oversight.</p> <p>7 A Yeah, it's -- it's an oversight then I guess.</p> <p>8 Q And so you didn't mean to adopt paragraphs 14 to 18 of</p> <p>9 Mr. Darby's affidavit?</p> <p>10 A I have Mr. Darby's affidavit. If you would like me to</p> <p>11 go through and look at it, I probably could.</p> <p>12 Q No, my question is just whether you intended to adopt</p> <p>13 it or not. You said it was an oversight, and I just</p> <p>14 want to clarify --</p> <p>15 A Okay.</p> <p>16 Q -- that you didn't mean to adopt paragraphs 14 to 18 of</p> <p>17 his affidavit.</p> <p>18 A I guess that's correct.</p> <p>19 Q And one of the reasons I ask is because paragraphs 14</p> <p>20 to 18 of Mr. Darby's affidavit talk about the actual</p> <p>21 transactions and what took place, and I'm assuming that</p> <p>22 you have no personal knowledge of the transactions in</p> <p>23 this case.</p> <p>24 A I have no personal knowledge of the transactions. I</p> <p>25 just have knowledge of the consequences</p> <p>26 (INDISCERNIBLE).</p> <p>27 THE COURT REPORTER: I'm sorry? I just have</p>	16	<p>1 knowledge of ...</p> <p>2 A Say again?</p> <p>3 THE COURT REPORTER: I didn't get what you said. I</p> <p>4 just have knowledge of the consequences ...</p> <p>5 A I don't have detailed knowledge of the transaction</p> <p>6 between Perpetual and Sequoia, but I do have direct</p> <p>7 knowledge of the consequences of that action.</p> <p>8 (DISCUSSION OFF THE RECORD)</p> <p>9 Q MR. CHISWELL: So, sir, I understand you</p> <p>10 don't have detailed knowledge about the transactions,</p> <p>11 but you don't have any personal knowledge or personal</p> <p>12 experience with the transactions in this case that took</p> <p>13 place in -- in October or September of 2016?</p> <p>14 A No, only what I've historically read in the paper about</p> <p>15 the transaction occurring. I would have read in oil</p> <p>16 and gas journal or something like that, but, no, I</p> <p>17 don't have any personal knowledge. And there was</p> <p>18 concern -- I remember a regulatory group registering a</p> <p>19 concern at the time that, you know, these are gas</p> <p>20 assets that were spun off and, you know, hope that</p> <p>21 they're successful, but if they're not, we're gonna end</p> <p>22 up having to, you know, go in the orphan well and we'll</p> <p>23 have to pay for them.</p> <p>24 Q When was that? When did you read that article?</p> <p>25 A I didn't read that article. That was a conversation</p> <p>26 with our regulatory group, but I would have read -- I</p> <p>27 mean, I read the Daily Oil Bulletin. I read a number</p>

17	<p>1 of other things and so when transactions occur I</p> <p>2 understand.</p> <p>3 Q Mr. Brannan, that conversation that you were talking</p> <p>4 about where you talked about the transaction, when was</p> <p>5 that?</p> <p>6 A Probably within a few weeks of the transaction.</p> <p>7 Q So sometime in October of 2016?</p> <p>8 A If that's when the transaction was, yes. October or</p> <p>9 November of 2016.</p> <p>10 Q I believe we've covered this, but I just want to make</p> <p>11 sure. You haven't read the asset PSA?</p> <p>12 A No, I have not.</p> <p>13 Q And you haven't read the share PSA?</p> <p>14 A No, I have not.</p> <p>15 Q What about the retained interest agreement?</p> <p>16 A Have not.</p> <p>17 Q Would you have been aware that Ms. Rose had sworn an</p> <p>18 affidavit until I mentioned it earlier today?</p> <p>19 A No, I was not.</p> <p>20 Q I gather --</p> <p>21 A I would assume that she had, but I wasn't aware of it.</p> <p>22 I didn't read it.</p> <p>23 Q Now that I mention it, do you wish you had read it</p> <p>24 before you swore your affidavit?</p> <p>25 A No, not necessarily.</p> <p>26 Q And why not?</p> <p>27 A I think it's kind of laid out in my affidavit the</p>	18	<p>1 concerns that we had for the way this transaction</p> <p>2 occurred, and we -- as I understand it and that it was</p> <p>3 not through the normal process of going through the</p> <p>4 Alberta Energy Regulator and getting the LMRs and those</p> <p>5 type of things assessed and trying to avoid assets</p> <p>6 prematurely being pushed into the orphan well fund and</p> <p>7 managed that way.</p> <p>8 Q So, sir, if you knew about the transactions in about</p> <p>9 October or November of 2016, were you aware of</p> <p>10 Sequoia's bankruptcy when it happened in March of 2018?</p> <p>11 A Yes, I was.</p> <p>12 Q And were you similarly aware when the trustee filed the</p> <p>13 statement of claim in this lawsuit in August of --</p> <p>14 A I was --</p> <p>15 Q -- 2018?</p> <p>16 A I was generally aware that Sequoia had filed</p> <p>17 bankruptcy. I wasn't aware of the exact date, and I</p> <p>18 was told, I was informed, I read it in Daily Oil</p> <p>19 Bulletin and other things that said that that was --</p> <p>20 that they had gone bankrupt.</p> <p>21 Q Were you aware of the statement of claim that was filed</p> <p>22 in August of 2018?</p> <p>23 A No.</p> <p>24 Q When did you become aware of the lawsuit?</p> <p>25 A I don't know, in the last year.</p> <p>26 Q So about a year ago?</p> <p>27 A I mean, I was aware that there was a lawsuit. Whether</p>
19	<p>1 that was ten months ago or six months ago or a year</p> <p>2 ago, I'm not exactly sure.</p> <p>3 Q When did Torxen first consider intervening in the</p> <p>4 lawsuit?</p> <p>5 A Probably two or three -- let's see. In around the May</p> <p>6 or June timeframe.</p> <p>7 Q Of 2020?</p> <p>8 A That's correct.</p> <p>9 Q And do you know if somebody approached Torxen or you to</p> <p>10 have Torxen intervene and --</p> <p>11 A I mean, I would think we're in discussions with other</p> <p>12 industry players. I'm not aware of any -- nobody</p> <p>13 specifically from another company approached me, yeah.</p> <p>14 Q Okay.</p> <p>15 A I'm sure there have been discussions between our</p> <p>16 regulatory departments and other companies regulatory</p> <p>17 departments. Those things happen all the time.</p> <p>18 Q Paragraph 9 of your July 15th affidavit, you refer to</p> <p>19 multiple sequential transactions that PEOC was able to</p> <p>20 assign to Sequoia -- Sequoia the abandonment and</p> <p>21 reclamation obligations and municipal tax liabilities.</p> <p>22 Is that assignment from PEOC to Sequoia the transaction</p> <p>23 that you're concerned about?</p> <p>24 A So could you ask that -- I'm reading a different</p> <p>25 paragraph.</p> <p>26 Q It's paragraph 9 of your July 15th affidavit.</p> <p>27 A Okay, I'm in the wrong affidavit. August -- August --</p>	20	<p>1 okay, what's your question?</p> <p>2 Q Sir, you reference multiple sequential transactions</p> <p>3 where PEOC was able to assign to Sequoia the</p> <p>4 abandonment and reclamation obligations and municipal</p> <p>5 tax liabilities associated with the good year assets,</p> <p>6 and I'm wondering if that's one of the multiple</p> <p>7 sequential transactions that you're concerned about,</p> <p>8 the one where PEOC assigned to Sequoia the abandonment</p> <p>9 and reclamation obligations.</p> <p>10 A Yeah, I just understand that there were a series of</p> <p>11 transactions that were not -- that did not go through</p> <p>12 the regulator to carve off some assets to Sequoia from</p> <p>13 Perpetual.</p> <p>14 Q And, sir, specifically you're not able to identify any</p> <p>15 of the specific transactions within the multiple</p> <p>16 sequential transactions that is of concern?</p> <p>17 A I could not identify a specific transaction, no.</p> <p>18 Q Okay.</p> <p>19 A Other than to know that there were multiple</p> <p>20 transactions that allowed this to occur.</p> <p>21 Q Also in that paragraph in the second sentence, you say</p> <p>22 that you understand Sequoia to be an entity with</p> <p>23 limited or no assets. What's your basis for that</p> <p>24 understanding?</p> <p>25 A That's in -- primarily in discussion with our</p> <p>26 regulatory group.</p> <p>27 Q So Torxen's regulatory group?</p>

<p style="text-align: right;">21</p> <p>1 A Yes.</p> <p>2 Q What time period are you referencing there? Because we</p> <p>3 know, of course, that Sequoia is in bankruptcy since</p> <p>4 March of 2018, so what time period are you saying that</p> <p>5 Sequoia had limited or no assets?</p> <p>6 A I think from the time the transaction was made I hadn't</p> <p>7 heard of Sequoia before. You know, when it initially</p> <p>8 came up and the concern about that these assets were</p> <p>9 carved off to a company called Sequoia, what were the</p> <p>10 assets and liabilities of that associated company, and,</p> <p>11 again, the thought was that it was limited.</p> <p>12 Q Is that an assumption that you made that you had</p> <p>13 limited to no assets, this company called Sequoia?</p> <p>14 A Yes, I did not -- I have not looked at their books. I</p> <p>15 have not looked at their balance sheets and those</p> <p>16 things, but it was -- yeah, it was clearly not</p> <p>17 necessarily an established company that was in the oil</p> <p>18 and gas business here in a big way.</p> <p>19 Q And you say that because to you Sequoia was a new</p> <p>20 corporation that you had never heard of; correct?</p> <p>21 A Yes.</p> <p>22 Q You're involved in the industry, so you kind of know</p> <p>23 the players and Sequoia wasn't a player you were</p> <p>24 familiar with. Is that fair?</p> <p>25 A It's not one that I was familiar with.</p> <p>26 Q When you spoke with Torxen's regulatory group, did they</p> <p>27 let you know that -- that Sequoia, as of October 1st,</p>	<p style="text-align: right;">22</p> <p>1 2016, had production of over 35,000 cubic feet per day</p> <p>2 of gas?</p> <p>3 A 30 -- I think you've got your numbers wrong there.</p> <p>4 Q Yeah, 35 million. My apologies, I missed a double 'M.'</p> <p>5 A Yeah. Not specifically, no.</p> <p>6 Q Did you know --</p> <p>7 A I guess -- you know, so if you're saying 35 million</p> <p>8 cubic feet of gas, it's on a six to one ratio is, you</p> <p>9 know, 6,000 barrels a day. If it were 6,000 barrels of</p> <p>10 oil, that would be a significant number. 35 million</p> <p>11 cubic feet of natural gas is not necessarily</p> <p>12 significant in this environment.</p> <p>13 Q Sir, did you know what level of production Sequoia had</p> <p>14 when you swore your affidavits?</p> <p>15 A Other than it was small.</p> <p>16 Q Did you know that Sequoia had gas reserves or what the</p> <p>17 size of those gas reserves were as of October 1st,</p> <p>18 2016?</p> <p>19 A No, I did not.</p> <p>20 Q Do you know that between October 1st, 2016, to December</p> <p>21 31st, 2017, that Sequoia had ranked fifth in Alberta in</p> <p>22 terms of reclamation certificates received?</p> <p>23 A I was not aware of that.</p> <p>24 Q Did you know from October 1st to December 31st, 2017,</p> <p>25 that Sequoia had abandoned 150 wells and received</p> <p>26 reclamation certificates for 91 wells?</p> <p>27 A No, I wasn't aware of that.</p>
<p style="text-align: right;">23</p> <p>1 Q So, sir, fair to say that you weren't aware of Sequoia</p> <p>2 and you weren't aware of its asset base in October</p> <p>3 2016, but you're also not opining on the reasons that</p> <p>4 Sequoia went insolvent in March of 2018. Is that fair?</p> <p>5 A I specifically know the consequences.</p> <p>6 Q Right. So you're agreeing with me? You're not --</p> <p>7 you're not providing an opinion as to why Sequoia went</p> <p>8 insolvent?</p> <p>9 A Yeah, I guess my assumption is that they went insolvent</p> <p>10 because they had assets, and, you know, their</p> <p>11 liabilities exceeded their assets --</p> <p>12 Q Right --</p> <p>13 A -- and their revenue.</p> <p>14 Q -- and that was the case in March of 2018. That's what</p> <p>15 you knew; right?</p> <p>16 A I -- yes.</p> <p>17 Q At paragraph 10 of your July 15th affidavit, you say</p> <p>18 (AS READ):</p> <p>19 These liabilities will become the</p> <p>20 responsibility of the Orphan Well</p> <p>21 Association.</p> <p>22 But you'll appreciate, sir, and you'll agree with me</p> <p>23 that that only occurs if the AER declares the assets to</p> <p>24 be orphan assets or orphan wells?</p> <p>25 A Yeah, if -- if they don't produce the wells or if they</p> <p>26 -- you know, if they can't be economic, they'll end up</p> <p>27 in the orphan well -- we'll end up paying for them</p>	<p style="text-align: right;">24</p> <p>1 through the orphan well levy.</p> <p>2 Q Right, but that requires the AER to declare the assets</p> <p>3 orphan -- orphan sites?</p> <p>4 A I think that's the process.</p> <p>5 Q And you'll agree with me that that hasn't occurred yet;</p> <p>6 correct?</p> <p>7 A Not that I'm aware.</p> <p>8 Q And it's been at least two years since Sequoia went</p> <p>9 bankrupt in March of 2018?</p> <p>10 A It's been two years since March 2018.</p> <p>11 Q At paragraph 12 of your affidavit, you say</p> <p>12 "Torxen expects," and I assume you mean you expect;</p> <p>13 correct?</p> <p>14 A Yeah, me or Torxen, yes. I think we will end up paying</p> <p>15 for it.</p> <p>16 Q And you're referencing Torxen paying for it, but that</p> <p>17 only happens, of course, if the levy goes up in future</p> <p>18 years; correct?</p> <p>19 A We pay a proportion of that levy, that's correct.</p> <p>20 Q Right, but you're basing it on the assumption that the</p> <p>21 levy will go up and -- correct?</p> <p>22 A Well, if -- I mean, the levy goes up and down every</p> <p>23 year dependent upon how many wells and what the</p> <p>24 liability is in that Orphan Well Association.</p> <p>25 Q Right, but the AER is the one that sets the levy;</p> <p>26 correct?</p> <p>27 A We pay our levy to the Orphan Well Association. We get</p>

25

1 a letter from the regulator, from the AER. We get our
 2 bill from the AER.
 3 Q Right, but the AER is the one that sets the actual
 4 levy. They're the ones who increase it or decrease it
 5 in any given year?
 6 A Yeah, that's correct.
 7 Q And so paragraphs 13 through -- pardon me, 13 and 15 of
 8 your July 15th affidavit, you talk about Torxen having
 9 the second most AER licenses for wells and being the
 10 third largest contributor to the levy. Is it fair to
 11 say that Torxen is a relatively larger contributor to
 12 the levy because it has a larger percentage of the
 13 share of the industry's estimated overall liability?
 14 A Yeah, I think that -- yes, we have 20,000 some wells
 15 and, you know, we're a 60,000 BOE producer and we have
 16 a lot of wells, and, yes, we do have the third largest
 17 payee to that levy.
 18 Q Right, but my question was about the levy that Torxen
 19 pays is based on the -- its share of the industry's
 20 estimated liability.
 21 A That's correct.
 22 Q And so one of the ways that Torxen could lower the levy
 23 that it pays every year would be by abandoning and
 24 reclaiming more of its wells to lower the share of its
 25 industry -- or, its share of the industry's overall
 26 estimated liabilities?
 27 MR. WATSON: Don't answer that. That's a

27

1 Q Yes, which specific transactions are you talking about?
 2 A All of them.
 3 Q So does that include the asset transaction?
 4 A Yeah, I don't know all -- I haven't read -- we talked
 5 about this before. I haven't read -- seen all the
 6 details of all the transactions, but there was
 7 transactions that moved these assets from Perpetual to
 8 Sequoia. Those are the transactions I'm referring to.
 9 Q So you're not sure if that includes the asset
 10 transaction?
 11 A Yeah, when there is -- when we have bought in the past,
 12 assets are sold. Then they're listed assets in those
 13 transactions.
 14 Q So you're not sure if it includes the share
 15 transaction?
 16 A I'm not aware of the details of that transaction.
 17 Q And you're not sure if it includes the retained
 18 interest agreement, the transaction that was documented
 19 by the retained interest agreement?
 20 A Yeah.
 21 Q You're agreeing with me?
 22 A My reference to transactions there is transactions that
 23 move the assets from Perpetual to Sequoia.
 24 Q Okay. In paragraph 11 of your July 15th affidavit, you
 25 talk about an approximate 200,000 -- pardon me, 200
 26 million cost to abandon and reclaim the good year
 27 assets as estimated by trustee. You're relying on --

26

1 hypothetical.
 2 (OBJECTION)
 3 MR. CHISWELL: Is it a hypothetical, or is it
 4 just trying to figure out how the levy system works?
 5 If you -- if you reclaim wells, you lower your
 6 liability, and if you take on more wells, you increase
 7 your liability. It's not a hypothetical. That's how
 8 the levy works.
 9 MR. WATSON: Your sentence begins with if
 10 and it has a curve. That makes it a hypothetical.
 11 Q MR. CHISWELL: Okay. How would -- when
 12 Torxen abandons a well, that lowers the overall share
 13 of Torxen's share of the industry's overall estimated
 14 liabilities; correct?
 15 A When Torxen abandons a well, it does reduce our
 16 liability.
 17 Q Doesn't that also reduce Torxen's share of the
 18 industry's estimated liabilities?
 19 A I believe that's correct.
 20 Q And then doesn't that have the effect of lowering
 21 Torxen's levy?
 22 A Yeah, I believe that's correct.
 23 Q At paragraph 11, you use the word "transactions"
 24 plural. Do you know what transactions you're
 25 referencing there?
 26 A Well, I think it's the transactions that would be --
 27 that sold the assets from Perpetual to Sequoia.

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1 on the trustee's numbers for that; correct?
 2 A That's the estimate that I received from my regulatory
 3 group who I spoke -- either got it from the trustee or
 4 somewhere else.
 5 Q Right. Your affidavit says "as estimated by the
 6 trustee" so --
 7 A Yeah.
 8 Q -- it's probably fair to say that your regulatory group
 9 got it from the trustee?
 10 A Fair to say.
 11 Q You personally haven't calculated the cost to abandon
 12 and reclaim the good year assets, have you?
 13 A No, I have not.
 14 Q And you're not aware that Torxen's regulatory group has
 15 done so. They probably relied on the trustee's number?
 16 A I'm assuming they got it from the trustee.
 17 Q And are your answers the same if I refer you to the 200
 18 million estimate you provide at paragraph 14 of your
 19 July 15th affidavit? I'm assuming it's the same, that
 20 you're just relying on the trustee's number, but if you
 21 can --
 22 (INDISCERNIBLE - OVERLAPPING SPEAKERS)
 23 A Yeah, it's the same. It's the same document.
 24 Q Sorry, we spoke over each other.
 25 I'm assuming your answers are the same, that
 26 that's an estimate that you're relying on from the
 27 trustee?

<p style="text-align: right;">29</p> <p>1 A That's correct. 2 Q Are you familiar with XI Technologies? 3 A No, I'm not. 4 Q Is there -- or, abandonment or reclamation obligations 5 are those included typically in reserve reports? 6 A Yes. 7 Q I assume in your duties you read a lot of reserve 8 reports. 9 A Yes. 10 Q And I'm assuming over your years in the oil and gas 11 industry you have a lot of experience in reading 12 reserve reports. 13 A Yes, I've evaluated several of them, yes. I am not an 14 a reservoir engineer and I'm not a reserves expert, but 15 I understand the reserves reports. 16 Q How many reserve reports would have you read in your 17 career as an estimate? Are we talking hundreds? 18 A No, not hundreds, but many. 19 Q Dozens? 20 A Dozens easily. 21 Q I'm wondering if this might be a good time for a 22 morning break. Let's take -- well, Mr. Brannan, how 23 much time do you think you might like for a break? I'm 24 good if you want to take 10 to 15. 25 (DISCUSSION OFF THE RECORD) 26 (ADJOURNMENT) 27 Q MR. CHISWELL: So, Mr. Brannan, right before</p>	<p style="text-align: right;">30</p> <p>1 the break we talked about reserve reports, and my 2 understanding from reserve reports is that they include 3 various price assumptions; is that correct? 4 A Yeah, that's typical for both price assumptions for oil 5 and gas and then proceed to activity. 6 Q What do you mean by "proceed to activity"? 7 A Well, if -- you know, when they put things for reserves 8 and for undeveloped reserves if -- if you're going to 9 obligate capital to those kinds of things, that's what 10 I mean. 11 Q Right. 12 A If there's a plan to develop the asset. 13 Q Right, so the reserve reports would include things like 14 exploration opportunities and cost estimates and other 15 sorts -- 16 A Yes, (INDISCERNIBLE) all those things, yes. 17 THE COURT REPORTER: I'm sorry, I missed your 18 answer. 19 A Yes, it would include those things. 20 THE COURT REPORTER: Just have to remember to let 21 him finish his question before you answer; okay? 22 A Okay. 23 Q MR. CHISWELL: And so it would also include 24 assumptions about future commodity prices and 25 forecasts; correct? 26 A The author of the reserve or third party evaluator 27 would typically have a forecast price deck, yes.</p>
<p style="text-align: right;">31</p> <p>1 Q And it would turn on the timing of investments that you 2 would -- you would expect for those reserves as well? 3 A Yes, that's correct. 4 Q And when you read a reserve report, do you also 5 consider your own view of those assumptions? 6 A I'm not sure what the frame of the question is about, 7 so -- 8 MR. WATSON: Yeah, are you asking about his 9 general practice? 10 MR. CHISWELL: Correct. 11 MR. WATSON: Why? How is that relevant? 12 MR. CHISWELL: Well, we talked about reserve 13 reports, and I want to know what this witness knows 14 about reserve reports. 15 MR. WATSON: Well, I'm going to object. 16 (OBJECTION) 17 MR. CHISWELL: Okay. 18 MR. WATSON: I don't think it's relevant. 19 MR. CHISWELL: So, sir, do you agree with me 20 that different people reading the same reserve report 21 can have a different view of the value of the 22 underlying reserve, because they might have different 23 assumptions of all those different criteria we talked 24 about? 25 MR. WATSON: Don't answer that. Same 26 objection. It's not relevant. 27 (OBJECTION)</p>	<p style="text-align: right;">32</p> <p>1 MR. CHISWELL: Sir, when you read a reserve 2 report, in your role as the president and CEO of 3 Torxen, do you agree with me that Torxen sometimes 4 takes a different view of those underlying reserves 5 based on its assumptions and business strategies than 6 another company might? 7 MR. WATSON: Don't answer that. Not 8 relevant. 9 (OBJECTION) 10 MR. CHISWELL: Sir, would your view of a 11 reserve -- like, natural gas reserve change if you knew 12 that you had a guaranteed floor price for 90 percent of 13 the production from that reserve for two years? 14 MR. WATSON: Don't answer that. Not 15 relevant, and it's a hypothetical. 16 (OBJECTION) 17 Q MR. CHISWELL: Sir, did you know that 18 Sequoia, as of October 1st, 2016, had a guaranteed 19 floor price for 90 percent of its production? 20 A No, I did not know that. 21 Q If you knew that, sir, would that change your view? 22 MR. WATSON: Don't answer that. It's not 23 relevant. It's a hypothetical as well. 24 (OBJECTION) 25 MR. CHISWELL: Okay. Sir, now that you know 26 that Sequoia had such a contract, does that change your 27 view?</p>

<p style="text-align: right;">33</p> <p>1 MR. WATSON: I'm going to object to that 2 again. You know, you said there was. This witness has 3 said he's not aware of it, so he doesn't know there is. 4 I haven't seen any evidence of it in any of these 5 matters at all, so I think your assumption -- your 6 fundamental proposition hasn't been proven yet. 7 (OBJECTION) 8 MR. CHISWELL: Sorry, Mr. Watson, I might 9 have misheard you. Did you say that you haven't seen 10 any evidence of a guaranteed floor price contract from 11 90 percent of Sequoia's production since October 1st, 12 2016? 13 MR. WATSON: All I've heard is the -- you 14 and Mr. McDonald identifying this as being a fact. 15 You've asked the witness if he was aware of it and he 16 said no and now you want to ask him whether or not his 17 view of something would change. Well, you haven't 18 established that it is. This witness has said he's 19 unaware of it, and to premise a hypothetical upon an 20 unproven fact, and aside from being a hypothetical, is 21 objectionable, so I'm objecting to it. 22 Q MR. CHISWELL: So, Mr. Brannan, is it fair to 23 say that in your affidavits you give various opinions 24 about the transactions generally and would your view -- 25 or, does your opinion change if you assume that Sequoia 26 had a guaranteed price floor for 95 -- pardon me, 90 27 percent of its production for two years?</p>	<p style="text-align: right;">34</p> <p>1 A Not necessarily. It would depend upon what the price 2 was for that 90 percent of the gas. If it was at a 3 very low price, it wouldn't have changed my opinion at 4 all. If it was for \$4 or \$5 an MCF, it would change my 5 opinion. 6 Q Right, and so it could change your opinion depending on 7 what the terms of that contract were; correct? 8 MR. WATSON: Mr. Chiswell, he's not going 9 to answer hypotheticals; okay? 10 (OBJECTION) 11 Q MR. CHISWELL: Well, his opinion is based on 12 various assumptions, and I'm assuming, Mr. Brannan, one 13 of those assumptions is that you assumed that there was 14 no guaranteed floor price protection for 90 percent of 15 its production; correct? 16 A I was not aware if there was or was not a -- you know, 17 guaranteed price for any percentage of their gas, and I 18 do not know what the price is. If they went broke, 19 obviously it wasn't enough. 20 Q So your assumption is, if they went broke, it's because 21 the gas price protection wasn't high enough as opposed 22 to maybe other factors. Is that fair? 23 A There's lots of things that cause a company to go 24 bankrupt and insufficient revenue is certainly one of 25 them. 26 Q Okay. So, sir, in your affidavits you give various 27 opinions, and I'm assuming those are based on</p>
<p style="text-align: right;">35</p> <p>1 assumptions, and if your assumptions change, I'm 2 assuming you'll agree with me that it's possible your 3 opinion could change if those assumptions change; 4 correct? 5 A Hypothetically, yes. 6 Q And one of those assumptions is the existence or the 7 non-existence of a guaranteed price floor contract; 8 correct? 9 A Yeah, we've kind of been round and round on that. I 10 don't know what assumptions -- I didn't -- I don't know 11 what they had guaranteed and I don't know the price of 12 those guarantees. Prices in that period of time were 13 very low on natural gas, and if you cost -- we have at 14 Torxen somewhere around 240 to 250 million cubic feet 15 of gas and we've done really good with marketing that 16 gas and reducing our costs and all kinds of other 17 things, but gas in the last five years has been a very 18 small piece of our overall revenue and business. It's 19 tough to be an oil and gas company if you're only in 20 natural gas with these -- this price environment. 21 Q You'll agree with me that in 2017 the gas prices in 22 Alberta were volatile and depressed? 23 A Yes. 24 Q That makes it difficult for a natural gas company to 25 survive; correct? 26 A As -- similar to previous years, yes, and subsequent 27 years. It's a tough business.</p>	<p style="text-align: right;">36</p> <p>1 Q Sir, at paragraph 18 of your July 15th affidavit, you 2 say (AS READ): 3 The transactions significant and material 4 departure from industry standards. 5 Is that your opinion? 6 A Yes. 7 Q And is that opinion based on any one of the particular 8 transactions, or are you just referring generally your 9 understanding of the transactions as a whole that you 10 read about in the news? 11 A Yeah, I guess what I mean in there, it's a series of 12 transactions in general that occurred to, you know, 13 dispose of the assets from Perpetual to Sequoia in a 14 manner that is a departure from industry standards of 15 going through the Alberta Energy Regulator. 16 Q Well, sir, when we talk about the asset transactions, 17 your suggestion that the asset transactions 18 specifically should have been reviewed by the AER? 19 A Yes. 20 Q Not that it required AER approval, it's just that your 21 personal view is it should have required AER approval, 22 is that it? 23 A Yeah, most of the transactions I've been associated 24 with, the sale of the assets from Cenovus to Torxen, 25 the purchase of assets from Husky that we made, all 26 those went through the Alberta Energy Regulator for 27 approval.</p>

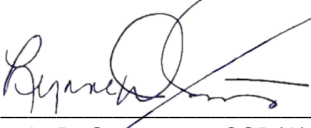
<p style="text-align: right;">37</p> <p>1 Q Right, but I'm just wondering if, when you said that it 2 should have been reviewed by the AER for approval, you 3 are not saying it was required to under the law or the 4 regulations, you're just saying you wish it should have 5 been. 6 A Yes. Yeah, I think that would have been the general 7 industry standard. 8 Q Right, but the industry standard, sir, you're talking 9 about, you're not talking about the regulations, you're 10 just saying if there is an asset transaction where 11 there's a transfer of licenses between licensees, 12 that's when the AER provides -- that's when you require 13 AER approval for the transfer; correct? 14 A That's typical, yes. 15 Q You're not suggesting that the asset transaction here 16 required AER approval? 17 A That's not for me to decide. 18 Q And similarly, sir, the share transaction, you're not 19 suggesting that that required AER approval, are you? 20 A Not for me to decide, no. 21 Q So when you say (AS READ): 22 Material departure from industry standards. 23 What you mean there is AER approval should have been 24 required in your view? 25 A Yes. 26 Q Sir, if a company sells its shares, does that require 27 AER approval?</p>	<p style="text-align: right;">38</p> <p>1 A No. 2 Q Is the sale of shares without AER approval, is that a 3 departure from industry standards? 4 A Companies sell their shares all the time. 5 Q So you agree with me, sir? 6 A Yes. 7 Q At paragraph 19 of your July 15th affidavit, you say 8 duty -- "similar duty abating schemes." By 9 "duty abating schemes" or "similar duty abating 10 schemes," what are you referring to, sir? 11 A I'm referring to the transaction that would transfer 12 liabilities to a third party company that could 13 potentially not succeed, and then those liabilities are 14 transferred over into the Orphan Well Association and 15 the other responsible operators have to pay to clean up 16 those wells. 17 Q Okay. So are you saying any transfer where the assets 18 end up in the Orphan Well Association, that's a similar 19 duty abating scheme? 20 A It's the duties of a responsible operator to manage all 21 of their assets, not carve a piece of their assets off 22 so that they can either be -- flounder or be successful 23 on their own and then ultimately end up in the Orphan 24 Well Association. 25 Q Sir, are you familiar with any similar duty abating 26 scheme? 27 A No, but we're trying to prevent similar ones from</p>
<p style="text-align: right;">39</p> <p>1 occurring. 2 Q Sir, you say at paragraph 18, "purposeful evasion." Is 3 that your opinion? 4 A It is. 5 Q And you say that without having spoken with anybody at 6 Perpetual? 7 A That's correct. 8 Q And you say that without having read any of the 9 underlying transaction documents? 10 A That's correct. 11 Q You don't think, in fairness, before you accuse 12 somebody of a purposeful evasion that you would speak 13 with them or actually read the underlying documents? 14 A I just know the consequences and Torxen and its 15 shareholders are going to be liable for an additional 16 \$6 million. That's the part we're upset about. 17 Q I hear -- I hear that's your view, sir, but here we're 18 not talking about consequences. We're talking about 19 purpose in doing something, and you'll agree with me, 20 sir, that you don't have any personal knowledge of the 21 actual purpose for any of these transactions; correct? 22 A No, and I think that's why it's before the court. It 23 is for the court to determine that. 24 Q Well, you said no, sir, but I think you're agreeing 25 with me. You don't have any personal knowledge or 26 understanding of the purpose for any of the 27 transactions; correct?</p>	<p style="text-align: right;">40</p> <p>1 A I think we've been through that. Yes, that's correct. 2 Q Sir, at paragraph 6 of your August 12th affidavit, you 3 refer to Torxen's balance sheet as having 4 decommissioning liabilities as a line item. Sir, are 5 Torxen's financial statements audited? 6 A Yes, they are audited for the purpose of our 7 partnership. 8 Q Does -- you mentioned earlier that Torxen uses PWC for 9 various accounting items. Did PWC audit your financial 10 statements? 11 A Yeah, I believe that's correct. 12 Q And so, sir, you'll agree with me that, you know, 13 you're a sophisticated businessperson -- well, maybe 14 before we go that far. 15 Do you help prepare the financial statements, sir? 16 A The CFO prepares the financial statements. 17 Q And you don't have a role in reviewing them before they 18 are finalized? 19 A I do -- I do have a role in reviewing them. 20 Q So, sir, as a sophisticated businessperson who has a 21 role in reviewing financial statements for an oil and 22 gas corporation, you understand that abandonment and 23 reclamation obligations are not a liability on 24 financial statements. They're a provision. 25 A Yeah, I think when you're evaluating the worth of a 26 company, what you're going to pay for it -- 27 Q Yes, but I'm not talking about that. I'm talking about</p>

41	<p>1 financial statements.</p> <p>2 A Well, it says here that we include decommissioning</p> <p>3 liabilities in our financial statements.</p> <p>4 Q I didn't ask you about what your affidavit says, sir.</p> <p>5 I asked you about what your financial statements say.</p> <p>6 A And what's the question?</p> <p>7 Q You agree with me that ARO on financial statements,</p> <p>8 audited financial statements, is not listed as a</p> <p>9 liability, but as a provision.</p> <p>10 A Yeah, you'll -- I'm not an accountant. I don't know</p> <p>11 the difference between a liability and a provision, but</p> <p>12 yeah. You consider that when you determine the value</p> <p>13 of an asset. You take what -- the pluses and take away</p> <p>14 what's the minuses. Abandonment obligations are a</p> <p>15 minus.</p> <p>16 Q Can you, please, undertake to produce Torxen's most</p> <p>17 recent financial statements?</p> <p>18 MR. WATSON: I'll take that under</p> <p>19 advisement.</p> <p>20 UNDERTAKING 1 - To produce Torxen's most</p> <p>21 recent financial statements</p> <p>22 (Taken Under Advisement)</p> <p>23 Q MR. CHISWELL: Sir, the heading of paragraph</p> <p>24 6 of your August 12th affidavit, you say (AS READ):</p> <p>25 ARO are considered definite financial</p> <p>26 liabilities by industry members.</p> <p>27 Now, when we're talking about financial statements, you</p>	42	<p>1 agreed with me earlier that we're not talking about</p> <p>2 liabilities, we're talking about provisions. So what</p> <p>3 do you mean by "definite financial liabilities"?</p> <p>4 MR. WATSON: I'm not sure you properly</p> <p>5 characterized his evidence. I'm not sure he agreed</p> <p>6 that they were provisions and not liabilities. I think</p> <p>7 his evidence was he doesn't know.</p> <p>8 (OBJECTION)</p> <p>9 MR. CHISWELL: Okay. Well, let's leave his</p> <p>10 evidence to what it was, because I believe he did agree</p> <p>11 with me.</p> <p>12 MR. WATSON: All right.</p> <p>13 Q MR. CHISWELL: But in any event, sir, what do</p> <p>14 you mean by "definite financial liabilities" with your</p> <p>15 heading of paragraph 6?</p> <p>16 A I think in the statement that I made when you're</p> <p>17 evaluating the net worth of a particular asset, take</p> <p>18 all of the production. You take the revenue stream,</p> <p>19 and then you subtract all the minuses and liabilities</p> <p>20 would be a piece of the minus. Nobody would buy</p> <p>21 something if -- if you weren't aware of the liabilities</p> <p>22 associated with it. So, you know, the worth of any</p> <p>23 particular company is all the good things plus all the</p> <p>24 bad things.</p> <p>25 Q Okay, but what do you mean by "definite financial</p> <p>26 liabilities"?</p> <p>27 A So abandonment regulatory -- abandonment obligations</p>
43	<p>1 are part of the financial liability.</p> <p>2 Q Okay. What do you mean by "definite financial</p> <p>3 liabilities" as opposed to financial liabilities?</p> <p>4 A Well, maybe it shouldn't be capitalized. Maybe it</p> <p>5 should be they are definitely a financial liability.</p> <p>6 Q Okay. What do you mean by definitely financial --</p> <p>7 "definitely financial liabilities"?</p> <p>8 A I think we explained that. It's a minus. It's</p> <p>9 something that detracts from the value of your asset.</p> <p>10 Q Okay. So you just mean that it's a financial</p> <p>11 liability?</p> <p>12 A Yes. It definitely is.</p> <p>13 Q I understand.</p> <p>14 To whom is the liability owed, sir?</p> <p>15 A To the shareholder.</p> <p>16 Q So it's your expert opinion that the ARO is a liability</p> <p>17 that a company owes to its shareholders?</p> <p>18 MR. WATSON: Don't answer that.</p> <p>19 (OBJECTION)</p> <p>20 MR. CHISWELL: On what basis are you</p> <p>21 objecting, Mr. Watson?</p> <p>22 MR. WATSON: Well, why did you say "it's</p> <p>23 your expert opinion"?</p> <p>24 Q MR. CHISWELL: Okay. So, sir, ignore my</p> <p>25 question about it being your expert opinion.</p> <p>26 Is it just your opinion or your view that ARO is a</p> <p>27 liability that a corporation owes to its shareholders?</p>	44	<p>1 A It's a liability of the asset and who owns the asset is</p> <p>2 the shareholders, so the shareholders need to</p> <p>3 understand what the production, revenue, other things,</p> <p>4 and they also need to understand what the liabilities</p> <p>5 are.</p> <p>6 Q Right, and so that's -- that's the understanding that</p> <p>7 you had when you swore your affidavits?</p> <p>8 A When I swore my affidavit, I understood and I do today</p> <p>9 that ARO obligations are part of the liability of a</p> <p>10 company.</p> <p>11 Q Right, and those liabilities are owed to shareholders;</p> <p>12 correct?</p> <p>13 A Those liabilities are not owed to shareholders.</p> <p>14 They're a part of the asset. Shareholders need to</p> <p>15 understand what those liabilities are when they</p> <p>16 purchase an asset.</p> <p>17 Q Okay. So then who are the liabilities owed to?</p> <p>18 A The liabilities are part of the company's</p> <p>19 responsibility.</p> <p>20 Q Owed to whom, sir?</p> <p>21 A I mean, who are the revenues to? Who are the revenues</p> <p>22 owed to? It's the same.</p> <p>23 Q MR. CHISWELL: Okay. I'm going to take a</p> <p>24 one-minute or two-minute break and hopefully we'll be</p> <p>25 able to conclude after that.</p> <p>26 A Okay.</p> <p>27 MR. WATSON: Thank you.</p>

45

1 A Yeah, thank you.
 2 (ADJOURNMENT)
 3 MR. CHISWELL: Okay. Thank you, Mr. Brannan.
 4 Those are my questions today.
 5 (WHICH WAS ALL THE EVIDENCE TAKEN AT 11:30 AM)
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1 CERTIFICATE OF TRANSCRIPT:
 2
 3 I, L. D. Stevenson, certify that the foregoing
 4 pages are a complete and accurate transcript of the
 5 Proceedings conducted in accordance with the Alberta
 6 Protocol for Remote Questioning, taken down by me in
 7 shorthand and transcribed from my shorthand notes to
 8 the best of my skill and ability.
 9 Dated at the City of Calgary, Province of Alberta,
 10 this 17th day of September, 2020.
 11
 12 
 13 _____
 14
 15 L. D. Stevenson, CSR(A)
 16 Official Court Reporter
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1 OBJECTIONS ENTERED IN THE QUESTIONING OF
 2 JOHN KEVIN BRANNAN
 3 SEPTEMBER 16, 2020
 4
 5 PAGE NUMBER:
 6
 7 OBJECTION 26
 8 OBJECTION 31
 9 OBJECTION 31
 10 OBJECTION 32
 11 OBJECTION 32
 12 OBJECTION 32
 13 OBJECTION 33
 14 OBJECTION 34
 15 OBJECTION 42
 16 OBJECTION 43
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1 UNDERTAKINGS GIVEN IN THE QUESTIONING OF
 2 JOHN KEVIN BRANNAN
 3 SEPTEMBER 16, 2020
 4
 5 (Undertakings are inserted and indexed as a courtesy
 6 service to be utilized at the discretion of counsel.
 7 They are interpretations by the court reporter and it
 8 is requested counsel refer to the appropriate page to
 9 ensure accuracy)
 10
 11 PAGE NUMBER:
 12
 13
 14 UNDERTAKING 1 - To produce Torxen's most 41
 15 recent financial statements
 16 (Taken Under Advisement)
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