

<p style="text-align: right;">1</p> <p>Clerk's stamp:</p> <hr/> <p style="text-align: center;">QUESTIONING OF LARS THOMAS DE PAUW CALGARY, ALBERTA BY MR. D. J. McDONALD, Q.C. AFFIDAVIT SWORN JUNE 29, 2020 HELD SEPTEMBER 15, 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 style="text-align: right;">2</p> <p>1 2 INTERVENOR(S) Orphan Well Association, 3 Canadian Natural Resources 4 Limited, Cenovus Energy Inc. 5 and Torxen Energy Ltd. 6 7 DOCUMENT QUESTIONING ON AFFIDAVIT 8 9 10 _____ 11 Taken before L. D. Stevenson, Official Court Reporter, 12 pursuant to Rules 5.26, 6.20, and 13.46 of the Court of 13 Queen's Bench of Alberta. 14 _____ 15 16 FOR THE PLAINTIFF(S) PRICEWATERHOUSECOOPERS INC., LIT, 17 IN ITS CAPACITY AS THE TRUSTEE IN BANKRUPTCY OF SEQUOIA 18 RESOURCES CORP., NOT IN ITS PERSONAL CAPACITY: 19 R. de Waal 20 L. Rasmussen (Not Present) 21 de Waal Law 22 Suite 1010, 505 3rd Street SW 23 Calgary, Alberta 24 403-266-0012 25 26 27</p>
<p style="text-align: right;">3</p> <p>1 FOR THE DEFENDANT(S) PERPETUAL ENERGY INC., PERPETUAL 2 OPERATING TRUST, PERPETUAL OPERATING CORP.: 3 D. J. McDonald, Q.C. 4 P. G. Chiswell 5 Burnet, Duckworth & Palmer LLP. 6 2400, 525 - 8 Avenue SW 7 Calgary, Alberta 8 403-260-0100 9 10 FOR THE DEFENDANT SUSAN RIDDELL ROSE: 11 S. Leith (Not Present) 12 G. Benediktsson (Not Present) 13 Norton Rose Fulbright Canada LLP. 14 3700, 400 3rd Avenue SW 15 Calgary, Alberta 16 403-267-8222 17 18 FOR THE INTERVENOR(S) ORPHAN WELL ASSOCIATION: 19 K. T. Lenz, Q.C. 20 Bennett Jones LLP. 21 4500, 855 - 2 Street SW 22 Calgary, Alberta 23 403-298-3100 24 25 26 27</p>	<p style="text-align: right;">4</p> <p>1 FOR THE INTERVENOR(S) CANADIAN NATURAL RESOURCES 2 LIMITED, CENOVUS ENERGY INC., AND TORXEN ENERGY LTD.: 3 G. S. Watson 4 K. Gramlich 5 Parlee McLaws LLP. 6 3300, 421 - 7 Avenue SW 7 Calgary, Alberta 8 403-294-7000 9 10 OFFICIAL COURT REPORTER: 11 L. D. Stevenson, CSR(A) 12 Dicta Court Reporting Inc. 13 760, 1015 - 4 Street SW 14 Calgary, Alberta 15 403-531-0590 16 _____ 17 (PROCEEDINGS COMMENCED AT 10:02 AM) 18 LARS THOMAS DE PAUW, Affirmed, Examined by Mr. McDonald 19 THE COURT REPORTER: Please state and spell your 20 full name for the record. 21 A Sure. It Lars Thomas De Pauw, spelt L-A-R-S, 22 T-H-O-M-A-S, D-E, space, P-A-U-W. 23 THE COURT REPORTER: Thank you. 24 Q MR. McDONALD: Mr. De Pauw, you've affirmed 25 that you will tell the truth during this questioning 26 session today; is that correct? 27 A Correct.</p>

5	<p>1 Q And you understand that I'm questioning you on an 2 affidavit you swore in these proceedings, that is 3 Action Number 1801-10960 in Court of Queen's Bench of 4 Alberta on June 29th, 2020? 5 A I do. 6 Q I understand you have a copy of that affidavit in front 7 of you. 8 A I do. 9 Q And do you also have a book of documents that my office 10 provided to your counsel I believe earlier today? 11 A Yes. 12 Q I may be referring to some of those documents during 13 the course of our questioning today. 14 You are the executive director of the Orphan Well 15 Association; correct? 16 A Correct. 17 Q How long have you held that position? 18 A Since June of 2017 -- July of 2017, sorry. 19 Q And prior to that, did you hold another position with 20 the Orphan Well Association? 21 A No. 22 Q What briefly was your employment history prior to 23 joining the Orphan Well Association? 24 A I was a senior environmental engineer at Matrix 25 Solutions. 26 Q What's the business of Matrix Solutions? 27 A They are an environmental consultant.</p>	6
7	<p>1 A I'm not sure I understand the question. 2 Q Well, you're a member of APEGA. Are you a member of 3 the executive of APEGA? 4 A Oh, no, I'm not. 5 Q Are you a member of any other industry organization? 6 A No. 7 Q I'm going to refer to the defined terms that you have 8 used in your affidavit. If I do that, will you 9 understand me? 10 A Yeah. 11 Q And if there is any confusion about any term I use, 12 just please let me know. Will you do that? 13 A Yes. 14 Q And I understand from paragraph 2 of your affidavit 15 that defined terms you use in that affidavit have the 16 meanings given to them in the statement of claim. Did 17 you read the statement of claim? 18 A I don't recall if I've read the statement of claim 19 recently. 20 Q Right now I'm just concerned about whether when I use 21 defined terms in the statement of claim, I just want to 22 make sure that you're going to understand what I'm 23 talking about. Do you have a copy of the statement of 24 claim handy in case we need to refer to it? 25 MR. LENZ: We do. 26 MR. McDONALD: I can't hear you, Mr. Lenz, 27 but it looked like you were saying yes. Is that what</p>	8

<p style="text-align: right;">9</p> <p>1 Q Okay. What materials did you review that you received 2 from PWC? 3 A I've reviewed Paul Darby's affidavit from 2018 and 4 we've had meetings with PWC as well. 5 Q Do you recall if you reviewed Mr. Darby's transcript of 6 the cross-examination on his affidavit? 7 A I have not. 8 Q Did you review a copy of Ms. Rose's affidavit from 9 2018? 10 A I have reviewed her affidavit as well. 11 Q How about Mr. Schweitzer's affidavit from 2018? 12 A I have reviewed parts of his affidavit. 13 Q I take it you didn't review the transcripts of those 14 cross-examinations. 15 A I have not. 16 Q Did you read Perpetual Energy defendants' statement of 17 defence? 18 A No. 19 Q When you looked at Mr. Darby's affidavit or Ms. Rose's 20 affidavit, did you also read the exhibits to those 21 affidavits? 22 A There was some of the affidavit -- or, sorry, the 23 exhibits in the affidavits that I reviewed. 24 Q Which ones, do you recall? 25 A In particular, materials that were provided in 26 PowerPoint presentations, and I believe one of them was 27 to the board of directors, and I think one of them was</p>	<p style="text-align: right;">10</p> <p>1 in relation to the board or -- or management meetings. 2 I did not review the purchase and sale agreements or 3 the exhibits that related to the details within that. 4 There was correspondence in Mrs. Rose's affidavit that 5 related to internal correspondence with the purchasers 6 that I did review as well. 7 Q Okay. Anything else you can recall that you reviewed 8 in the exhibits to either Mr. Darby or Ms. Rose's 9 affidavit? 10 A There was -- there was some press releases from 11 Perpetual that I reviewed as well. 12 Q And why didn't you review the purchase and sale 13 agreements? 14 A Well, I'm not a lawyer, so I'm not sure there was 15 something in there in particular that I needed to 16 review. 17 Q I take it from your background that your expertise is 18 in engineering and environmental issues; is that right? 19 A Correct. 20 Q And your expertise is not in interpreting contracts? 21 A Correct. 22 Q And was it because you're not a lawyer and don't have 23 that expertise that you decided that you didn't need to 24 review the purchase and sale agreements? 25 A Correct. 26 Q Did you review any other records, that is other than 27 those exhibited -- those two affidavits relating to the</p>
<p style="text-align: right;">11</p> <p>1 2016 transactions? 2 A I reviewed the AER's press release relating to this 3 matter, and I reviewed two bulletins from the AER in 4 2016 in regards to their licensee transfer 5 requirements. 6 Q And were those bulletins something that you were 7 generally familiar with before that, or is that the 8 first time you familiarized yourself with those 9 bulletins? 10 A I was familiar with them from before, but I wanted to 11 review them. 12 Q Are you aware that the judge who is hearing the 13 proceedings in this case is Justice Nixon? 14 A I am. 15 Q And have you read his January 2020 decision in what we 16 call the first summary dismissal application? 17 A I have not. 18 Q There have been some decisions in the Court of Appeal 19 in this case primarily related to security for costs. 20 Have you read those decisions? 21 A I have not. 22 Q The Perpetual Energy defendants have filed a second 23 summary dismissal application generally referred to as 24 the BIA summary dismissal application and that's 25 scheduled to be heard in court on October 1 and 2. 26 Have you read that application? 27 A I have not.</p>	<p style="text-align: right;">12</p> <p>1 Q I take it you haven't read any of the materials that 2 were filed in relation to it or in support of it 3 either; is that correct? 4 A Correct. 5 Q What about the Sequoia bankruptcy records, have you 6 reviewed any of those? 7 A I have not. 8 Q So I take it you haven't seen the trustee's preliminary 9 report into the Sequoia bankruptcy; is that correct? 10 A Yeah, correct. 11 Q What about records from Sequoia itself, did you review 12 any Sequoia records other than those that may have been 13 attached as exhibits to either Mr. Darby or Ms. Rose's 14 affidavit? 15 A I don't recall reading anything from Sequoia. 16 Q You haven't seen Sequoia's letter to its stakeholders 17 around the time that it became bankrupt? 18 A I have seen it in the binder here. 19 Q Okay. That's the first time you've seen it? 20 A I had seen it previously, but I don't know where I 21 would've seen it, but I did -- had seen it before. 22 Q Okay. You mentioned looking at the AER press release 23 and two bulletins. Are there any other Alberta Energy 24 Regulator records that you reviewed in relation to 25 this? 26 A Not in relation to this, but part of my job is to 27 regularly be aware of AER regulations.</p>

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1 Q Now, I've tried to cover everything that I can think of
 2 that you might have reviewed in connection with this
 3 case before swearing your affidavit. Is there anything
 4 that you can think of that I've missed?
 5 A I did review some of our legal advice from counsel in
 6 regards to this matter.
 7 Q Okay. Anything else?
 8 A No.
 9 Q You mentioned you received some materials from PWC.
 10 Did you meet with Mr. Darby in relation to this case?
 11 A We have.
 12 Q And when did you first meet with him?
 13 A The first meeting that I had with Mr. Darby was in
 14 March of 2018 when Sequoia was in the process of filing
 15 for bankruptcy.
 16 Q And what was, broadly speaking, the subject matter of
 17 that meeting?
 18 A It was to inform the AER and the OWA that Sequoia was
 19 going to be filing for bankruptcy.
 20 Q Have you had other meetings with Mr. Darby or other PWC
 21 representatives in relation to this?
 22 A Yes.
 23 Q When?
 24 A I'd have to check the records about when they happened,
 25 but we've had a number of meetings with -- with
 26 Mr. Darby and PWC.
 27 Q Well, let's look at a couple of timeframes and see if

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1 to its decision to sue an oil company in this case?
 2 A Our role would be that we would likely be the biggest
 3 impacted stakeholder in regards to the Sequoia
 4 bankruptcy.
 5 Q So was the Orphan Well Association in favour of
 6 commencing this lawsuit?
 7 MR. LENZ: Just hold on. I'm not sure
 8 what the relevance is of that, Mr. McDonald. I know
 9 you've taken a very narrow view of relevancy, and I'd
 10 like to carry on with that in this questioning.
 11 (OBJECTION)
 12 Q MR. McDONALD: Well, then let's move past the
 13 filing of the statement of claim, and I know you can't
 14 pinpoint for me your meetings with PWC, but maybe we
 15 can do it more broadly.
 16 Were you generally in communication with PWC after
 17 the statement of claim was filed through to present
 18 date relating to this case?
 19 A Yes.
 20 Q For what purpose?
 21 A To be kept informed about the proceedings.
 22 Q Did you consider applying to intervene in the case
 23 before the first summary dismissal application?
 24 A We did consider it.
 25 Q Why didn't you?
 26 MR. LENZ: I don't see the relevance,
 27 Mr. McDonald. Objection.

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1 we can help narrow it down.
 2 Are you aware that the statement of claim in this
 3 case was issued on August 2nd, 2018?
 4 A I wasn't aware, but if that's the date.
 5 Q Well, if you'll take my word for it, did you meet with
 6 Mr. Darby or PWC representatives between the time of
 7 your initial meeting in March 2018 and the filing of
 8 the statement of claim?
 9 A I'd have to check the timing of those meetings.
 10 Q Where I'm really going with this, sir, is were you, on
 11 behalf of the OWA, in communication with PWC in
 12 relation to the decision to or the steps taken to sue
 13 in this case?
 14 A Could you ask that question again?
 15 Q What I want to know from you, sir, is in this period
 16 from your first meeting in March 2018 until the time
 17 the statement of claim was filed, did you talk to
 18 Mr. Darby or other PWC people about the fact that it
 19 was the trustee's plan to sue Perpetual and others?
 20 A I believe that we did have meetings with them before
 21 they filed.
 22 Q So you were aware that they were going to file?
 23 A Correct.
 24 Q And what was your role in those meetings?
 25 A My role was there as the executive director of the
 26 Orphan Well Association.
 27 Q Well, then what was the Orphan Well's role in relation

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1 (OBJECTION)
 2 Q MR. McDONALD: Have you spoken to any of the
 3 Sequoia representatives about this case?
 4 A When we met with PWC in March of 2018, Vicki Benoit was
 5 in the meetings.
 6 Q And did you speak with her about the transactions?
 7 A I don't recall.
 8 Q Have you spoken with her other than in those initial
 9 meetings?
 10 A I have not.
 11 Q Are you familiar with the names Mr. Yang and Mr. Wang
 12 as two of the principals of Sequoia?
 13 A I'm familiar with the names.
 14 Q Have you ever spoken with them?
 15 A I have not.
 16 Q Have you ever tried to contact them?
 17 A No.
 18 Q Other than Ms. Benoit, have you ever spoken with
 19 anybody from Sequoia or tried to speak with anyone from
 20 Sequoia?
 21 A I did have a conversation with an environmental
 22 coordinator, but I can't recall if the individual was
 23 employed at Sequoia or Perpetual.
 24 Q Let's turn to any contact you've had with Perpetual.
 25 Other than that person that you don't know whether he
 26 or she was with Sequoia or Perpetual, have you been in
 27 communication with anybody from Perpetual in relation

<p style="text-align: right;">17</p> <p>1 to this case?</p> <p>2 A Your video broke up. Could you repeat the question?</p> <p>3 Q I'm sorry.</p> <p>4 Putting aside this environmental coordinator, and</p> <p>5 I know you don't know who that person was employed by,</p> <p>6 have you been in communication with anybody from</p> <p>7 Perpetual in relation to this case?</p> <p>8 A Yes.</p> <p>9 Q Who and when?</p> <p>10 A It was Geoff Merritt, who is on the board of directors</p> <p>11 I believe -- or, was at least at the time I spoke with</p> <p>12 him.</p> <p>13 Q When was that?</p> <p>14 A I don't recall the date of it.</p> <p>15 Q What was the purpose of that discussion? How did it</p> <p>16 arise?</p> <p>17 A Geoff and I are at the same golf club and he mentioned</p> <p>18 it to me.</p> <p>19 Q Did you have any substantive discussion with him about</p> <p>20 it?</p> <p>21 A No.</p> <p>22 Q Any other communications with anybody from Perpetual?</p> <p>23 A Not that I can recall.</p> <p>24 Q Did you make any efforts to contact Ms. Rose or</p> <p>25 Mr. Schweitzer or anybody else in relation to this</p> <p>26 case?</p> <p>27 A I have not.</p>	<p style="text-align: right;">18</p> <p>1 Q You're aware that there are three other intervenors in</p> <p>2 this case. CNRL, Cenovus and Torxen; is that right?</p> <p>3 A I'm aware of that.</p> <p>4 Q And have you been in communication with representatives</p> <p>5 of those companies in relation to this case?</p> <p>6 A I have.</p> <p>7 Q And for what purpose?</p> <p>8 A Sorry, I think your video broke up again. Could you</p> <p>9 repeat the question?</p> <p>10 Q For what purpose?</p> <p>11 A The intervenors represent companies that are paying a</p> <p>12 large proportion of the orphan levy, and we wanted them</p> <p>13 to be aware that we were going to be intervening, and</p> <p>14 we did discuss the potential of them intervening as</p> <p>15 well.</p> <p>16 Q Is it your recollection that you were the one that</p> <p>17 initiated the suggestion to intervene to them?</p> <p>18 A We did reach out to those groups initially to make that</p> <p>19 suggestion.</p> <p>20 Q When was that?</p> <p>21 A I'd have to check the exact dates, but it's in the last</p> <p>22 couple of months.</p> <p>23 Q And is the only discussion you've had with them about</p> <p>24 this case that reaching out to make the suggestion to</p> <p>25 intervene?</p> <p>26 A We have had discussions with representatives of those</p> <p>27 organizations in regards to this -- this case.</p>
<p style="text-align: right;">19</p> <p>1 Q Did you review their affidavits either before or after</p> <p>2 they were filed?</p> <p>3 A I have reviewed their affidavits.</p> <p>4 Q Before or after they were filed, do you recall?</p> <p>5 A I believe I saw a draft of them before they were filed,</p> <p>6 and I did review the final version.</p> <p>7 Q And essentially the OWA and those three intervenors,</p> <p>8 have they been coordinating their efforts in this case?</p> <p>9 A We have spoken together on it.</p> <p>10 Q Okay. I'd like you to turn to the booklet that you</p> <p>11 received from our office. I don't have a precise copy</p> <p>12 of it, but I believe I have all the documents that are</p> <p>13 in it, and I expect that at Tab 1 you'll see a copy of</p> <p>14 the OWA 2019 annual report. Do you have that?</p> <p>15 A Correct.</p> <p>16 Q And I take it you're familiar with this.</p> <p>17 A I am.</p> <p>18 Q Can we mark that as an exhibit, please?</p> <p>19 THE COURT REPORTER: Yes, just the tab, Tab 1?</p> <p>20 MR. McDONALD: Yes, just Tab 1, the 2019 OWA</p> <p>21 annual report.</p> <p>22 EXHIBIT 1 - 2019 Orphan Well Association</p> <p>23 Annual Report</p> <p>24 Q MR. McDONALD: Sir, would you turn to page 1</p> <p>25 under the heading Our Vision and Mandate? Do you have</p> <p>26 that --</p> <p>27 A Yes.</p>	<p style="text-align: right;">20</p> <p>1 Q -- in front of you?</p> <p>2 A Yes.</p> <p>3 Q And I see looking at the second paragraph (AS READ):</p> <p>4 The mandate of the OWA is to safely</p> <p>5 decommission orphan oil and gas wells,</p> <p>6 pipelines and production facilities, and</p> <p>7 restore the land similar to its original</p> <p>8 state. Since its formation in 2002, the OWA</p> <p>9 has successfully decommissioned approximately</p> <p>10 3,100 orphan wells, with 940 sites reclaimed.</p> <p>11 I take it that's not only the mandate of the OWA, but</p> <p>12 that's probably a fair description of your role as the</p> <p>13 executive director to implement that mandate; is that</p> <p>14 right?</p> <p>15 A Correct.</p> <p>16 Q And you mentioned in the prior paragraph that the OWA</p> <p>17 (AS READ):</p> <p>18 ... began as an innovative collaboration</p> <p>19 among the Alberta Government, provincial</p> <p>20 regulators and the oil and gas industry.</p> <p>21 Is it still a collaboration among those three</p> <p>22 stakeholders?</p> <p>23 A I would describe it as that.</p> <p>24 Q And the provincial regulators that you speak of there,</p> <p>25 that really refers to the Alberta Energy Regulator or</p> <p>26 the AER; is that right?</p> <p>27 A Correct.</p>

21	<p>1 Q Am I correct that the OWA is a non-profit society 2 formed under The Societies Act? 3 A That is correct. 4 Q And am I also correct that much of the statutory 5 framework for the operations of the orphan fund, 6 respectively the OWA, is found in the Oil and Gas 7 Conservation Act under Part 11? 8 MR. LENZ: Hold on. I don't think that's 9 within his area of expertise, Mr. McDonald. 10 (OBJECTION) 11 Q MR. McDONALD: Okay. Would you turn to Tab 2 12 of the book, sir, Oil and Gas Conservation Act? Do you 13 have that? 14 A Correct, I do. 15 Q And I believe the first page after the cover should be 16 Part 11, Orphan Fund. Do you see that? 17 A I do. 18 Q Are you familiar with that section, Part 11? 19 A I am. 20 Q And does Section 70 in that part deal with what the 21 orphan fund may be used for? 22 A I see that section. 23 Q So I take it you're familiar with it as part of your 24 job, are you not? 25 A I am familiar with it. 26 Q Okay, and I'm not asking you to interpret legislation, 27 I just want to know if this is where the orphan fund</p>	22	<p>1 finds its authority to carry out its operations or 2 whatever other -- 3 MR. LENZ: Mr. McDonald, I'm going to 4 object. Sorry, that's -- you're calling for an 5 opinion -- legal opinion and a lot of issues raised 6 about opinions. He's not a lawyer. 7 (OBJECTION) 8 Q MR. McDONALD: Okay. Well, what can the 9 orphan fund be used for? 10 A So it can be used for the decommissioning and 11 reclamation of orphan properties for the reimbursement 12 of working interest claims, when an active company does 13 work on behalf of a defunct company. It can be used 14 for the administration of the association. It can be 15 used for funding a trustee or receiver, and it can be 16 used to undertake other components that relate to the 17 objectives of the association. 18 Q Has it been used for the purposes of funding a trustee 19 or receiver in this case? 20 A In this particular case, no. 21 Q So the OWA hasn't provided any funding or financial 22 support for the trustee in this case? 23 MR. LENZ: I think I'm going to object 24 again. I don't see how that's going to help 25 Justice Nixon decide the case -- your application. 26 (OBJECTION) 27 Q MR. McDONALD: You mentioned that it can be</p>
23	<p>1 used for the reclamation of -- didn't get the exact 2 words, but I take it wells, orphan wells and 3 facilities; is that right? 4 A Yeah, there's two main components. One -- one on sites 5 that are designated as orphans and that's work that we 6 undertake. 7 The second component relates to when an active 8 company does work, and they have a minority interest 9 from a defunct company so we reimburse that active 10 company for the defunct company's portion of the work. 11 Q When you say when they're "designated as orphans," it's 12 the AER that have the authority to designate wells or 13 facilities as orphans; right? 14 A Correct. 15 Q The OWA does not? 16 A Correct. 17 Q And it's only when work is done on wells that have been 18 -- or, facilities that have been designated by the AER 19 as orphans or when active companies do work for others 20 as you just described that the orphan well -- orphan 21 fund can pay out monies; right? 22 MR. LENZ: Well, Mr. McDonald, this is 23 getting into some difficult questions on the 24 interpretation of the legislation. Legislation talks 25 about potential orphans. Again, you're getting -- I 26 don't see how this is relevant to your application. 27 (OBJECTION)</p>	24	<p>1 MR. McDONALD: Well, I'm not asking him to 2 interpret legislation now. I just want to make sure I 3 understand that the orphan fund administered by the 4 Orphan Well Association doesn't pay for reclamation 5 work on wells unless the regulator designates them as 6 orphans, with one exception being when an active 7 company does work for an inactive company. Is that a 8 fair summary? 9 A Specific to conducting remediation, reclamation or 10 abandonment work, those are the two cases. 11 Q And I think you refer in your affidavit to the orphan 12 fund levy. What is that? 13 A The orphan fund levy is a levy issued to industry 14 participants in Alberta to pay -- pay for the work that 15 we undertake on orphan sites or reimbursing on working 16 interest claims. 17 Q And it's only the Alberta Energy Regulator that can 18 require payment of the levy, a fee of the levy; is that 19 right? 20 A Correct. 21 Q The OWA can't do that on its own? 22 A Correct. 23 Q Are you familiar with the expression "good year assets" 24 from Mr. Darby's affidavit or the statement of claim? 25 A I am. 26 Q And the regulator has not designated any of the good 27 year assets to be orphans, has it?</p>

<p style="text-align: right;">25</p> <p>1 A Not to my knowledge.</p> <p>2 Q Are you aware that the trustee has not tried to sell</p> <p>3 any of the good year assets?</p> <p>4 A I'm not aware of that.</p> <p>5 Q Do you know what I'm referring to if I refer to the</p> <p>6 AlphaBow assets?</p> <p>7 A I don't know the specific assets in question, but I'm</p> <p>8 familiar with the company.</p> <p>9 Q And you're familiar with the purchase by Sequoia of</p> <p>10 some of the assets sometimes referred to as the</p> <p>11 AlphaBow assets?</p> <p>12 A I don't know which assets that relates to.</p> <p>13 Q Do you know if the trustee has sold any of the Sequoia</p> <p>14 assets?</p> <p>15 A I don't have any clear recollection on which assets</p> <p>16 have been sold or not.</p> <p>17 Q But you're aware that some have been sold and others</p> <p>18 have not?</p> <p>19 A I believe that I -- I was informed that some had been</p> <p>20 sold, but I -- I'd have a tough time recalling the</p> <p>21 details of it.</p> <p>22 Q Do you know whether the trustee has any plan to sell</p> <p>23 any of the good year assets?</p> <p>24 A I have no knowledge on that.</p> <p>25 Q You do know that if the good year assets were sold to a</p> <p>26 solvent entity, you would not expect them to become</p> <p>27 orphans; is that not right?</p>	<p style="text-align: right;">26</p> <p>1 A If they were sold to another entity, they would not be</p> <p>2 designated as orphans.</p> <p>3 Q I'm going to ask you to turn back to the annual report.</p> <p>4 At page 3, we have a message from the Chair,</p> <p>5 Mr. Herald. Again, you are familiar with that?</p> <p>6 A I am.</p> <p>7 Q And I'm looking at the second paragraph, and it says</p> <p>8 (AS READ):</p> <p>9 We have certainly seen in the past five years</p> <p>10 some difficult times for many energy</p> <p>11 producers.</p> <p>12 Has that been your experience?</p> <p>13 A Yes.</p> <p>14 Q And, again, he refers to (AS READ):</p> <p>15 ... we have experienced sustained low</p> <p>16 commodity prices over a long period, with</p> <p>17 less access to capital, and some companies</p> <p>18 have struggled to recover.</p> <p>19 Again, that's consistent with your experience?</p> <p>20 A Yes.</p> <p>21 Q Two lines down, after referring to some insolvencies</p> <p>22 and an increase in the orphan well inventory in 2018,</p> <p>23 he says that (AS READ):</p> <p>24 ... we were well prepared, with more funding</p> <p>25 from industry and a ramped-up mobilization</p> <p>26 plan.</p> <p>27 That's your experience as well?</p>
<p style="text-align: right;">27</p> <p>1 A Yes.</p> <p>2 Q And I skipped over the words (AS READ):</p> <p>3 ... significant increase in our orphan well</p> <p>4 inventory in 2018.</p> <p>5 The good year assets did not contribute to that</p> <p>6 increase in the orphan well inventory in 2018, did</p> <p>7 they?</p> <p>8 A Your assets have been not designated as orphans as far</p> <p>9 as I know.</p> <p>10 Q Then later in that same paragraph, there's reference to</p> <p>11 a loan from the Alberta Government and a grant from the</p> <p>12 Government of Canada. Has the Orphan Well Association</p> <p>13 been receiving government support to facilitate its</p> <p>14 efforts?</p> <p>15 A We have received two loans from the Government of</p> <p>16 Alberta. First one for 235 million and the second for</p> <p>17 100 million.</p> <p>18 Q The first one is referred to in the second column about</p> <p>19 midway down the page. Is that the \$235 million loan</p> <p>20 you referred to?</p> <p>21 A Yes.</p> <p>22 Q And the second one, did you say it was 100 million?</p> <p>23 A Correct.</p> <p>24 Q When was that?</p> <p>25 A When was that agreement signed?</p> <p>26 Q Yes, or when did you get the \$100 million or whatever.</p> <p>27 A So we're getting the first installment of the \$100</p>	<p style="text-align: right;">28</p> <p>1 million on October 1st and the second installment on</p> <p>2 January 1st of next year.</p> <p>3 Q There's reference later in that column to Federal</p> <p>4 Government support to the energy sector with a \$1.7</p> <p>5 billion commitment for decommissioning and reclamation</p> <p>6 which includes a \$200 million repayable loan to the</p> <p>7 OWA. Is that the current extent of the Federal</p> <p>8 Government support?</p> <p>9 A So the Federal Government did provide the Provincial</p> <p>10 Government a grant of \$30 million to cover the interest</p> <p>11 on the first loan of \$235 million, and then they've</p> <p>12 made the announcement of a loan of \$200 million to the</p> <p>13 Orphan Well Association.</p> <p>14 Q Have you received that yet?</p> <p>15 A The agreement has not been finalized.</p> <p>16 Q And the \$1.7 billion referred to there, is that money</p> <p>17 that goes to or through the OWA, or is that directly to</p> <p>18 other participants in the energy sector?</p> <p>19 A Those funds are being given to the Provincial</p> <p>20 Governments.</p> <p>21 Q And then from the Provincial Governments, at least in</p> <p>22 relation to the Alberta Provincial Government, do they</p> <p>23 then -- or, is it anticipated that they will then flow</p> <p>24 through the OWA to assist in its efforts?</p> <p>25 A Those funds are being provided to service providers to</p> <p>26 undertake the work, so as of this time the Orphan Well</p> <p>27 Association has not been involved with receipt of any</p>

<p style="text-align: right;">29</p> <p>1 of the funds or work on properties that are designated 2 as orphans. 3 Q Is it anticipated that those funds will be used in part 4 at least to work on orphans -- paid for work on 5 orphans? 6 A I can't comment on periods of the grants that have not 7 been released yet, but we are aware that the province 8 has given grant money to certain service providers on 9 sites that may be designated as an orphan, but are not 10 at this time. 11 Q And that grant money, I take it, would relieve or help 12 relieve the burden on whoever was responsible to pay 13 for the abandonment reclamation. That's part of the 14 purpose of it; is that not right? 15 A I'm not sure what the province's intent with the 16 program is. 17 Q Turn over the page. You'll see a message from the 18 executive director. I take it that's your message and 19 you wrote that. 20 A Yes. 21 Q And, again, you say first -- the first paragraph 22 (AS READ): 23 In 2019, despite receiving a substantial 24 number of new orphan wells -- more in just 25 one year than in 2014 to 2017 combined -- we 26 actually decreased the overall inventory with 27 a steady and strategic approach.</p>	<p style="text-align: right;">30</p> <p>1 I take it the good year assets, not having been 2 designated as orphans, were not part of that 3 substantial increase in orphan wells; right? 4 A Correct. 5 Q In the next paragraph, about five lines down, you say 6 (AS READ): 7 With our team's growing expertise and 8 experience, we are collaborating with other 9 operators and fine-tuning our processes so 10 that, simply put, we are getting the job done 11 better, faster and at a lower cost. 12 Is that a fair description of what you're doing? 13 A Yes. 14 Q And focusing on the costs point, I take it through 15 various processes, including area based closure that 16 you've referred to later in that paragraph, you've been 17 able to find efficiencies and reduce the costs of 18 abandonment and reclamation of orphans? 19 A Correct. 20 Q Could I ask you to turn to page 3 of your affidavit? 21 You have a heading Concerns with the Asset Transaction. 22 Do you see that? 23 A Yes. 24 Q And you are familiar with that defined term 25 "asset transaction" from the statement of claim, are 26 you? 27 A I believe it relates to the transaction on the good</p>
<p style="text-align: right;">31</p> <p>1 year assets. 2 Q Which transaction on the good year assets? 3 A Oh, I guess the -- the steps that were from -- taken in 4 the transactions between Perpetual and that ended up 5 with Sequoia. 6 Q That's your understanding? 7 A Correct. 8 Q In paragraph 9, immediately under that heading, you say 9 (AS READ): 10 The OWA first learned about the transactions. 11 Are you familiar with that as another defined term in 12 the statement of claim? 13 A I'd have to look up the exact definition on 14 transactions and what's included in -- relative to the 15 statement of claim. 16 Q Do you have the statement of claim handy? Turn to 17 paragraph 12. 18 A Okay. 19 Q Do you see the definition of transactions, plural, in 20 paragraph 12? 21 A I do. 22 Q That's what you're referring to in paragraph 9 of your 23 affidavit? 24 A Correct. 25 Q And do you see the defined term for the capitalized 26 term in paragraph 12 "asset transaction"? 27 A Are you referring to the statement of claim paragraph</p>	<p style="text-align: right;">32</p> <p>1 12? 2 Q Yes, there's a -- it starts (AS READ): 3 Prior to the asset transaction ... 4 And I just -- I'd asked you some questions about what 5 you understood that to be and now I'm going to just 6 show you the defined term that you've adopted in your 7 statement of claim, and it's defined in paragraph 9 of 8 the statement of claim above that. Do you see that? 9 A Yes, I see it. 10 Q So when I read your affidavit and I see reference to 11 asset transaction, I should understand you're talking 12 about the transaction facilitated by the asset purchase 13 and sale agreement; right? 14 A So the transactions that are referring to in the 15 affidavit are the same as the transactions as listed in 16 the statement of claim on paragraph 12. 17 Q Okay. So whenever I see the word "transactions" in 18 your affidavit, I'm to understand that you're referring 19 to those three transactions referred to in paragraph 20 12; right? 21 A That's correct. 22 Q And when I see the words "asset transaction," I'm to 23 understand you're referring to the transaction referred 24 to in paragraph 9 of the statement of claim? 25 A So I'm trying to recall when we did the affidavit if 26 all the components were individually looked at when we 27 defined them in the affidavit as transactions or if</p>

<p style="text-align: right;">33</p> <p>1 they were broadly or individually listed as 2 transactions. 3 Q Well, do you have a recollection? 4 A I don't recall reviewing the definition of transaction 5 as defined in the affidavit. 6 Q Just so we're clear, sir, because this is significant 7 to me at least, there is no definition of transaction. 8 The defined term is transactions, with an 'S,' and it's 9 defined in paragraph 12 of the statement of claim, and 10 in paragraph 2 of your affidavit, you adopt it. Do you 11 understand that? 12 A I do. 13 Q So we're clear, there's another defined term you use in 14 your affidavit and that's called "asset transaction" 15 and that's defined in paragraph 9 of the statement of 16 claim and you adopted that in paragraph 2 of your 17 affidavit. Do you understand that? 18 A Yes. 19 Q And I think you've already told me that you never read 20 the asset share -- sorry, asset purchase and sale 21 agreement, have you? 22 A No, I've not read it. 23 Q You've never read the share purchase and sale agreement 24 either, have you? 25 A That's correct. 26 Q And you've never read the retained interest agreement, 27 have you?</p>	<p style="text-align: right;">34</p> <p>1 A That's correct. 2 Q Those are the three agreements that created the 3 transactions; correct? 4 A Correct. 5 Q If I told you that, in simple terms, the asset 6 transaction combined the legal and beneficial interest 7 in the good year assets into PEOC -- P-E-O-C, sorry, 8 that's a defined term, that's something you already 9 understood? 10 A Yes. 11 Q So when we see reference to the asset transaction in 12 your affidavit, we're referring to a transaction that, 13 generally speaking, combined the legal and beneficial 14 interests in the good year assets in PEOC; right? 15 A That is my understanding. 16 Q Let's go to paragraph 10 of your affidavit. You say 17 (AS READ): 18 Normally a disposition of oil and gas assets 19 of this nature would require approval from 20 the AER. 21 What nature are you talking about? 22 A When this transaction occurred, if it would have been a 23 different component, and it was a sale of assets only, 24 it would be required to be reviewed by the AER. 25 Q So it's not a disposition of oil and gas assets of this 26 nature, but of a different nature; right? 27 A The steps taken to do this transaction avoided the</p>
<p style="text-align: right;">35</p> <p>1 AER's regulatory review. 2 Q Well, let's talk about those steps then. 3 The asset transaction did not require any AER 4 regulatory review; right? 5 MR. LENZ: That calls for -- I mean, I 6 think that's -- I think that's beyond his expertise, 7 Mr. McDonald. 8 (OBJECTION) 9 Q MR. McDONALD: AER regulatory review occurs 10 upon the transfer of a licence; is that right? Sorry? 11 A When it transfers from one licensee to another, it 12 does, unless it's a corporate sale. 13 Q Okay. So that's the regulatory review you're talking 14 about in your affidavit; right? 15 A So there was a number of steps in this transaction 16 specific to the good year assets. 17 Q My question was, when you speak of regulatory review in 18 your affidavit, what you are referring to is the review 19 by the AER upon the transfer of licence; correct? 20 A Correct. 21 Q There was no transfer of licence required by the asset 22 transaction? 23 Counsel, may have objected to that. I don't know 24 if that's something you know or can answer. 25 MR. LENZ: Yeah, I will object to that. 26 MR. McDONALD: Okay. 27 (OBJECTION)</p>	<p style="text-align: right;">36</p> <p>1 Q MR. McDONALD: You said the regulatory review 2 doesn't arise in a corporate transaction? Is that 3 something you mentioned? 4 A Correct, at this time in 2016. 5 Q And when you say "a corporate transaction," you mean 6 the sale of shares of a company? 7 A Correct. 8 Q So back to paragraph 10 of your affidavit (AS READ): 9 A disposition of oil and gas assets of this 10 nature. 11 Are you talking about by the sale of the shares of 12 PEOC. 13 A So a share sale would not have been reviewed by the 14 AER. 15 Q And the share purchase agreement was a share sale; 16 right? The share transaction was the share sale? 17 A Yeah, that's my understanding. 18 Q And you're not prepared to tell me whether or not the 19 asset transaction required a regulatory approval? 20 MR. LENZ: Sorry, Mr. McDonald, you cut 21 out again. 22 MR. McDONALD: You're not prepared to tell me 23 whether the asset transaction would require regulatory 24 approval? Is that right, sir, you're not prepared -- 25 MR. LENZ: I think there has been an 26 objection on that. 27 (OBJECTION)</p>

<p style="text-align: right;">37</p> <p>1 Q MR. McDONALD: Well, to put it plainly, there 2 was no transfer of licenses on -- in relation to the 3 transactions; correct? 4 A My understanding is that there were internal transfers 5 in the Perpetual owned companies. 6 Q And internal transfers do not require regulatory 7 approval; right? 8 A I'm not sure of that. 9 Q Are you guessing about whether there were general 10 transactions, or are you able to say that under oath? 11 A My review of the materials that were provided to the 12 board of directors of Perpetual indicated that licenses 13 were moving from one organization to the other to set 14 up its corporate sale. 15 Q But the corporate sale, if we can refer to it as that, 16 did not require regulatory approval; right? 17 MR. LENZ: Sorry, you cut out again, 18 Mr. McDonald. It's not you, but somehow we're getting 19 out in and out. 20 Q MR. McDONALD: The corporate sale did not 21 require regulatory approval? 22 A Correct. 23 Q Isn't it more accurate, sir, in paragraph 10 to say 24 normally a disposition of oil and gas assets of this 25 nature would not require approval from the AER? 26 A To my understanding, most transfers are done under the 27 asset sale as opposed to a corporate sale.</p>	<p style="text-align: right;">38</p> <p>1 Q But if parties decide to do a corporate sale, then they 2 are not required to get approval from the AER; right? 3 A If they're structured that way, yes. 4 Q And this one was structured that way; right? 5 A Correct. 6 Q If you turn to paragraph 11 of your affidavit? 7 Actually before we do that, would you turn to 8 Tab 3 in the binder? 9 A Yes. 10 Q And is that a public statement dated August 8th from 11 the Alberta Energy Regulator signed by -- under the 12 signature of Mr. Ellis, the chief executive officer? 13 A It is. 14 Q Have you seen that before? 15 A I have. 16 Q And you know that it's addressing the Sequoia 17 transaction and Mr. Ellis's comments on that 18 transaction? Do you see that? 19 A Yes. 20 Q He points out that Sequoia, in the third paragraph, 21 that Sequoia informed the regulator that it planned to 22 cease operations, and then he said (AS READ): 23 But how did Sequoia get to this point? What 24 happened that caused them to be in this 25 position? This is where a gap in our system 26 has been identified. 27 Did you understand that there was a gap in the</p>
<p style="text-align: right;">39</p> <p>1 regulatory system? 2 A I'm not sure I understand what your question is. 3 Q Well, was there a gap in the regulatory system in 2016 4 as Mr. Ellis says? 5 MR. LENZ: Well, I think he has already 6 said he doesn't understand your question, so maybe ask 7 a different question, Mr. McDonald. 8 (OBJECTION) 9 Q MR. McDONALD: I'm sorry, I thought that was 10 a different question. 11 Mr. Ellis -- 12 (INDISCERNIBLE - OVERLAPPING SPEAKERS) 13 MR. LENZ: It requires reading the entire 14 agreement -- 15 MR. McDONALD: I'm sorry, I didn't hear you. 16 MR. LENZ: It requires reading the entire 17 thing and figuring out what he's talking about, so ... 18 Q MR. McDONALD: Okay. Well, if you need a 19 moment to read this, if you're unfamiliar with it, take 20 whatever time you need. 21 A Well, I understand his statement that he has issued in 22 2018 that the AER recognized that they had a gap in 23 their regulatory system. 24 Q And then he goes on to say that (AS READ): 25 The AER has limited legislated authority to 26 oversee corporate transactions. 27 That's consistent with the point you just made a moment</p>	<p style="text-align: right;">40</p> <p>1 ago that the AER doesn't have authority over corporate 2 transactions or sale of shares; is that right? 3 A That's correct. 4 Q He goes on to say (AS READ): 5 This is important to note because corporate 6 transactions can result in AER licenses 7 changing hands without having to go through 8 the scrutiny of our transfer process. 9 That's consistent with your understanding? 10 A That's correct. 11 Q All right. Whereas at the bottom of the page, he says 12 (AS READ): 13 For the AER, this situation has exposed a gap 14 in the system and raised questions with 15 respect to how we better manage liability in 16 the future. In some cases, our governing 17 legislation did not provide us with the 18 necessary flexibility to do what is needed, 19 while in other cases our own requirements and 20 processes were limiting. We were working to 21 fix both. 22 Is that consistent with your understanding? 23 A So for this transaction, I understand that the AER does 24 realize or realized that there was a gap in their 25 system. 26 Q And do you agree that the problem seems to have 27 originated from the governing regulation or the AER's</p>

41	<p>1 own requirements?</p> <p>2 A I understand that's what the AER believed the gap was.</p> <p>3 Q Did you have a view?</p> <p>4 A I would agree that there was a gap in the system.</p> <p>5 Q Okay, and then the last sentence I read to you was</p> <p>6 (AS READ):</p> <p>7 We were working to fix both.</p> <p>8 And if you go down another few paragraphs, he writes</p> <p>9 (AS READ):</p> <p>10 We have already begun to plan to update</p> <p>11 liability management ...</p> <p>12 It goes on. Have there been some changes in the</p> <p>13 regulatory system since this?</p> <p>14 A Yes.</p> <p>15 Q Are you familiar with those?</p> <p>16 A Yes.</p> <p>17 Q I believe the next tab in your binder should be an</p> <p>18 Alberta Government document entitled Liability</p> <p>19 Management Framework. Do you see that?</p> <p>20 A I do.</p> <p>21 Q And are you familiar with it?</p> <p>22 A I have read it before.</p> <p>23 Q And it is dated July 2020. Does this generally</p> <p>24 describe some changes that the Alberta Government is</p> <p>25 making to the LMR process?</p> <p>26 A It does reference replacing that system with a new</p> <p>27 system.</p>	42	<p>1 Q And do you know if this is part of trying to address</p> <p>2 those gaps that Mr. Ellis referred to and that you</p> <p>3 recognize?</p> <p>4 A I have no knowledge about which components they're</p> <p>5 trying to address specifically.</p> <p>6 Q Can we mark that as an exhibit, please?</p> <p>7 THE COURT REPORTER: I'm sorry, you'll have to</p> <p>8 clarify just exactly what you're marking.</p> <p>9 MR. McDONALD: It's an Alberta Government</p> <p>10 publication dated July 2020 entitled Liability</p> <p>11 Management Framework.</p> <p>12 THE COURT REPORTER: Thank you.</p> <p>13 EXHIBIT 2 - Alberta Government publication</p> <p>14 dated July 2020 entitled Liability Management</p> <p>15 Framework</p> <p>16 Q MR. McDONALD: I believe the next tab in your</p> <p>17 book should be a website printout again from the</p> <p>18 Government of Alberta under the heading Oil and Gas</p> <p>19 Liabilities Management. Do you have that?</p> <p>20 A I do.</p> <p>21 Q And have you seen that before?</p> <p>22 A I don't recall specifically seeing this website, but it</p> <p>23 includes information that I have seen before.</p> <p>24 Q And it deals, at least on the first page, with the same</p> <p>25 liability management framework topic we just addressed;</p> <p>26 right?</p> <p>27 A Are you talking about the length that is on the bottom</p>
43	<p>1 part of the page? This is PDF for 327 KB.</p> <p>2 THE COURT REPORTER: I'm sorry?</p> <p>3 Q MR. McDONALD: Sorry, I didn't follow that,</p> <p>4 and I have may have something that looks a little</p> <p>5 different than what you have. Can you tell me what</p> <p>6 you're looking at?</p> <p>7 A So at the bottom you say that there's a liability</p> <p>8 management framework? I think he froze.</p> <p>9 Q That's on my copy. I thought it was on yours, is it</p> <p>10 not? That's on my copy --</p> <p>11 MR. LENZ: Sorry, I think you froze</p> <p>12 again.</p> <p>13 MR. McDONALD: Can you hear me now?</p> <p>14 MR. LENZ: Yes.</p> <p>15 Q MR. McDONALD: Now we're good?</p> <p>16 I'm just trying to determine whether you and I are</p> <p>17 looking at the same thing, sir, and on the first page</p> <p>18 of what I'm looking at near the bottom there's a</p> <p>19 heading Liability Management Framework. Do you have</p> <p>20 that?</p> <p>21 A Yes.</p> <p>22 Q And I think my question was simply that's the same</p> <p>23 liability management framework topic that we just</p> <p>24 discussed a moment ago in relation to that other</p> <p>25 document; right?</p> <p>26 A If you're referring to the link, I would say yes, but I</p> <p>27 don't really know where the link goes to.</p>	44	<p>1 MR. LENZ: I think the question was it's</p> <p>2 just the same topic.</p> <p>3 A Oh --</p> <p>4 MR. LENZ: The link is the same thing.</p> <p>5 A -- okay.</p> <p>6 Q MR. McDONALD: Yes, okay, and then on the</p> <p>7 second page of my copy, I have a heading Reducing</p> <p>8 Orphaned Wells. Do you have that?</p> <p>9 A Yes.</p> <p>10 Q And that refers to, in the second paragraph at any</p> <p>11 rate, the two Provincial Government loans that you</p> <p>12 referred to earlier; correct?</p> <p>13 A Correct.</p> <p>14 Q Okay. I don't think we need to mark that as an</p> <p>15 exhibit.</p> <p>16 I think the next document in your binder is</p> <p>17 Bill 12 and perhaps with some reference to it having</p> <p>18 been proclaimed. Do you have that?</p> <p>19 A Yes.</p> <p>20 Q And are you familiar with Bill 12?</p> <p>21 A Yes.</p> <p>22 Q The Liabilities Management Statutes Amendment and has</p> <p>23 it indeed been proclaimed into the law?</p> <p>24 A Yes.</p> <p>25 Q And is it your understanding that this, in part, is to</p> <p>26 address the gaps that you and Mr. Ellis reference?</p> <p>27 A I'm not sure if it -- if it has addressed the corporate</p>

45	<p>1 share transactions or not.</p> <p>2 Q Okay. Would you turn to paragraph 11 of your</p> <p>3 affidavit? You start there saying (AS READ):</p> <p>4 Upon learning the details of the ...</p> <p>5 A You're referring to Bill 12?</p> <p>6 Q Oh, I'm sorry, no, I'm back to your affidavit.</p> <p>7 You say in paragraph 11 (AS READ):</p> <p>8 Upon learning the details of the</p> <p>9 transactions, the OWA became concerned,</p> <p>10 inter alia, for the following reasons ...</p> <p>11 And then you list several reasons. Do you see that?</p> <p>12 A I do.</p> <p>13 Q And I take it you learned of the transactions, I</p> <p>14 believe you said, in March 2018; is that right?</p> <p>15 A That's correct.</p> <p>16 MR. LENZ: Mr. McDonald, would now be an</p> <p>17 appropriate time to just take a five-minute break?</p> <p>18 MR. McDONALD: Sure.</p> <p>19 (ADJOURNMENT)</p> <p>20 Q MR. McDONALD: Sir, I think when we broke, I</p> <p>21 had just referred to the introductory words at</p> <p>22 paragraph 11 about the OWA's concerns, and I'm going to</p> <p>23 turn to paragraph (d) in paragraph 11. Do you see</p> <p>24 that?</p> <p>25 THE COURT REPORTER: (E) as in elephant?</p> <p>26 Q MR. McDONALD: (D) as in dog.</p> <p>27 A Yes.</p>	46
47	<p>1 MR. LENZ: Yeah, yes, we should move to</p> <p>2 something else.</p> <p>3 Q MR. McDONALD: So my question was whether --</p> <p>4 I don't remember the exact words, but I don't want to</p> <p>5 know what legal advice you've received, sir, but I just</p> <p>6 want your confirmation that you're not a lawyer and you</p> <p>7 are not an expert in interpreting agreements?</p> <p>8 A That is correct.</p> <p>9 Q You're an environmental engineer?</p> <p>10 A Correct.</p> <p>11 Q That's where your expertise lies?</p> <p>12 A Correct.</p> <p>13 Q So then you say (AS READ):</p> <p>14 The effect of the transactions was to move</p> <p>15 significant regulatory obligations to Sequoia</p> <p>16 Resources Corp.</p> <p>17 Are those the regulatory obligations we've been talking</p> <p>18 about previously, that is the obligations of a</p> <p>19 licensee?</p> <p>20 A Those would be the closure regulatory obligations.</p> <p>21 Q Closure? Is that the same as abandonment and</p> <p>22 reclamation obligations?</p> <p>23 A You cut out there again. Could you repeat the</p> <p>24 question?</p> <p>25 Q Is that another way of describing abandonment and</p> <p>26 reclamation obligations?</p> <p>27 A Yeah, the closure obligations would be the same as the</p>	48

49	<p>1 transactions, but the end point of the assets going to</p> <p>2 Sequoia.</p> <p>3 Q Okay. Just to be clear, the regulatory obligations</p> <p>4 we're talking about are the closure obligations; right?</p> <p>5 A Correct.</p> <p>6 Q And those obligations are obligations of a licensee;</p> <p>7 right?</p> <p>8 A Correct.</p> <p>9 Q And you say that those were moved from PEOC to Sequoia;</p> <p>10 right?</p> <p>11 A That is my understanding.</p> <p>12 Q Okay, and that was your understanding when you swore</p> <p>13 your affidavit?</p> <p>14 A Correct.</p> <p>15 Q Okay. So we then see the following words after Sequoia</p> <p>16 Resources Corp. (AS READ):</p> <p>17 A company with limited assets with no ability</p> <p>18 to perform.</p> <p>19 Do you see that?</p> <p>20 A Yeah.</p> <p>21 Q I expect that the next document in your binder is a</p> <p>22 document under the heading Sequoia Resources Corp. over</p> <p>23 the signature of the Sequoia Resources Corp. board of</p> <p>24 directors and management. Do you have that?</p> <p>25 A I do.</p> <p>26 Q And have you seen that before?</p> <p>27 A I have seen this somewhere before.</p>	50	<p>1 Q There's some references in the first -- under the first</p> <p>2 two dates to the bankruptcy of Sequoia, and then under</p> <p>3 the date March 26th, 2018. It says Letter to</p> <p>4 Stakeholders, and I'm going to read to you from the</p> <p>5 third paragraph under that date. (AS READ):</p> <p>6 Operations commenced on October 1, 2016 and</p> <p>7 SRC ...</p> <p>8 Referring to Sequoia (AS READ):</p> <p>9 ... immediately began its aggressive</p> <p>10 abandonment and reclamation program. From</p> <p>11 October 1, 2016 to December 31, 2017, SRC</p> <p>12 abandoned 150 wells and received reclamation</p> <p>13 certificates for 91 wells.</p> <p>14 Were you aware of that?</p> <p>15 A I had seen that information somewhere before.</p> <p>16 Q And you have no reason to disagree with it?</p> <p>17 A No.</p> <p>18 Q Goes on on the next page to say (AS READ):</p> <p>19 ... SRC ranked fifth in the province of</p> <p>20 Alberta in terms of reclamation certificates</p> <p>21 received for the period October 1, 2016, to</p> <p>22 December 31, 2017.</p> <p>23 Were you aware of that?</p> <p>24 A No.</p> <p>25 Q And you have no reason to disagree with it?</p> <p>26 A I have no reason to disagree with that.</p> <p>27 Q So when you go -- when you say in paragraph 11(d) of</p>
51	<p>1 your affidavit that (AS READ):</p> <p>2 Sequoia was a company with limited assets</p> <p>3 that had no ability to perform.</p> <p>4 Will you agree with me that it apparently had</p> <p>5 sufficient assets and an ability to perform the</p> <p>6 abandonment of 150 wells and obtain 91 reclamation</p> <p>7 certificates over the period noted?</p> <p>8 A Relative to the number of assets they held, they were</p> <p>9 not going to be able to sustain that work that they</p> <p>10 were doing. I think, as I indicated, as they went</p> <p>11 bankrupt.</p> <p>12 Q Well, if we go back to Mr. Herald's report, one of</p> <p>13 their reasons the Orphan Well Association pointed to</p> <p>14 for the insolvencies in Alberta was the decline in</p> <p>15 commodity prices over that period. Do you recall that?</p> <p>16 A Yes.</p> <p>17 Q But we, of course, know that Sequoia did go bankrupt,</p> <p>18 but we also know that they had the ability to perform</p> <p>19 over a hundred abandonments and obtained 91 reclamation</p> <p>20 certificates in the 15 months following the</p> <p>21 transaction; right?</p> <p>22 A That is the information that they provided.</p> <p>23 Q And you need assets -- you need money to do that, don't</p> <p>24 you?</p> <p>25 A Correct.</p> <p>26 Q Going down a couple more paragraphs on the second page</p> <p>27 of that document (AS READ):</p>	52	<p>1 These strategies were successful ...</p> <p>2 meaning the abandonment strategy referred to (AS READ):</p> <p>3 ... and on target through to the end of the</p> <p>4 summer of 2017. SRC steadily increased its</p> <p>5 production and reduced its overall</p> <p>6 environmental liabilities.</p> <p>7 Were you aware of that?</p> <p>8 A I wasn't.</p> <p>9 Q Any reason to disagree with it?</p> <p>10 A No.</p> <p>11 Q And the next paragraph starts out (AS READ):</p> <p>12 ... by the end of the summer of 2017, gas</p> <p>13 prices in Alberta began to slide.</p> <p>14 That's fair; isn't it?</p> <p>15 A I assume the information is correct.</p> <p>16 Q Well, you were familiar with gas prices in 2017 in</p> <p>17 Alberta, weren't you?</p> <p>18 A I do know that they slid, but I'm not sure of the</p> <p>19 numbers in there specifically.</p> <p>20 Q Okay. We'll mark that document as the next exhibit?</p> <p>21 THE COURT REPORTER: Sorry, can you clarify what</p> <p>22 the document is?</p> <p>23 MR. McDONALD: Sequoia Resources Corp.</p> <p>24 document with dates March 2, March 23 and March 26,</p> <p>25 2018.</p> <p>26 THE COURT REPORTER: Thank you.</p> <p>27 EXHIBIT 3 - Sequoia Resources Corp. document</p>

<p style="text-align: right;">53</p> <p>1 with dates March 2, March 23 and March 26, 2 2018</p> <p>3 MR. LENZ: So, Mr. McDonald, I assume 4 this is -- Mr. McDonald, I assume these exhibits are 5 for identification, because obviously the witness can't 6 really attest to the accuracy of any of it. That's 7 understood; right?</p> <p>8 MR. McDONALD: Well, I hadn't marked them for 9 identification, but I recognize that he wasn't the 10 author of them and the questions I've asked of him are 11 what are significant to me, but the court may need to 12 see that document in order to understand the questions. 13 I can tell you that the document is already in evidence 14 as Exhibit A to Mr. Schweitzer's October 3, 2018, 15 affidavit.</p> <p>16 MR. LENZ: Okay. I have no objection. I 17 just wanted to make sure the record was clear.</p> <p>18 MR. McDONALD: Lynne, are you good?</p> <p>19 THE COURT REPORTER: Yes, thank you. So I'm just 20 to use the numbers 1, 2, 3?</p> <p>21 MR. LENZ: Yes, I think that's fine.</p> <p>22 Q MR. McDONALD: I'm next going to ask you to 23 turn to the next document in your binder which should 24 be a Trustee's Preliminary Report in the matter of the 25 Sequoia bankruptcy. Do you have that?</p> <p>26 A I do.</p> <p>27 Q And have you seen it before?</p>	<p style="text-align: right;">54</p> <p>1 A I don't recall if I've seen this one.</p> <p>2 Q I thought, sir, that was one of the ones you mentioned 3 right at the start that you had -- when I asked you 4 about any of the trustee records or the bankruptcy 5 records. Am I wrong? I very well could be.</p> <p>6 A I don't recall seeing the trustee's preliminary report, 7 but I may have seen it before.</p> <p>8 Q Okay. Are you aware that Sequoia purchased other 9 assets after the transaction with Perpetual?</p> <p>10 A I am.</p> <p>11 Q And if you look at the first page of this document, it 12 refers to Husky Oil Operations, an asset purchase; and 13 Waldron Energy, an asset purchase; and Other, an asset 14 purchase. Do you see that?</p> <p>15 A I do.</p> <p>16 Q And are you familiar at all with those transactions?</p> <p>17 A I know that they occurred, but I'm not familiar with 18 the specifics related to those transactions.</p> <p>19 Q When we see reference to them being asset purchasers, 20 do you understand that that means that the licenses 21 were transferred from the --</p> <p>22 A That would be my under --</p> <p>23 Q Sorry, go ahead.</p> <p>24 A That would be my understanding of the definition here.</p> <p>25 Q Okay, and in order for those licenses to transfer, AER 26 approval would have been required; right?</p> <p>27 A That would typically be the case.</p>
<p style="text-align: right;">55</p> <p>1 Q Mr. Lenz, are you okay marking this as an exhibit for 2 the same purpose or subject to the same qualifications?</p> <p>3 MR. LENZ: Yes, I am.</p> <p>4 MR. McDONALD: Thank you. 5 EXHIBIT 4 - Trustee's Preliminary Report In 6 the Matter of the Bankruptcy of Sequoia 7 Resources Corp.</p> <p>8 Q MR. McDONALD: So I'm going back to paragraph 9 (d) of your affidavit now, sir. Paragraph 11(d), 10 excuse me, and I'd left off at the end of (AS READ): 11 No ability to perform. 12 I now want to read the balance of the words in that 13 paragraph. (AS READ): 14 Therefore, leaving the good year assets to be 15 abandoned and reclaimed closed by the OWA. 16 Do you see that?</p> <p>17 A Yes.</p> <p>18 Q And without wanting to repeat it, the good year assets 19 have not been declared orphans and the OWA has no 20 obligation to abandon or reclaim, does it?</p> <p>21 A Not at this time.</p> <p>22 Q Let's turn to paragraph 11(e). You say (AS READ): 23 Allowing the transactions to be stand will by 24 itself increase the burden on the OWA. 25 Do you see that?</p> <p>26 A Yes.</p> <p>27 Q Are you aware that the trustee in this lawsuit is not</p>	<p style="text-align: right;">56</p> <p>1 seeking to set aside the transactions but is only 2 seeking to set aside the asset transaction?</p> <p>3 A I am.</p> <p>4 Q So your concern about allowing the transactions to 5 stand is a concern about allowing the share transaction 6 and the retained interest agreement and the asset 7 transaction to stand. Is that it?</p> <p>8 A Correct.</p> <p>9 Q But you know the lawsuit has nothing to do with the 10 first two -- allowing the first two transactions, does 11 it?</p> <p>12 A That's my understanding.</p> <p>13 Q Okay, and, of course, when you say increase the burden 14 on the OWA, there will be no increased burden on the 15 OWA unless the regulator declares the good year assets 16 to be orphans will there?</p> <p>17 A The assets would have to be designated as orphans to 18 come to the Orphan Well Association.</p> <p>19 Q And unless that happens, there is no increased burden 20 on the OWA and its members; right?</p> <p>21 A That is correct.</p> <p>22 Q You go on to say in (e) (AS READ): 23 However, this outcome is potentially dwarfed 24 by the precedent this court would create. 25 So since the Sequoia transaction with Perpetual in 26 2016, have you seen a large volume of transactions 27 based on this precedent?</p>

<p style="text-align: right;">57</p> <p>1 A Could you repeat the question?</p> <p>2 Q The 2016 transaction with Sequoia and Perpetual, have</p> <p>3 you seen a large volume of transactions based on this</p> <p>4 precedent?</p> <p>5 A The Orphan Well Association doesn't monitor AER</p> <p>6 transactions.</p> <p>7 Q I think you mean oil and gas transactions.</p> <p>8 A Correct, yeah.</p> <p>9 Q So the answer to my question is, no, you haven't;</p> <p>10 right?</p> <p>11 A The answer is I don't -- we're not monitoring those</p> <p>12 transactions.</p> <p>13 Q So you're not aware of any; right?</p> <p>14 A Not that I'm aware of.</p> <p>15 Q Okay. Paragraph 12 (AS READ):</p> <p>16 It is estimated by the trustee that the costs</p> <p>17 to abandon and reclaim the good year assets</p> <p>18 is \$200 million.</p> <p>19 Sir, I take it the estimate you're referring to is the</p> <p>20 one in Mr. Darby's affidavit; is that right?</p> <p>21 A That is correct.</p> <p>22 Q And that is an estimate that Mr. Darby refers to based</p> <p>23 on a model of some company called XI Technologies; is</p> <p>24 that right?</p> <p>25 A That is my understanding.</p> <p>26 Q Are you familiar with XI Technologies?</p> <p>27 A I have previously reviewed their work.</p>	<p style="text-align: right;">58</p> <p>1 Q Are you familiar with the model they used to do this --</p> <p>2 to make this estimate?</p> <p>3 A I have reviewed one of their models. I'm not sure it</p> <p>4 was the same one that they used for this one though.</p> <p>5 Q Does the OWA use XI Technologies to calculate</p> <p>6 abandonment and reclamation costs --</p> <p>7 A No.</p> <p>8 Q -- for it?</p> <p>9 A No.</p> <p>10 Q Why not?</p> <p>11 A We have our own methodology.</p> <p>12 Q Well, has the OWA used its own (INDISCERNIBLE) of</p> <p>13 reclamation obligations of the good year assets?</p> <p>14 A No.</p> <p>15 Q Have you done any analysis or testing to determine</p> <p>16 whether the estimate by XI Technologies is reliable?</p> <p>17 A Based on my previous review of the XI Technology model,</p> <p>18 I believe it is a legitimate estimate.</p> <p>19 Q Well, is it one that the OWA would rely on in coming to</p> <p>20 its conclusions?</p> <p>21 A It is one that would be in the same range as the model</p> <p>22 that we're using ourselves.</p> <p>23 Q Well, how can you do (INDISCERNIBLE) done in this case?</p> <p>24 A I didn't hear the question.</p> <p>25 THE COURT REPORTER: Sorry, I didn't get a question</p> <p>26 either.</p> <p>27 Q MR. McDONALD: How are you able to make that</p>
<p style="text-align: right;">59</p> <p>1 statement without doing any specific analysis?</p> <p>2 I'm sorry, I'm -- I don't know if you're waiting</p> <p>3 for me or not, but I'll start the question again and</p> <p>4 see if you get it.</p> <p>5 Perhaps somebody -- Mr. Lenz, wave at me if you</p> <p>6 can hear me.</p> <p>7 MR. LENZ: Gotcha.</p> <p>8 Q MR. McDONALD: How are you able to say what</p> <p>9 you just said without knowing the inputs into the model</p> <p>10 and testing as it's related to the good year assets,</p> <p>11 sir?</p> <p>12 A My understanding of the XI model is that it is based on</p> <p>13 the AER's LLR model on estimating liabilities which we</p> <p>14 are using components of as well.</p> <p>15 Q Okay. You use components of that, but you don't use</p> <p>16 that exclusively to make your own estimates of the</p> <p>17 abandonment or reclamation costs, do you?</p> <p>18 A We use other sources as well. Some of it is site</p> <p>19 specific.</p> <p>20 Q Right, and you don't know what other sources, if any,</p> <p>21 XI Technologies used, do you?</p> <p>22 A I do not.</p> <p>23 Q Do you know if they even did their analysis on a</p> <p>24 well-by-well basis?</p> <p>25 A My understanding is that it is -- the model is based on</p> <p>26 a site-by-site component, but with generic numbers</p> <p>27 applied to each location.</p>	<p style="text-align: right;">60</p> <p>1 Q And is that what the OWA does (INDISCERNIBLE) numbers</p> <p>2 to apply to each location?</p> <p>3 THE COURT REPORTER: Sorry, I didn't get the whole</p> <p>4 question there.</p> <p>5 Q MR. McDONALD: Is that what the OWA does as</p> <p>6 well, that is use generic numbers applied to each</p> <p>7 location?</p> <p>8 A We use generic numbers when sites are initially</p> <p>9 designated as orphans and we evolve that estimate as</p> <p>10 more information becomes available, but we do start</p> <p>11 with a generic estimate on each site.</p> <p>12 Q When we looked at your message in the 2019 annual</p> <p>13 report, we saw that you pointed out that the OWA is</p> <p>14 doing the job better, faster and at a lower cost;</p> <p>15 right?</p> <p>16 A Correct.</p> <p>17 Q XI Technologies model takes into account the types of</p> <p>18 efficiencies that you're using?</p> <p>19 A You broke up again.</p> <p>20 Q Do you know if the XI Technologies model takes into</p> <p>21 account the same types of efficiencies that you</p> <p>22 referred to?</p> <p>23 A I do not know.</p> <p>24 Q You also referred in your report to area based closure.</p> <p>25 Is that another manner in which the OWA is able to find</p> <p>26 efficiencies in the costs of abandonment and</p> <p>27 reclamation?</p>

<p style="text-align: right;">61</p> <p>1 A That's correct.</p> <p>2 Q Do you know if the XI Technologies model uses that</p> <p>3 methodology?</p> <p>4 A I do not.</p> <p>5 Q Also in your message you say (AS READ):</p> <p>6 We are building our expertise and improving</p> <p>7 the assembly line approach to increase</p> <p>8 efficiencies for decommissioning and</p> <p>9 reclamation.</p> <p>10 Do you know if XI Technologies uses some type of</p> <p>11 assembly line approach similar to that used by the OWA</p> <p>12 to increase efficiencies for decommissioning and</p> <p>13 reclamation?</p> <p>14 A I kind of lost your question there through the middle.</p> <p>15 Q Do you know if the XI Technologies model is using the</p> <p>16 assembly line approach to creating efficiencies and</p> <p>17 decommissioning and reclamation that you referred to?</p> <p>18 A I do not know if XI has done that within their model.</p> <p>19 Q Without knowing those details of the XI Technologies</p> <p>20 model, would the OWA accept an estimate based on that</p> <p>21 model as set out in Mr. Darby's affidavit as a reliable</p> <p>22 estimate of the liabilities associated with good year</p> <p>23 assets?</p> <p>24 A Yes.</p> <p>25 Q And would you consider it preferable or more reliable</p> <p>26 than the OWA estimate?</p> <p>27 A Are you referring to the estimated liability within the</p>	<p style="text-align: right;">62</p> <p>1 good year assets, or are you talking about the models?</p> <p>2 Q Well, what I'm trying to get at, sir, is that you've,</p> <p>3 by that I mean the OWA, has apparently developed</p> <p>4 efficiencies and methodologies and analyses to give it</p> <p>5 confidence in its own estimates of abandonment and</p> <p>6 reclamation costs; right?</p> <p>7 A Correct.</p> <p>8 Q And without knowing if or what similar efficiencies</p> <p>9 XI Technologies has considered, is it not fair to say</p> <p>10 that you wouldn't have the same degree of confidence in</p> <p>11 their conclusions as you would in yours?</p> <p>12 A I believe that either methodology would come to an</p> <p>13 estimate of the liabilities that earn the same range.</p> <p>14 Q But you say that without having done an estimate</p> <p>15 yourself; right? The OWA hasn't done an estimate of</p> <p>16 liabilities for good year assets; right?</p> <p>17 A Would it be helpful for us to do one?</p> <p>18 Q Well, I'm just asking you a question today on your --</p> <p>19 this cross-examination. I think the answer is that you</p> <p>20 haven't done one; right?</p> <p>21 A I have not done one.</p> <p>22 Q So you don't really know if you're going to come up</p> <p>23 with a number in the range that XI Technologies did, do</p> <p>24 you?</p> <p>25 A No.</p> <p>26 Q Okay. So let's then turn to paragraph 13. (AS READ):</p> <p>27 It is expected ...</p>
<p style="text-align: right;">63</p> <p>1 I take it you're saying that I expect that (AS READ):</p> <p>2 ... is the liabilities associated with the</p> <p>3 good year assets when they increase the levy.</p> <p>4 Is that right?</p> <p>5 A That's correct.</p> <p>6 Q That's only if the regulator declares the good year</p> <p>7 assets to be orphans; right?</p> <p>8 A Correct.</p> <p>9 Q And then that's only if having done so they -- the</p> <p>10 regulator increases the levy as a result; right?</p> <p>11 A The regulator would be the one responsible for setting</p> <p>12 the levy.</p> <p>13 Q And it's up to the regulator, not the OWA; right?</p> <p>14 A Correct.</p> <p>15 Q Paragraph 14, you start out by saying (AS READ):</p> <p>16 If the transactions are allowed to stand ...</p> <p>17 Just to confirm that you are aware now and I think you</p> <p>18 were -- said you were aware earlier that it's only the</p> <p>19 asset transaction that is being challenged by the</p> <p>20 trustee in this court proceeding; right?</p> <p>21 A Correct.</p> <p>22 Q About five lines down, you say (AS READ):</p> <p>23 Further if transactions of this nature become</p> <p>24 routine ...</p> <p>25 "Of this nature," that's the corporate sale transaction</p> <p>26 that we discussed earlier or the sale of shares? Is</p> <p>27 that what you're talking about?</p>	<p style="text-align: right;">64</p> <p>1 A It's the combination of the three transactions.</p> <p>2 Q Okay. It's certainly not any one of them individually,</p> <p>3 is it?</p> <p>4 A It would be the -- the three transactions.</p> <p>5 Q Right, I think you're agreeing with me. It's not any</p> <p>6 one individual transaction that you're referring to</p> <p>7 there, is it?</p> <p>8 MR. LENZ: Sorry, we got garbled again</p> <p>9 there.</p> <p>10 Q MR. McDONALD: I just -- I thought you just</p> <p>11 agreed with me that it is not any individual</p> <p>12 transaction. Do you agree with that?</p> <p>13 A Yes, it's the culmination of the three transactions.</p> <p>14 Q The share transaction is a routine transaction in the</p> <p>15 energy business, is it not, the sale of shares or</p> <p>16 corporate sale?</p> <p>17 A It's not unusual.</p> <p>18 Q And I think you agreed with me that the asset</p> <p>19 transaction was effectively just a combination of the</p> <p>20 legal and beneficial interest in the good year assets;</p> <p>21 right?</p> <p>22 A That is my understanding of the agreement.</p> <p>23 Q But it's not that transaction individually that you're</p> <p>24 referring to in paragraph 14, is it?</p> <p>25 A It is the series of transactions done to avoid the</p> <p>26 review.</p> <p>27 Q Well, you're not about -- you're not able to interpret</p>

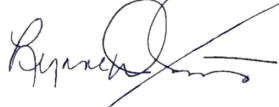
<p style="text-align: right;">65</p> <p>1 what the purpose of Sequoia (INDISCERNIBLE) Perpetual 2 wasn't doing it, are you? You're not an expert in that 3 area? 4 A Repeat that, please? I think -- 5 Q You're saying -- 6 A -- we lost him again -- 7 (INDISCERNIBLE - OVERLAPPING SPEAKERS) 8 Q You're saying it's a series of transactions with a 9 purpose -- I think you said it's the series of 10 transactions with the purpose of avoiding a review, and 11 I'm just saying without having spoken to any of the 12 participants or reading the documents, you are not in a 13 position to describe or give an opinion on the purpose 14 of the transaction, are you? 15 A In Ms. Rose's affidavit, there was reference to that 16 they needed to do this deal as a share transaction 17 because of the AER's rules around LMR. 18 Q So is the only thing that you're referring to then the 19 -- what you read in Ms. Rose's affidavit? 20 A I'm not sure if there was other components before that, 21 but I did see it specifically in that one. 22 Q Do you have that handy? Do you have that with you? 23 A I do not. I do not. 24 Q Well, at any rate, the only thing you can think of that 25 you're relying on to describe the purpose of the 26 transaction is what you read in Ms. Rose's affidavit; 27 right?</p>	<p style="text-align: right;">66</p> <p>1 A Correct. 2 Q So if we want to determine precisely what she said, we 3 would just turn to her affidavit? 4 A It was in one of the exhibits of her affidavit. 5 Q So that's where we'd look to find the support for what 6 you say; right? 7 A There may have been other components that I had seen or 8 heard from other people before that. 9 Q But you don't remember them today? 10 A Not specifically. 11 Q Okay. 12 A I mean, I guess the other one that -- that we did see 13 was related to the board materials provided to 14 Perpetual's board that it was structured this way. 15 Q You are referring to what's call the good year 16 presentation that was one of the exhibits to 17 Mr. Darby's affidavit -- 18 A Correct. 19 Q -- is that right? And that's something that was 20 prepared some three months before the transaction 21 closed; right? 22 MR. LENZ: Is that a question? 23 Q MR. McDONALD: Yes, I said -- I finished it 24 off with "right?" Do you know that? 25 A My recollection of the dates would align with that, but 26 I'd have to confirm. 27 Q And still on paragraph 14, you say (AS READ):</p>
<p style="text-align: right;">67</p> <p>1 Further if transactions of this nature become 2 routine ... 3 Based on my question to you a few minutes ago, I take 4 it you're not aware of transactions of this nature 5 becoming routine, are you? 6 A I'm not aware of any that have happened since. 7 Q And if a routine and the government wish to change its 8 legislating rules, it's up to the government or the AER 9 to change them; right? 10 A That's correct. 11 Q Looking at paragraph 16 of your affidavit, sir, it 12 starts (AS READ): 13 The OWA proposes to assist the court in this 14 action by providing submissions that relate 15 to ... 16 and then you list topics here. The first is 17 interaction between Section 96 of the BIA and the 18 regulatory obligations with regard to the Redwater 19 decision. Do you have any expertise in the BIA? 20 A No. 21 Q And generally the OWA doesn't have any expertise in the 22 BIA, does it? 23 A No. 24 Q And then (b) the determination of whether parties are 25 non-arm's length. Similarly, you don't have any 26 expertise in that determination, do you? 27 A No.</p>	<p style="text-align: right;">68</p> <p>1 Q Nor does the OWA? 2 A No. 3 Q And you haven't spoken to the parties to this 4 transaction or studied the agreements related to this 5 transaction to assess whether they were at arm's 6 length, have you? 7 A I have not. 8 Q Sir, I'm going to just take about five minutes, and I 9 may well be finished. If I'm not, I'll finish up 10 fairly quickly. So I'm going to go on mute, and I take 11 it I'm still not on video; is that correct? 12 MR. LENZ: That's correct. So we'll also 13 go on mute for five minutes exactly and then go back 14 on. If you need more time, of course that's fine. 15 MR. McDONALD: Okay. Thanks. 16 (ADJOURNMENT) 17 Q MR. McDONALD: Sir, I just want to go back 18 and explore the \$200 million estimate we spoke about 19 earlier and the reliability of the XI Technologies 20 model. Do you know how that model distinguishes the 21 good year assets from the other Sequoia assets? 22 A I don't know specifically. 23 Q And without knowing that, how can you be confident that 24 the OWA model or the OWA methodology would be comparing 25 apples to apples with what XI Technologies did if you 26 look at the good year assets? 27 A So my understanding of the two models would be that</p>

<p style="text-align: right;">69</p> <p>1 they are based on the information that's available</p> <p>2 publically about the specifics of individual sites in</p> <p>3 which licensee holds those licenses.</p> <p>4 Q Well, that leads me then to a different question and</p> <p>5 that is that publically available information is from</p> <p>6 the AER, I take it; is that right?</p> <p>7 A Correct.</p> <p>8 Q And I think you mentioned that you understand that</p> <p>9 XI Technologies uses, at least in part, the LMR data to</p> <p>10 do its calculations.</p> <p>11 A It's based on a similar methodology.</p> <p>12 Q And the LMR methodology attributes 100 percent of an</p> <p>13 interest in a well of licensee whether it has -- no</p> <p>14 matter what actual equity interest it has in it;</p> <p>15 correct?</p> <p>16 A That's the LMR model, correct.</p> <p>17 Q And do you know if that's what the XI Technologies</p> <p>18 model then uses?</p> <p>19 A I do not know whether they applied working interest,</p> <p>20 but in normal course of assessing liabilities, it would</p> <p>21 be a normal practice to -- of the working interest</p> <p>22 applied.</p> <p>23 Q Well, if you don't know whether they applied a working</p> <p>24 interest, how can you be confident about whether they</p> <p>25 got a reasonable result -- a reliable result I should</p> <p>26 say?</p> <p>27 A So my understanding of the good year assets is that the</p>	<p style="text-align: right;">70</p> <p>1 majority of the sites are a hundred percent.</p> <p>2 Q Well, what due diligence have you done to make that</p> <p>3 determination?</p> <p>4 A When Sequoia went bankrupt, we did an assessment of the</p> <p>5 number of sites that Sequoia was licensee of and which</p> <p>6 ones were a hundred percent, as those ones would be the</p> <p>7 ones that are designated as orphans.</p> <p>8 Q I'm sorry, I just didn't hear the last sentence. What</p> <p>9 was that?</p> <p>10 A We reviewed the --</p> <p>11 Q You said something and I didn't hear it.</p> <p>12 A We reviewed the Sequoia assets when they went into</p> <p>13 bankruptcy, as we wanted to know how many sites were a</p> <p>14 hundred percent because those ones would be potentially</p> <p>15 deemed as orphans.</p> <p>16 Q And your recollection is that a majority was a hundred</p> <p>17 percent?</p> <p>18 A That's my recollection.</p> <p>19 Q And a minority they had a less than 100 percent working</p> <p>20 interest?</p> <p>21 A Correct.</p> <p>22 Q And do you recall the percentage, that is what percent</p> <p>23 were 100 percent and what percent were less than 100</p> <p>24 percent?</p> <p>25 A I don't recall the exact numbers.</p> <p>26 Q And did you do that by number of sites or by value of</p> <p>27 the overall package of assets?</p>
<p style="text-align: right;">71</p> <p>1 A It was by the number of sites.</p> <p>2 Q Yet with the OWA doing its own analysis of the</p> <p>3 abandonment and reclamation costs, it would apply a</p> <p>4 working interest percentage, wouldn't it?</p> <p>5 A We would -- if we were looking at the liability that</p> <p>6 the Orphan Well Association would be liable for, it</p> <p>7 would be any site that is a hundred percent and any</p> <p>8 working interest that Sequoia has on operated or</p> <p>9 non-operated sites.</p> <p>10 Q I think that's another way of saying you would look at</p> <p>11 company's actual interest in the assets rather than as</p> <p>12 the LMR data does look at the interests of the licensee</p> <p>13 as if the licensee held a hundred percent of each</p> <p>14 interest. Is that fair?</p> <p>15 A That's fair.</p> <p>16 Q Okay, and depending on the circumstances, that could</p> <p>17 create a significant difference in the estimate; right?</p> <p>18 A It would depend on the specifics.</p> <p>19 Q Now, I'd also asked you about the efficiencies that the</p> <p>20 OWA has developed or using the reclamation costs.</p> <p>21 THE COURT REPORTER: I'm sorry, your whole question</p> <p>22 got blurred there.</p> <p>23 Q MR. McDONALD: I was also asking you about</p> <p>24 the efficiencies the OWA has developed to reduce</p> <p>25 abandonment and reclamation costs, and we talked about</p> <p>26 area based closure. Approximately what percentage --</p> <p>27 by approximately how much have you been able to reduce</p>	<p style="text-align: right;">72</p> <p>1 costs through area based closure?</p> <p>2 A So comparatively to the Directive 13 numbers on</p> <p>3 abandonment, we're getting a 50 percent reduction on</p> <p>4 those abandonment costs. On the reclamation side, we</p> <p>5 have not compared to the AER's estimates, but my</p> <p>6 general sense would be that they are -- we are higher</p> <p>7 than the AER's estimate on reclamation and the AER</p> <p>8 model does not include any component for remediation.</p> <p>9 Q I take it we don't know or you don't know what</p> <p>10 percentage of this \$200 million relates to abandonment</p> <p>11 versus reclamation or remediation; is that right?</p> <p>12 A Correct.</p> <p>13 Q All right, but for the abandonment part, you would</p> <p>14 estimate that using area based closures or other</p> <p>15 efficiencies you've developed, you would reduce those</p> <p>16 costs by about 50 percent. Is that what I just heard?</p> <p>17 A If we were looking at just the down hole abandonment</p> <p>18 component, I would agree that we're in that range of</p> <p>19 savings.</p> <p>20 Q And you're not getting any savings on the reclamation</p> <p>21 component through area based closure?</p> <p>22 A I didn't hear your question.</p> <p>23 Q Are you saying you're not getting any savings in the</p> <p>24 reclamation component through area based closure?</p> <p>25 A I still didn't hear your question, the first part.</p> <p>26 Q Are you saying that you are not getting any savings on</p> <p>27 the reclamation component through area based closure?</p>

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1 A No, no, we are getting savings on the reclamation
 2 component with using area based closure. My comment
 3 was in relation to the LMR numbers that the AER uses as
 4 a benchmark.
 5 Q And what savings are you getting through area based
 6 closure of the reclamation component --
 7 A So we're using --
 8 Q -- approximately --
 9 A -- a different benchmark. We are not using the AER's
 10 benchmark.
 11 Q Well, what benchmark and what percentage --
 12 A We are getting savings, but it's based on a
 13 (INDISCERNIBLE) --
 14 Q I'm sorry, you cut out there. I last heard you say "We
 15 are getting savings, but it's based on ..."
 16 A A different benchmark.
 17 Q All right, and I said -- my question was, what
 18 benchmark and what percentage savings?
 19 A So we're being -- we've been using a benchmark on
 20 reclamation costs provided to us through some work from
 21 CAPP and we'd be at a -- a cost reduction of about 10
 22 percent based on that.
 23 THE COURT REPORTER: I'm sorry, did you say CAPP?
 24 A C-A-P-P, the Canadian Association of Petroleum
 25 Producers.
 26 Q MR. McDONALD: And when did area based
 27 closure become a concept that was utilized?

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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 16th day of September, 2020.
 11
 12 
 13
 14 _____
 15 L. D. Stevenson, CSR(A)
 16 Official Court Reporter
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1 A Didn't hear that question.
 2 MR. LENZ: Sorry, we only had a word or
 3 two of that.
 4 MR. McDONALD: Okay. When did area based
 5 closures first become a process or concept by OWA?
 6 MR. LENZ: So is the question when did
 7 area based closure first become a process used by the
 8 OWA?
 9 Q MR. McDONALD: Yes.
 10 A Okay, got it. So it'd be roughly the time that I
 11 started there in 2017, and it's been increasing and
 12 focussed since that time.
 13 Q And as it increases in focus, I assume it increases in
 14 efficiencies and cost reductions. Is that fair?
 15 A Yes, I mean ...
 16 Q And I think you confirmed for me earlier you don't know
 17 whether XI Technologies took into account area based
 18 closures, do you, in your model?
 19 A I do not.
 20 Q MR. McDONALD: Thank you, sir. I have no
 21 other questions. Thank you very much.
 22 A Thank you.
 23 (WHICH WAS ALL THE EVIDENCE TAKEN AT 1 PM)
 24
 25
 26
 27

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1 EXHIBITS ENTERED IN THE QUESTIONING OF
 2 LARS THOMAS DE PAUW
 3 SEPTEMBER 15, 2020
 4
 5 PAGE NUMBER:
 6
 7 EXHIBIT 1 - 2019 Orphan Well Association 19
 8 Annual Report
 9
 10 EXHIBIT 2 - Alberta Government publication 42
 11 dated July 2020 entitled Liability
 12 Management Framework
 13
 14 EXHIBIT 3 - Sequoia Resources Corp. 52
 15 Document with dates March 2, March 23 and
 16 March 26, 2018
 17
 18 EXHIBIT 4 - Trustee's Preliminary Report 55
 19 In the Matter of the Bankruptcy of Sequoia
 20 Resources Corp.
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1 OBJECTIONS ENTERED IN THE QUESTIONING OF
2 LARS THOMAS DE PAUW
3 SEPTEMBER 15, 2020
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