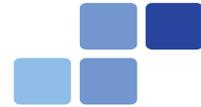




SPOG

SUNDRE PETROLEUM OPERATORS GROUP



SPOG Office - 403-638-5117

April/May 2016

www.spog.ab.ca

Royalty Review

Gov't of Alberta rolled out the Royalty Review Report and the plan for a new royalty structure. The panel was tasked with four challenges:

- * Provided optimal returns to Albertans as owners of the resource,
- * Continue to encourage investment,
- * Encourage diversification opportunities such as value-added processing, innovation and other forms of investment in Alberta, and
- * Support responsible development of the resource.

The state of the oil and gas industry has evolved over the past two decades and has changed drastically over the past five. Our biggest market is now our biggest competitor. The US is energy independent thanks to shale oil and gas development. Indeed the US has lifted the embargo placed on oil exports in the 70's at the height of the Arab oil crisis and today oil is being shipped out of Houston. What was once a viable market has essentially be siphoned off in the wake of the gush of oil and gas from those shale plays.

The panel looked at all these factors and reasoned that a simple rate change was not what was needed or wanted. What was needed was a royalty more responsive to revenue and costs. The panel has recommended and the GOA has accepted, that going

forward there will be no change to royalty structure for existing wells and new one drilled up to December 2016. Starting in 2017 the royalty structure will be designed to reflect a revenue minus costs approach.

While the industry is struggling with current market conditions the panel still sees opportunity for value-added processing in gas and upgrading of bitumen. The use of gas as a bridge from coal fired electricity to renewables partners with the climate plan. Gas could be used as feedstock for upgrader processing to lighter product, fertilizers and consumer products. It is unlikely we could ever compete in North America for new refineries given our geography, distance to market and labor costs but some opportunities may be realized.

As the GOA moves forward with the implementation of the recommendations a member of things have yet to be worked out. A task force will be delivering more information on how certain formulas will be calculated by the end of March this year.

The report will be available on line through the GOA website at:

<http://www.alberta.ca/documents/royalty-framework-report.pdf>

Archaeology Roadshow



Archaeology Roadshow held on May 21st at the Sundre Museum. Had 2 talks on archaeology in the area. A collection identification and reporting station, and patrons had the chance to try an atlatl. Over 200 people came through that day.



IMPACT

Industry, Municipal, Public Action on Communication and Trust

2015 Hearings Summary

The Alberta Energy Regulator (AER) ensures the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment, while providing economic benefit for all Albertans. Part of this oversight requires the AER to review and make decisions on energy resource development applications.

The AER received 50 516 applications in 2015. An application can be for anything from making a minor amendment to an existing energy facility or correcting data to requesting permission to build a major new project. Once the AER receives an application, public notice is posted on the AER website. Albertans concerned about a particular application can submit a statement of concern, which is written submission that outlines their

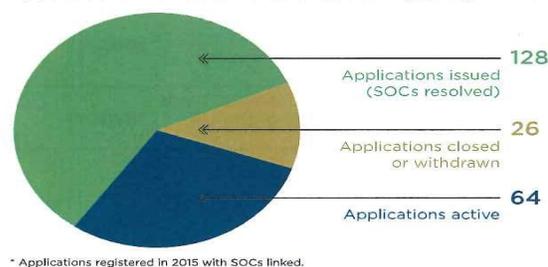
concerns.

AER staff review and respond to all statements of concern to determine whether the person may be directly and adversely affected by the proposed project. In our review, the AER must decide whether to hold a hearing, taking into account the specific circumstances of each application and statement of concern.

An AER hearing is a formal public process that gives parties an opportunity to present and test evidence about the issues related to an application or regulatory appeal. Once a decision is made to hold a hearing, the AER refers the file to the chief hearing commissioner.



Applications with Statements of Concern (SOCs) in 2015*



Hearing Type	2014	2015
Resolved without hearing	6	10
Total hearings held	6	3
Mining (oil sands and coal)	1	0
Oil and gas	3	2
Regulatory appeals	1	0
Section 106*	0	1
Inquiries	1	0

* Hearings on declarations made under section 106 of the Oil and Gas Conservation Act.

Application Type	2014	2015
Total	52 225	50 516
Infrastructure (wells, pipelines, facilities)	29 926	23 933
Mining (oil sands and coal)	104	59
In situ oil sands	337	298
Subsurface	2 557	3 029
Environment (<i>Environmental Protection and Enhancement Act</i>)	284	359
Land use	11 479	15 349
Water (<i>Water Act</i>)	5 654	5 482
Law (regulatory appeals, reconsiderations)	43	34
Corporate compliance	1 841	1 973

Coming Events

Shell BBQ's

- June 1 - Eagle Hill
- June 2 - Graham Hall
- June 7 - James River Bridge Hall
- June 8 - Crammond Hall
- June 9 - Harmattan Hall

Doors open at 5:00pm
Everyone Welcome

Synergy Alberta Workshop

Wednesday, June 15, 2016 @ SPOG office
Pembina Landowners

SPOG Hi-Way Clean-up

Thursday, June 23, 2016.