

1976218 Alberta Ltd

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Cochrane, Alberta
T4C 1R5
(403) 850-9194

CNRL
Suite 2500, 855 – 2nd Street SW
Calgary, Ab
T2P 4J8

January 20th, 2022

Attn: Michelle Thoen *via email:* Michelle.Thoen@cnrl.com

Re: MB 21-02 & MB 21-03

Please find attached, Mail Ballots 21-02 & 21-03 and our election of **Opposed**,

As we discussed in our phone conversation of December 16th, 2021, 1976218 requires additional information related to Plant operations before we would be able to properly access and approve the ballots. We have yet to received any additional information and understand the challenges of restrictions and the work-from-home measures presently in place.

Extended deadlines have been ongoing and we thought it best to document our position and allow clarification and information to be re-addressed with new mail ballots:

MB-02

Clarification is required in regards to the Maintenance and Materials 2022 Forecast. We did not receive a 2021 forecast but comparing the 2020 & 2021 actuals show significant increases. The 2020 actuals were 130% overbudget. Historically, the M&M costs have been less than \$100K per year.

- What are the reasons for the higher M&M costs?
- Are there specific project repair costs in 2020 & 2021 that can be identified? Should these costs have been balloted or at least documented to the owners as outline under 7.04 of the CO&O
- Will the major turnaround (MB-03) proposed lower the M&M costs for 2022?

Volumes have also been forecast to be 60 E3 m3/day. I mentioned that Revolution Oil & Gas had contacted me in October regarding our GGS and the SanLing assets. I also confirmed to you that a Court Vesting Order was issued Nov 23, 2021 whereby Revolution acquired 10 wells that are presently tied into the Armada Plant. The major well, 12-32, was included in the acquisition although I don't believe they acquired the SanLing 16-07 sour facility.

- Has CNRL been in discussions with Revolution in regards to these volumes and/or timing?
- What proposal, if any, has Revolution proposed for gas sweetening?
- Will there be any cost to owners to get these volumes flowing into the Plant?

MB-03

We will require a detailed AFE cost estimate with further explanation.

- In the event of an audit a detailed AFE is required to be on record.
- Is the cost estimate assuming a new reboiler?
- What is anticipated to be included in the overhaul?

Emissions Report

I recently was in discussion with a CNRL employee overseeing emission monitoring. He mentioned that CNRL had completed work at the Armada Plant in conjunction with Queenstown and other southern Alberta facilities. I was quite impressed with the program and the technology that CNRL has employed.

What were the results of the Armada emission survey and are there costs in the turnaround associated with this? What was the cost of this survey? Can you please forward the report and recommendations?

November / December 2021 JIB's

Paid volumes for the Production months of October and November were 7.2% & 7.1% respectively lower than Petrinex volumes. We would ask for a review by production accounting to confirm.

Plant WI Sale Process

As CNRL is aware, 1976218 listed its Armada assets for sale through Sayer Energy Advisers on January 13th, 2022. As these are the only assets within the Company, any sale would be not be subject to ROFR provisions as outlined in the CO&O.

Abandonment Costs

In 2016, we were supplied with the AER LMR values for the Armada and Badger gas plants. We are also in receipt of reports commissioned by Husky in September 2011 as outlined below.

The abandonment of the 03-05 site in late 2019 did highlight the cost proficiency to which CNRL manages abandonment costs.

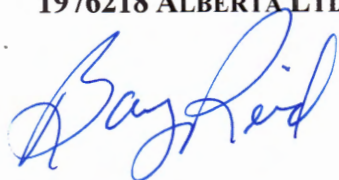
We would request an update on the present AER LMR data and a review of internal CNRL information related to a Plant abandonment cost estimate. This information should exist and be made available to owners.

**Armada Gas Plant 01-18
2022 Budget & Turnaround**

Download Date	Licence Number	Licence Value	Licence Status	Surface Location	Liability Management Program	Asset Calculation Method	Deemed Asset Amount	Deemed Liability Amount Jan 2016	Deemed Liability Amount July 2016	PVS Value Applied Jan 2016	PVS Value Applied July 2016	Active Indicator	Deemed _WE
04 JAN 2016	F2223	2223	Amended	00/03-05-017-17W4	LLR Conventional	Asset Exempt	\$0.00	\$958,129.00	\$ 777,166.00	1 [PVS_Gas_Plant]	1 [PVS_Gas_Plant]	Y	20
04 JAN 2016	F22838	22838	Amended	00/03-05-017-17W4	LLR Conventional	Asset Exempt	\$0.00	\$211,250.00	\$ 211,250.00	1 [PVS_Active_Facility 2	1 [PVS_Active_Facility]	Y	5
04 JAN 2016	F2226	2226	Amended	00/01-18-017-18W4	LLR Conventional	Asset Exempt	\$0.00	\$1,518,523.00	\$ 1,408,035.50	1 [PVS_Gas_Plant]	1 [PVS_Gas_Plant]	Y	20
04 JAN 2016	F29848	29848	Issued	03/01-18-017-18W4	LLR Conventional	Asset Exempt	\$0.00	\$211,250.00	\$ 125,250.00	1 [PVS_Active_Facility	1 [PVS_Abandoned_Facility	Y	5
Reports & Actual Costs							Est. Ab Cost	CNRL AFE	Date	AFE Cost	Actual (Jan 31, 2019)	Comments	
JKS Consulting Ltd	Sept 2011			Badger Gas Plant 03-05-017-17W4M			\$ 532,254	AB186414	26-Sep-18	\$ 39,809.60	\$ 37,692.01	AFE Facility F2233 & F22838	
JKS Consulting Ltd.	Sept 2011			Armada Gas Plant 01-18-017-18W4M			\$ 852,548						

I look forward to further discussions and clarification of the issues outlined above. I can be reached at 403-850-9194 or via email at breid55@shaw.ca.

Yours truly,
1976218 ALBERTA LTD.



Barry Reid, P. Eng
President

CC. 1951629 Alberta Inc. Greg Wood <gregbwood@shaw.ca>
Jahnina.HiguereydeSanchez@cnrl.com
jv.notifications@cnrl.com
Ben Rye – Sayer Energy Advisors – BRye@sayeradvisors.com
Tom Pavic – Sayer Energy Advisors – TPavic@sayeradvisors.com

Canadian Natural Resources
ARMADA GAS PLANT 1-18-17-18W4
Mail Ballot #: 21-03

SUBJECT: Turnaround Armada GP 1-18

OUR LETTER DATED: January 5, 2022

MAIL BALLOT DUE: January 20, 2022

BE IT RESOLVED THAT: "The Working Interest Owners approve the funds requested, as per AFE TA220130 , at an estimated cost of \$451,000.00."

Approved ☐

Opposed ☒

COMPANY:

REPRESENTATIVE:
(PLEASE PRINT
SIGNATURE)

Barry J. Reid, P. Eng
President
1976218 Alberta Ltd.

SIGNATURE:

Barry J. Reid

DATE:

20 - JAN - 2022

VOTING PERIOD: 15 Days from date of deemed receipt

**FAILURE TO VOTE BY
CLOSING DATE:** Deemed Affirmative

Return Mail Ballot to:

Canadian Natural Resources Limited
2100, 855 - 2nd Street SW
Calgary AB T2P 4J8

Attention: Kath Urmeneta
Email: Kath.Urmeneta@cnrl.com
Fax: 403.514.7506

CANADIAN NATURAL RESOURCES
ARMADA GAS PLANT

MAIL BALLOT 21-02 REVISED

LETTER DATED: January 5, 2022

MAIL BALLOT DUE: January 20, 2022

BE IT RESOLVED THAT: "The Working Interest Owners of the Armada Gas Plant approve the Revised 2022 Operating Forecast totaling \$306,697 as per details attached."

Approved

☐

Opposed

☒

COMPANY:

Barry J. Reid, P. Eng
President
1976218 Alberta Ltd.

REPRESENTATIVE:

(PRINT)

SIGNATURE:

Barry Reid

DATE:

20-JAN-2022

VOTING PERIOD:

15 Days from date of deemed receipt

**FAILURE TO VOTE BY
CLOSING DATE:**

Deemed Affirmative

**RETURN MAIL
BALLOT TO:**

Canadian Natural Resources Limited
2100, 855 – 2nd Street S.W
Calgary, Alberta
T2P 4J8

Attention: Jahnina Higuerey

Email: Jahnina.Higuereydesanchez@cnrl.com

Fax: (403) 386 - 5206