

Canadian Natural Resources Limited
2500, 855 – 2nd Street SW
Calgary, Ab T2P 4J8
Attention: Nawar Belah

November 13th, 2023

via email: nawar.belah@cnrl.com

1951629 Alberta Ltd.
220 Silver Hill Place NW
Calgary, Ab. T3B 4L6
Attention: Greg Wood

via email: gregbwood@shaw.ca

Re: Processing Tariff Fees Armada 01-18-017-18W4M

1976218 Alberta Ltd. has received and reviewed CNRL's letter of August 17th, 2023 and in conjunction with our coffee meeting of August 23rd, we offer the following feedback:

The 2022 Armada Plant Summary has been well established.

2022 Summary

Well Production Summary (Business Unit 1 - BU1)

	CNRL	1976218 Ab.	1951629 Ab.	3rd Party	Total
	42.8630%	49.9975%	7.1395%		100%
Raw Volume (E3 m3)	6,700.8	-	-	17,507.1	24,207.9
Tariff Fees Paid	\$ (97,485)			\$ (525,210)	\$ (622,695)
Per Unit Cost (\$/E3 m3)	\$ (14.55)			\$ (30.00)	\$ (25.72)

69.2 E3 m3/d (350 days)

Armada Plant Summary (Business Unit 2 - BU2)

Plant Processing Revenue Income

					\$ 622,695
Gas Plant Opex	\$ (143,859)	\$ (167,804)	\$ (23,962)		\$ (335,625) \$ (13.86) /E3 m3
10% Overhead Paid to CNRL	\$ 19,177	\$ (16,780)	\$ (2,396)		
Gas Plant Opex with Owners OH					\$ (354,802) \$ (14.66) /E3 m3
2022 Turnaround Cost amortized over 3 years (\$400K) = \$133K/year					\$ (487,802) \$ (20.15) /E3 m3
Processing Revenue Split	\$ 266,906	\$ 311,332	\$ 44,457		
	\$ 142,223	\$ 126,748	\$ 18,099		

The interpretation analysis is at issue:

- The Plant and GGS is based on a Tariff model and there is a distinct division between Plant Ownership and the gas Producers / Producer Owner. Each of these are separate entities and need to be evaluated as such.

- BU1 - Producers and a Producer Owner pay a Tariff Fee as defined in the CO&O 3.01(m) and further defined for a Producer Owner in the Amending Agreement of October 16, 1996 Clause 2.0.
- BU2 - The Owners pay the Plant and GGS OPEX and CAPEX and receive the Tariff revenue based upon the DOI.

CNRL continues to attribute all their WI Plant OPEX directly to the CNRL well production volumes. This methodology is wrong.

Plant OPEX is, just that, a Plant cost. Plant OPEX / CAPEX is deployed for Plant/GGS operations in return for tariff / fee revenue. Plant OPEX does not flow back to any well directly, but is used in the calculation of the Tariffs charged to the wells for processing. This is managed through the Tariff fees. For CNRL to use the Plant OPEX as a well OPEX cost *along* with the Tariff Fee is a “double dip”. The Tariff Fee, based on a JP-05, is all inclusive and already includes the Plant/GGS OPEX and a return on CAPEX.

CNRL’s 42.8630% Plant OPEX is solely for the benefit to receive 42.8630% of Tariff Revenue (\$622,695).

How CNRL evaluates their properties internally is not of concern to the Owners. But to continue to push a flawed analysis to the Owners that is clearly not correct is unacceptable.

To put into perspective. If CNRL was to divest of its interests, would the producing wells be encumbered with all of the Plant OPEX along with a processing fee? Would Plant revenue then be generated without a Plant OPEX? A 3rd party engineering firm or industry participant would separate these evaluations as is clearly defined in the Agreements.

The analysis of combining or using select data from two separate business units to justify the CNRL fee structure is invalid.

Other comments/clarifications to the August 17th, 2023 letter

Clause 2 of the Amending Agreement has been an ongoing contentious issue since CNRL took over operatorship June 1, 2016. In fact, CNRL, upon taking over Operatorship refused payment under the terms of the Processing Agreement for almost a year. CNRL cancelled the Processing Agreement in a Termination Notice dated February 16th, 2017.

It should be noted that the 3rd party fee increase of May 1, 2021 is the first time *any* fee had been increased in the history of the facility. The fee increase was initiated by CNRL.

We also need to clarify the remedy if we agree to disagree. Arbitration can be a costly and timely undertaking and needs to be agreed to as outlined in the CO&O. CNRL has made it clear that this is not an option they would consider.

If the Owners can not arrive at an understanding to a suitable Processing Agreement, then Producer Owner gas must be shut-in until such time as an Agreement is reached. Producing without an agreement amongst the Owners is a trespass and a violation of the Agreement.

CNRL continues to dismiss the existing business model as “incorrect, non-standard and severely inequitable” and accusing the other Owners of benefitting from CNRL overcontribution and a ROR of 30%. On the other hand, the fee imposed by CNRL of \$5/E3m3 is deemed as “not substantial or egregious”. These statements are inconsistent.

The Tariff model has been widely accepted across Western Canada for many years. Midstream, water disposal and various oilfield services are based on this. We certainly understand that CNRL doesn’t like the model but this is the way it has been structured since inception.

Industry Evaluation Methodology:

- JP-05
- ROR=20%
- Capacity – to be clarified by CNRL based on existing compressor capacity.
- Plant OPEX with OH
- Plant turnaround costs – amortized over 3 years
- Capital Cost as per CNRL

Plant Data

Capital Replacement Cost: \$10,927,801 (CNRL email 21-Jan 2020)

Capacity: 880 E3 m3/d (CNRL email 27-July 2017)

Note: Peak Plant Throughput: 2004 @ ~ 510 E3 m3/d

Compressors (2013): 196 E3 m3/d 2013 average production

Wauk K101 – standby for backup operational problems

Wauk K201 – 59% utilization (this would equate to ~330 E3 m3/d capacity)

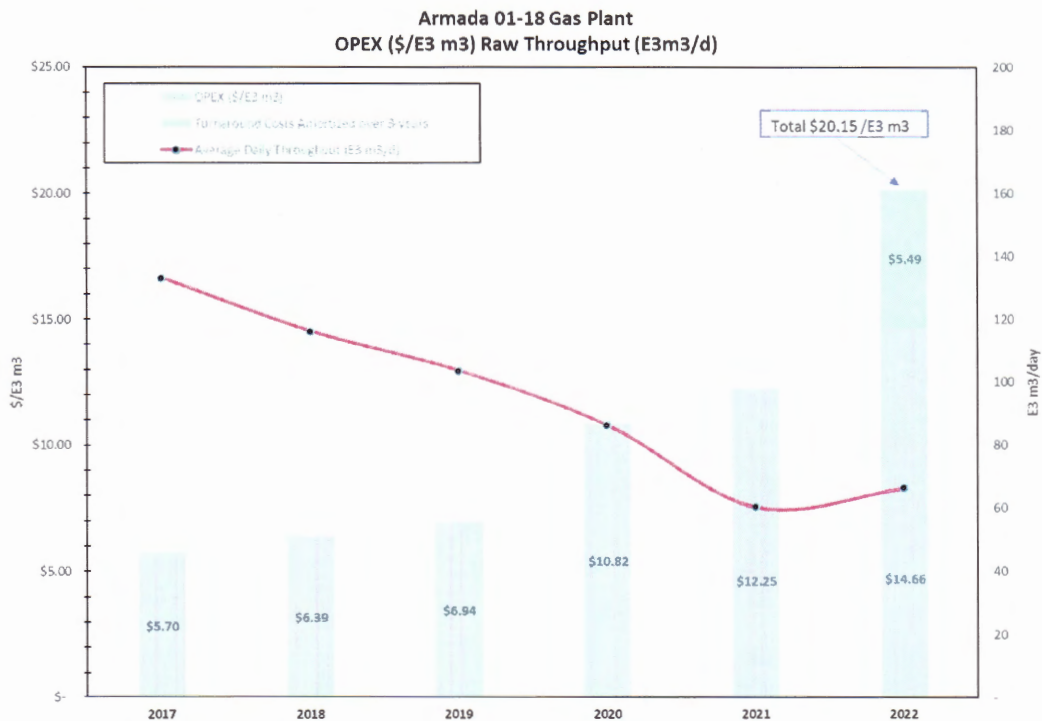
Wauk K301 – 49% utilization (this would equate to ~400 E3 m3/d capacity)

Ariel K401 – Shut in 2008

Ajax – Not utilized.

It appears that the capacity assigned by CNRL reflects the original facility design capacity as listed on AER public data and is not the present capacity.

As per CO&O 8.02, it is requested that a technical review of the capacity be completed by CNRL for review by Owners.



JP-05**JP-05 CALCULATION SPREADSHEET**

				=Input Cells
	Case 1	Case 2	Case 3	
A	Original Facility Capital Cost (\$)			Data from CNRL email Jan 21, 2020
B	Undepreciated Capital (\$)			From AC2 Form (used for lost GCA only)
				(or may be calculated as original capital reduced 10% per year, usually zero after year 10)
C	GCA Depreciation			From AC2 Form (used for lost GCA only)
				(or may be calculated as 10% of total capital in first 10 years, zero thereafter)
D	Original Facility Startup Year	1984	1984	1984
E	Major Capital Addition Capital Cost (\$)	-	-	-
F	Major Capital Addition Year			
G	Facility Capacity (e3m3/d)	880	500	500
H	Owners Throughput (e3m3/d)	0	0	0
I	Third Party Throughput (e3m3/d)	69.2	69.2	69.2
J	Facility Operating Days/Year	350	350	350
K	Capital Cost Inflation Rate (%)	3	3	3
L	Inflated Total Capital (\$)	10,927,801	10,927,801	10,927,801
M	Rate of Return (%)	20	20	20
N	Annual Operating Cost (\$)	335,625	354,802	487,802
O	Working Capital Allowance (\$)	11,188	11,827	16,260
P	Year (today)	2023	2023	2023
Q	Upper Limit Capital Fee \$	7.10	12.49	12.49
R	Lower Limit Capital Fee \$	3.55	6.24	6.24
S	Operating Cost Fee	14.32	15.14	20.81
T	Lost Gas Cost Allowance Fee	0.00	0.00	0.00
U	Upper Limit All-In Fee	21.42	27.63	33.30
V	Lower Limit All-In Fee	17.87	21.38	27.06

Case 1: AER Facility Capacity
CNRL Replacement Capital
OPEX without OH or turnaround

Case 2: Facility Capacity at 500 E3 m3 (maximum throughput in 2004). In actuality, it is probably significantly lower with suspended status of equipment. Request above for CNRL clarification.
Base OPEX with OH.

Case 3: Facility Capacity at 500 E3 m3/d
OPEX with OH and 2022 turnaround amortized over 3 years.

Proposal

- CNRL Fees would be revised to \$26.00/E3 m3 and retroactive to April 1, 2023 for a 3-year term. This would equate to a ROR of ~12% to Owners.
- the discussion of a portion of the CNRL fee to be put towards an ARO is not on the table at this time. At this point we are looking to recover our turnaround investment and would consider further discussions down the road.

Summary

We recognize that a soft natural gas pricing environment has been an ongoing struggle for gas producers and that a higher price environment would certainly alleviate cash flow issues the industry faces.

At the same time, Plant throughput volumes have declined, OPEX has increased and the decision to undertake the 2022 turnaround was substantial. Our proposal, we believe, is a fair and accurate analysis of the Plant / GGS as a business unit and the associated fees.

Yours truly,
1976218 ALBERTA LTD.



Barry Reid, P. Eng.
President

JP-05 CALCULATION SPREADSHEET

		=Input Cells		
		Case 1	Case 2	Case 3
A	Original Facility Capital Cost (\$)	Data from CNRL email Jan 21, 2020		
B	Undepreciated Capital (\$)	From AC2 Form (used for lost GCA only)		
		(or may be calculated as original capital reduced 10% per year, usually zero after year 10)		
C	GCA Depreciation	From AC2 Form (used for lost GCA only)		
		(or may be calculated as 10% of total capital in first 10 years, zero thereafter)		
D	Original Facility Startup Year	1984	1984	1984
E	Major Capital Addition Capital Cost (\$)	-	-	-
F	Major Capital Addition Year			
G	Facility Capacity (e3m3/d)	880	500	500
H	Owners Throughput (e3m3/d)	0	0	0
I	Third Party Throughput (e3m3/d)	69.2	69.2	69.2
J	Facility Operating Days/Year	350	350	350
K	Capital Cost Inflation Rate (%)	3	3	3
L	Inflated Total Capital (\$)	10,927,801	10,927,801	10,927,801
M	Rate of Return (%)	20	20	20
N	Annual Operating Cost (\$)	335,625	354,802	487,802
O	Working Capital Allowance (\$)	11,188	11,827	16,260
P	Year (today)	2023	2023	2023
Q	Upper Limit Capital Fee \$	7.10 \$	12.49 \$	12.49 \$/e3m3
R	Lower Limit Capital Fee \$	3.55 \$	6.24 \$	6.24 \$/e3m3 (not less than 50% of upper limit)
S	Operating Cost Fee	14.32	15.14	20.81 \$/e3m3
T	Lost Gas Cost Allowance Fee	0.00	0.00	0.00 \$/e3m3 (decreases to zero after year 10 assuming no new capital)
U	Upper Limit All-In Fee	21.42	27.63	33.30
V	Lower Limit All-In Fee	17.87	21.38	27.06

19.1 E3 CNRL
50.1

Per operating day
 Per operating day (as a Tariff model, all gas considered 3rd Party)
 Per operating day (cannot be zero) (Based on 2022 Production)
 Default to 350
 Default to 3%
 "A" and "E" inflated to current year (Override for replacement Cost)
 Fixed!
 includes overhead; may be rolling average
 =M*N/6 (return on 2 months operating costs)

TALK #1542



Canadian Natural

August 17, 2023

Via email

1976218 Alberta Ltd.
#35 West Terrace Drive
Cochrane, AB T4C 1R5

1951629 Alberta Ltd.
220 Silver Hill Place NW
Calgary, AB T3B 4L6

Attention: Barry Reid

Attention: Greg Wood

Dear Sirs:

Re: Letter Dated June 26, 2023 – Custom Processing Fees Armada 1-18-17-18W4M

Canadian Natural Resources Limited ("CNRL") has received and reviewed letter dated June 26, 2023 from 1976218 Alberta Ltd. ("1976"). Please see below our response to the points and subsequent request made in subject letter:

- CNRL did respond to 1976's request to meet and further discuss Armada operations. Please see 1st email below dated May 11, 2023 wherein we wanted to schedule a meeting time on May 16, 2023. **1976 declined our request.** After this email, we received a phone call from 1976 on May 26, 2023. During this phone call CNRL discussed at length our letter dated April 21, 2023 and responded to all of 1976's questions regarding the contents of this letter and our review of the Amending Letter Agreement dated October 16, 1996 and CNR's custom processing fee at the 1-18-17-18W4 Armada Plant (the "Plant"). After this discussion, 1976 remained on the phone and focused on their request for a sales gas analysis from the Plant, which we responded to and provided on May 30, 2023 per 2nd email also included below.

CNRL has dedicated a significant amount of time and effort re-iterating multiple times operating costs and throughput information that Plant Owners are already quite familiar with having been partners at the facility since the 1990's.

Canadian Natural Resources Limited

Suite 2500, 855 – 2 Street SW Calgary, Alberta, Canada T2P 4J8 T 403.517.6700 F 403.517.7350 www.cnrl.com



Canadian Natural

- During the August 25, 2022 Operating Committee meeting (preceding our April 21, 2023 letter) – CNRL as Operator stressed to the Owners the risk of further increasing custom processing fees at the Plant due to the throughput in the area being dry gas and significantly impacted by fluctuating in commodity prices. Both 3rd parties and CNR as Owner and producer to the facility are currently negatively impacted by this.
- CNRL also reminded the Owners that we have already responded to their fee concerns by increasing 3rd party fees by 33% from \$19.88e3m3 to \$30e3m3 effective May 1, 2021. This was a recent and significant increase which triggered complaints from third party producers indicating they will be forced to shut-in gas to the facility. 1976 continued to overlook these issues and was mainly concerned about paying out their respective share of Turnaround costs to the detriment of the property and at the expense of CNRL as Owner and producer to the facility.



Canadian Natural

Nawar Belah

From: Nawar Belah
Sent: Tuesday, May 16, 2023 9:10 AM
To: 'Barry Reid'
Subject: RE: Lunch Meeting

Not a problem. Thanks for letting me know.

Nawar

From: Barry Reid <b Reid55@shaw.ca>
Sent: Monday, May 15, 2023 10:10 PM
To: Nawar Belah <Nawar.Belah@cnrl.com>
Subject: Re: Lunch Meeting

.....
This email was received from an external email address. Verify the source and the purpose of this email before opening any attachments or clicking on any embedded links.
.....

Nawar,

I am not available tomorrow. I hope to be back downtown in the next week. I will let you know and maybe we can get together then.

Barry

Sent from BJR's iPhone

On May 11, 2023, at 11:28 AM, Nawar Belah <Nawar.Belah@cnrl.com> wrote:

Hi Barry, if Tuesday works for you we can connect over lunch then. I'm in Bankers Hall West, can meet at Starbucks on building main floor at noon Tuesday May 16. Thx.
<mime-attachment.ics>

FIRST EMAIL MAY 11 LUNCH



Canadian Natural

Nawar Belah

From: Barry Reid <breid55@shaw.ca>
Sent: Tuesday, May 30, 2023 9:16 AM
To: Nawar Belah
Subject: Re: Gas analysis

.....
This email was received from an external email address. Verify the source and the purpose of this email before opening any attachments or clicking on any embedded links.
.....

Thank you.

Sent from BJR's iPhone

On May 30, 2023, at 9:07 AM, Nawar Belah <Nawar.Belah@cnrl.com> wrote:

Morning Barry, attached are the latest 3 sales analyses from the 1-18 plant.

From: Nawar Belah
Sent: Friday, May 26, 2023 11:24 AM
To: 'Barry Reid' <breid55@shaw.ca>
Subject: RE: Gas analysis

Barry, we're currently retrieving the sales gas analysis info and will be in touch early next week. Thanks.

From: Barry Reid <breid55@shaw.ca>
Sent: Friday, May 26, 2023 11:20 AM
To: Nawar Belah <Nawar.Belah@cnrl.com>
Subject: Gas analysis

.....
This email was received from an external email address. Verify the source and the purpose of this email before opening any attachments or clicking on any embedded links.
.....

Nawar,

One final point on gas analysis:
Anything that I have purchased and paid for, in whole or in part, is an ownership that I have and needs to be supplied on request without scrutiny.
Barry

Sent from BJR's iPhone

On May 15, 2023, at 10:10 PM, Barry Reid <breid55@shaw.ca> wrote:

Nawar,



Canadian Natural

- CNRL was never in agreement of increasing CNRL's custom processing fee at the Plant and elected to defer this decision post the August 25, 2023 meeting as there was ongoing confusion regarding the true operating costs CNRL is paying at the 1-18 Armada facility which required further due diligence.
- CNRL took the time to review the Facility governing agreements with our Legal team as well as the division of Operating Costs and allocation of 3rd party processing revenues. Based on our review CNRL scheduled a follow up meeting on March 15, 2023 which was preceded by an email notice dated March 13, 2023 summarizing our findings and outlining the objective of the meeting. Please see this 3rd email included below for your reference. In this email CNRL requested "that you reconsider our \$14.55e3m3 processing fee". CNRL was clear that this fee is both incorrect and unreasonable and should be re-evaluated. During the March 15, 2023 meeting CNRL clarified that the custom processing fee is subject to unanimous agreement by all Plant Owners pursuant to the Amending Letter Agreement dated Oct 16, 1996. CNRL outlined in detail for Owners our share of operating costs which CNRL pays per the Plant's profit center structure. CNRL requested the Owners act reasonably and in the best interest of all Owners in the facility and not exclusively to their own benefit. The Owners ignored our request and proceeded to put the matter to a vote.



Canadian Natural

Nawar Belah

From: Nawar Belah
Sent: Monday, March 13, 2023 9:58 AM
To: breid55@shaw.ca; 'Greg Wood'
Subject: RE: Armada 1-18-17-18W4 Gas Plant Fee Review

Good morning Barry, and Greg,

I'm touching base to pick up where things were left off with respect to the current fee structure at the Armada 1-18 facility. I've recently taken over the JV responsibilities for this property at Canadian Natural Resources and recognize that some review/discussion points went on the backburner due to the change of hands. Thanks for your patience.

I see that CNR is currently paying a processing fee of \$14.55e3m3 against our throughput to the plant. This fee is up for expiry end of March and I'd like to review its status and how we want to proceed going forward.

I'm outlining below how the operating costs and fee revenue (both from CNR and outside 3rd parties) are currently billed through the Joint Account for this facility:

Fee Revenue	Plant	Plant thruput (2022 Volume m3)	2022 Operating Costs shared @ 50/50
CNR		42.863%	\$143,858.91
CNR		6700.8	\$97,496.64
1976218 AB Inc.		49.9975%	\$167,804.07
1976218 AB Inc.		0	\$0.00
1976218 AB Inc.		7.1395%	\$23,961.94
1976218 AB Inc.		0	\$0.00
Total		100%	\$355,624.93
Non-Owner (3 rd parties)		17,507.1	525,213.00
Total		181,771.9	\$622,709.64

*\$13861e3
NET 9/A
1525 w/04*

\$338,625

As you can see above, CNR's true cost to process through the plant consists of our share of the annual operating costs which we pay at our facility working interest (\$143,858.91) plus the \$14.55e3m3 we're paying against our throughput.

Yes, we do get a portion of the \$14.55e3m3 back when the revenue is allocated to Owners at the working interest so we end up paying \$8.31e3m3 on our throughput, but we also pay our share of the opex on the Jibs which amounts to \$21.47 e3m3 (\$143,858.91/6700.8), in addition to the \$8.31e3m3. This is a total of \$29.78 e3m3 and is WAY above plant's per unit cost (\$13.86e3m3 for 2022). CNR is pretty much paying what non-Owners are paying to process at the plant (\$30.00e3m3 is current non-Owner fee). In fact, we are getting charged a capital fee to process at a plant that we invested capital and own an interest in.

1

$$14.55 \times .42863 = 6.24$$

831 PAID



Canadian Natural

CNR requests that you reconsider the \$14.55e3m3 throughput fee, it makes no sense that we pay a capital fee at a plant we own in and we're already covering our share of the opex annually per working interest.

I'd like to also note that we have interest from Erdol Resources to tie-in new gas to the facility later in the year.

I'm going to set up a meeting invite via outlook to go over the above.

Thank you,

Nawar Belah
Canadian Natural Resources Ltd.
(403) 386-5818

Nawar Belah
JV Representative
Canadian Natural Resources Limited
2100, 855 2nd Street SW, Calgary, AB, T2P 4J8

☎ Ph403.386.5818; ✉ nawar.belah@cnrl.com



Canadian Natural

Letter of April 21, 2023

- CNRL is **not** in breach of the governing agreements. Clause 2 of the Amending Letter Agreement dated October 16, 1996 ("Amending Agreement") states the following:

2. The Owners hereby agree that the gas gathering lines and gas Plant are a custom processing facility such that all volumes of gas processed, whether owned by a Producer or a Producer Owner, will be subject to a Processing Agreement with the Owners or with the Gas Plant Operator as agent for the Owners. The Owners from time to time will agree on the form of this processing agreement and the custom fees.

The custom processing fee was introduced to the Armada 1-18 facility via this Clause in the Amending Agreement. Clause 2 clearly states that the Custom processing fee will be **subject to periodical evaluation and unanimous agreement** of all Owners. The custom processing fee is NOT subject to the general voting provision per the facility's Ownership and Operating Agreement dated April 1, 1984. The custom processing fee has a financial impact on CNRL as Owner and producer to the facility and on the facility's overall financial performance, therefore, **the custom processing fee was always intended to be evaluated periodically and not arbitrarily increased thereby inequitably benefiting some Owners at the expense of others.**

Owners have to act in the best interest of all Parties to the Plant and they're obligated to take into consideration the true division of operating costs at the facility and the current pricing environment.

- The division of operating costs and revenue outlined in the April 21, 2023 Letter **do take** into account the 3rd party processing revenue that CNRL receives. CNR did not in any way **dismiss** our share of the 3rd party processing revenue in evaluating our true custom fee paid to remaining Owners at the Plant. As you can see in Table 1 below, CNRL had been paying \$14.55/e3m3 as custom processing fee. CNR received \$6.24/e3m3 back offsetting the \$14.55/e3m3 which is our share of 3rd party processing revenue. This reduced our custom fee from \$14.55/e3m3 to \$8.31/e3m3. However, in addition to this \$8.31/e3m3 fee CNRL also pays our share of Operating Costs at the Plant based on our working interest in the Plant. In 2022, this payment amounted to \$21.47e3m3. Therefore, $\$21.47 + \$8.31 = \$29.78\text{e3m3}$ which is CNRL's true custom processing fee at the Plant. $\$29.78/\text{e3m3}$ represents a **30% ROR** at the facility which is substantially higher than the standard 20% industry ROR.



Canadian Natural

Table 1

CNR Custom Process Fee Payment @ \$14.55e3m3	\$97,485	\$14.55	
CNR share @ DOI	\$41,785		
CNR's Net Custom Process Fee	\$55,700	\$8.31	(A)
CNR W.I. Share of Plant Opex	\$143,859	\$21.47	(B)

Table 2

Plant Owners	Plant Working Interest	2022 Operating Costs
CNR	42.863%	\$143, 859
1976218 AB Inc.	49.9975%	\$167, 804
1951629 AB Inc.	7.1395%	\$23, 962
Total	100%	\$335, 625 ✓

Table 3

	Plant Throughput (2022 Vol)	Custom Fee Revenue (2022)
CNR	6700	\$97, 485
1976218 AB Inc.	0	\$0.00
1951629 AB Inc.	0	\$0.00
Non-Owners (3 rd Parties)	17, 507	\$525, 210
Total	181, 772	\$622, 695

- As highlighted in our meeting on March 15, 2023 and in our subsequent letter dated April 21, 2023, Owners have been minimizing and deliberately dismissing CNRL's share of Opex which we pay per the Plant's working interest in addition to the custom processing fee. This billing structure which allows for both sharing opex on the DOI as well as paying a custom fee per throughput is incorrect, non- standard, and severely inequitable. Owners have been benefiting for years from CNRL as over-contributing to Plant opex thereby allowing them a higher share of the Plant's processing revenue.



Canadian Natural

- It is recognized industry wide that Contract Operating revenue is a cost recovery collection meant to offset the G&A and operational costs the Operator takes on to operate and maintain the facility.
- The discount CNRL implemented to our \$14.55/e3m3 effective April 1, 2023 is not substantial or egregious and currently CNRL still pays \$24.35e3m3 to process at the Armada Plant. This is more than 75% of the current \$30e3m3 non-owners are charged to process at the Plant.

Please note that clause 16.01 of the CO&O requires that Parties to the Agreement agree to proceed to Arbitration as the matter in dispute is not expressly subject to Arbitration. CNRL as Operator of the Armada 1-18 Plant and acting in the best interest of all Owners does not agree to proceed to Arbitration and would like to avoid wasting the Owners' resources and time on costly arbitration and re-direct said resources towards maintaining the Armada Facility.

Yours very truly,
Canadian Natural Resources Limited

Nawar Belah

Nawar Belah
Joint Venture Representative

Encl.

Cc: Teri Pyo, Supervisor Joint Ventures

Canadian Natural Resources Limited
2500, 855 – 2nd Street SW
Calgary, Ab T2P 4J8
Attention: Nawar Belah

June 26th, 2023

via email: nawar.belah@cnrl.com

1951629 Alberta Ltd.
220 Silver Hill Place NW
Calgary, Ab. T3B 4L6
Attention: Greg Wood

via email: gregbwood@shaw.ca

Re: Custom Processing Fees Armada 01-18-017-18W4M

1976218 Alberta Ltd. ("1976") has received and reviewed CNRL's letter of April 21, 2023. We have also reached out to CNRL on several occasions to meet and further discuss Armada operations with no success.

Background

On July 18th, 2022, 1976 sent a meeting request to CNRL as a Working Interest Owner (WIO). We had completed the major turnaround at the 1-18 plant from May 2nd to 8th, 2022 and we were looking for an operational/cost update. Processing fees were also on the agenda as a substantial amount of capital had been invested in the turnaround and the CNRL processing agreement was upcoming for renewal on April 1, 2023.

On August 25th we conducted the WIO meeting with CNRL operations and WIO's received clarification on many of the turnaround questions. We did discuss processing fees and agreed to reconvene in September to further discuss.

Minutes of the meeting were circulated. A portion of those minutes are below:

Canadian Natural Resources Partnership
Meeting Minutes, August 25, 2022
Page 3

Fee Discussion

- Both Greg and Barry would like to see the Gross T/A amount for the Armada Plant Amortized over 3 years.
 - This would increase the fee. Both Owners would like the fee to be increased to \$35.00 from \$30.00
 - Field doesn't believe that the custom users can handle this increase
 - As a result a meeting will be set for mid-month of September to discuss if Armada can handle a fee increase.
 - CNRL will also be getting a fee increase to whatever the custom users are paying at the time our contract expires at end of March.

breid55@shaw.ca

From: Michelle Thoen <Michelle.Thoen@cnrl.com>
Sent: Tuesday, September 13, 2022 6:33 AM
To: breid55@shaw.ca; 'Greg Wood'
Cc: Darren Smith; Mike Griffin; Mike Kozak
Subject: RE: Armada Follow-up

Hi Barry/Greg,
I forwarded the meeting minutes to you this morning
I believe we are just waiting on the reports for a couple of items
As of having another meeting I know that we said mid September but I will check with the field as I believe this is about fees and I am unsure if anything has changed

Mike/Mike/Darren,
Can you advise on what your thoughts are in regards to fee changes. I know we were going to make a meeting to discuss but not sure if this is necessary
I am wondering if we should push this further out as I know that CNRL fees will go up but I know the other owners want to push the fees to 35.00/e3m3m- My concerns are the same as the previous ones that other companies were complaining when we increased to 30.00/e3m3m so we definitely don't want to have companies shut in because we increase to 35.00/e3m3

Please let me know
Thanks
michelle

CNRL was quite aware of the pending increase in fees.

The September meeting was continually postponed.

On November 29th, 2022, 1976 again formally requested a WIO meeting. The letter was acknowledged by San Bylyku who had taken over the Armada JV position. On January 9th, 2023 the role was taken over by Nawar Belah.

We received the Mail Ballot 23-01-2023 for the 2023 Operating Forecast on February 1, 2023.

On March 10th, 2023 we confirmed a Webex WIO meeting date of March 15. We received pre-meeting material including a 2022 summary and a 7-month well-by-well production detail. The agenda was to discuss processing fees.

On March 15th, we conducted the WIO meeting and a robust discussion ensued regarding processing fees and financial operations. It was a commitment by CNRL to summarize and document the meeting minutes and to circulate the power point presentation that had been shown. To date those commitments have not been fulfilled as required under the CO&O Clause 4.06.

Therefore, 1976 has prepared the minutes of the meeting (Attachment 1) which also details a motion that was proposed, accepted by CNRL as Chairman and voted upon by the WIO's (hereafter know as Mail Ballot 23-02). Please review for any errors or omissions and advise.

Letter of April 21, 2023

CNRL's letter of April 21, 2023 and subsequent actions are in violation of the governing agreements and Mail Ballot 23-02 as detailed in the March 15th, 2023 Minutes:

Agreement for the Ownership and Operation of the Armada Gas Plant and Gathering System - April 1984

Clause 4.07 Owners Bound by Voting

Amending Letter Agreement dated October 16th, 1996.

Clause 5.02(c)(i) – Notice of Default for non-compliance with Clause 4.07 above.

The division of operating costs and revenue outlined in the letter are not in dispute. CNRL's interpretation and accounting of the information is certainly open for interpretation. This was discussed extensively at the March 15th 2023 WIO's meeting.

- CNRL has dismissed/minimized the fact that the Plant operating expenses are offset by the 3rd party processing revenue to which CNRL benefits. The methodology by CNRL of attributing all Plant OPEX along with the well processing fees skews the \$29.78 total and does not account for the offset of processing revenue.

- CNRL continues to receive additional 100% revenue as a result of Plant operations. This includes contract operating/administration and marketing revenue which cannot be ignored. It is acknowledged that there are some additional operational costs associated with this revenue and it would be helpful for CNRL to disclose all those costs.

Armada Gas Plant – Processing rees

Armada Gas Plant 2022 Operational Review

Armada 1-18 Plant Volumes and Sales

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Petrinex Raw (E3 m3)	2,105.6	1,966.7	2,034.4	2,776.0	2,772.1	2,710.5
Petrinex Sales (E3 m3)	1,885.0	1,775.9	1,880.2	2,562.1	2,541.8	2,547.5
C3 (m3)	3.9	4.0	3.7	4.9	5.8	10.9
C4 (m3)	17.8	18.1	17.6	20.7	21.3	46.7
C5+ (m3)	34.6	34.1	31.4	29.3	30.8	50.0
C3 Edmonton Price (\$/bbl)	\$ 51.07	\$ 50.16	\$ 48.10	\$ 41.30	\$ 41.31	\$ 34.66
C4 Edmonton Price (\$/bbl)	\$ 53.76	\$ 47.37	\$ 53.92	\$ 56.52	\$ 56.70	\$ 51.55
LPG (\$/bbl)	\$ 121.96	\$ 114.88	\$ 108.98	\$ 119.89	\$ 118.89	\$ 107.73

Marketing Fees

Propane & Butane (\$500/month/contract) 16 contracts	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00
3rd Party Volume LPG (m3)(CNRL volume based on % throughput)	25.9	25.7	23.8	23.8	25.5	41.7
3rd Party LPG fees (2.5% Market netback)	\$ 497.36	\$ 464.90	\$ 408.80	\$ 448.36	\$ 477.69	\$ 706.12

2022 6-Month Total	2022 Annualized
\$ 48,000	\$ 96,000
\$ 166	\$ 333
\$ 3,003	\$ 6,006
\$ 51,170	\$ 102,339

Well Count

Total Wells Producing	94	94	96	97	98	96
Sour Gas Wells	3	3	3	3	3	3
CNRL Gross Well Count	38	38	39	39	38	38
CNRL Net Well Count	31.56	31.55	31.86	31.86	30.85	30.85
CNRL gross Volume	635.9	581.9	599.3	641.2	583.2	556.7
CNRL Net Volume	528.1	483.1	489.6	523.8	473.5	452.0
CNRL Percent of Raw throughput	25.1%	24.6%	24.1%	18.9%	17.1%	16.7%

3rd Party Contract Operating Fees

\$450/well/month-Sweet	\$ 26,748	\$ 26,753	\$ 27,513	\$ 27,963	\$ 28,868	\$ 27,968
\$700/well/month - Sour	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100
\$125/Well/Month Admin	\$ 7,805	\$ 7,806	\$ 8,018	\$ 8,143	\$ 8,394	\$ 8,144

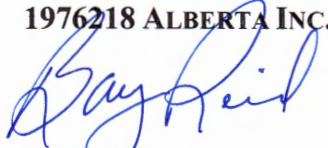
2022 6-Month Total	2022 Annualized
\$ 165,812	\$ 331,623
\$ 12,600	\$ 25,200
\$ 48,309	\$ 96,618
\$ 226,720	\$ 453,441

2022 Summary

	CNRL	1976218 Ab.	1951629 Ab.	3rd Party	Total
Raw Volume (E3 m3)	42.8630%	49.9975%	7.1395%		100%
	6700.8	0	0	17507.1	24,207.9
Processing Fees Paid*	\$ (97,485)			\$ (525,210)	\$ 622,695
Gas Plant Opex	\$ (143,859)	\$ (167,804)	\$ (23,962)		\$ 335,625
10% Overhead Paid to CNRL	\$ 19,177	\$ (16,780)	\$ (2,396)		
	\$ (222,167)	\$ (184,584)	\$ (26,358)		
Processing Revenue Split	\$ 266,906	\$ 311,332	\$ 44,457		
Gas/Liquid Marketing Revenue	\$ 102,339	\$ -	\$ -		
3rd Party Contract Operating Revenue	\$ 453,441	\$ -	\$ -		
Total Revenue associated with Armada 1-18 Gas Plant	\$ 822,686	\$ 311,332	\$ 44,457		\$ 1,178,475
Company Percent of Revenue	69.8%	26.4%	3.8%		

CNRL is requested to honor the agreements. Clause 16.01 of the CO&O does call for arbitration to resolve controversy arising from the Agreement. If CNRL wishes to refute the vote, then this would be the process to proceed with.

Yours truly,
1976218 ALBERTA INC.


Barry Reid, P. Eng.
President

March 15th, 2023 2:30 PM Meeting Minutes: Gas Plant Fee Review

Attendees: CNRL

1951629 Alberta Ltd.

1976218 Alberta Ltd.

Nawar Belah

Greg & Dorothy Wood

Barry Reid

- 1.) Introduction by Nawar of her role as the new CNRL JV representative
- 2.) Gas Plant Structure – Nawar (shared screen with power point)
 - a. The plant account is set up as profit center. All WIO's pay Capital and OPEX.
 - b. CNRL pays its OPEX as a WIO and then an additional 3rd Party Processing fee of 14.55/E3 m3 for its gas volume. Determined in 2017?
 - c. Netting the WI, the fee is \$8.31/E3 m3 ($\$14.55/\text{E3 m3} \times 42.8630\%$) along with the annual operating expense of \$21.47/E3 m3 (CNRL total OPEX and CNRL throughput ie. \$143,859/6700 E3 m3) to total \$29.78 /E3 m3.
 - d. Total Gas plant OPEX and throughput for 2022 equated to \$13.86/E3 m3
 - e. Fee structure unfair to CNRL

Discussion:

Greg: This meeting is a WIO's meeting to discuss fees and CNRL should be representing itself as an owner, not a producer.

There are two separate issues:

- Processing fees paid by all producers, and
- Operating costs paid by WIO's which is offset by the income of producers processing fees.

Owners need to recover capital invested along with a ROR for the service provided. Turnaround costs should be amortized over a reasonable time period, 3-5 year period. We will never recover turnaround costs given the current fee structure.

Nawar: CNRL is a plant owner and a producer and they are interlinked.

Greg: This is an owners meeting, which CNRL is the Chairman of the Operating Committee, and is to determine 3rd party custom processing fees. You are wearing two different hats. You should be acting as an owner and represent the owners of the Plant. As an owner our revenue is strictly based upon the fees generated by investment and including the turnaround costs. We want to make sure that CNRL pays its fair share of costs so owners recover their investment in a reasonable amount of time. We won't achieve that with the current processing fees.

Nawar: OK, let me respond point by point so I am replying to all your comments.

We are representing the Owners and we pay the same as you pay.

We all pay OPEX on the DOI. I am looking at all the pieces together.

However, since we are not just an owner, we also pay a custom user fee on top of the OPEX.

The issue is, you guys look at it, as your position as owners, as CNRL as a custom user and not CNRL as owner.

ATTACHMENT #1

Greg: But you are a custom user.

Nawar: I don't disagree that we are a custom user. I agree that we are a custom user but you only look at us as a custom user and not as an owner. The thing you haven't looked at is that we pay our OPEX as an owner.

Greg: But CNRL receives the 3rd party revenue as a WIO.

Nawar: I recognize that and agree with that. I am not disputing any of that. Our concern is that industry standard is not to pay OPEX and then a custom fee on top. It ends up being inequitable.

We recognize how things are set up right now. But the structure is inequitable because CNRL pays the OPEX and then on top a processing fee.

CNRL has been cash flow negative since 2017. CNRL was only cash flow positive in 2022. We are forecasting to be cash flow negative in the next few months and will move our gas to another facility or shut it in.

Where we are comfortable paying the OPEX we cannot justify the additional processing fee.

We are very close to shutting in our gas.

The 2022 turnaround is most likely the last turnaround economically

CNRL is looking at Plant abandonment in the next 2 -3 years.

Some positive news is we are in discussion with ERGOL for new production / drills in Q4 2023

Estimated 30 E3 m3 /d per well. Budgeting 3 wells. Total 90 E3 m3.

Shared Screen – Power Point

2022 turnaround – Cost \$398,000 (Est \$380K) 3-year amortization

\$19.88 E3 m3 increased to \$30.00 which accounted for turnaround costs effective May 2021.

OPEX \$340K estimate

JP-05 calculation ROR=25%

Estimate Payout in 2025

Does not make sense to CNRL to pay the additional processing fees. We recognize that we receive a portion of the capital recover but it doesn't make business sense to CNRL. It needs to one or the other.

Barry: A couple of comments, CNRL receives additional revenue from contract operating and marketing fees which I estimate to be in 2022 to be in the \$550,000/year range. Allowed those additional funds from our facility.

This is additional income CNRL receives on the

Nawar: Yes we do receive ~\$500,000 / year, but are still cash flow negative.

Barry: How can you be cash flow negative?

Nawar: Some of our wells are cash flow negative.

Barry: But on a total facility profit center basis is CNRL cash flow negative?

Nawar: No, the additional revenue does offset to be positive.

There are additional costs associated with the contract operations.

Barry: True, but it is nowhere near \$550,000/ year. These wells are low-rate wells that may only be checked once a week for chart change and in fact the contract operating fees of \$450/well/month and \$125/well/month are actually more

impactful on a monthly basis than the processing fees. So, on one hand CNRL wants fees to be low but on the other hand are charging contract operating fees that are more detrimental to the producers. We are working against each other.

Nawar: I don't understand why an owner in the facility would pay more than the per unit cost. We own capacity and should not be contributing to the capital portion.

Barry: The facility is a custom processing facility. It has been that way since inception.

Nawar: My understanding was that you were looking at bringing gas into the plant but were unhappy with the fee? A contentious fee?

Barry: No. I have been working the area for over 10 years. I was with Alder Ridge and drilled and produced gas to the plant. The fact of the matter is that natural gas prices have been horrible the past 6-7 years. I have looked a numerous acquisition but the margins are tight and for a small company I wasn't in a position to take that risk.

Nawar: Just so I understand, was it Husky that agreed to be a mid-streamer?

Greg: There we a limited number of wells that were linked to the Plant that were legacy wells. Those wells have since been shut in. All wells paid a processing fee.

Nawar: Did they know that the facility included the additional processing fee? Were they OK with paying a processing fee along with OPEX DOI?

Greg: The original CO&O was set up that way initially so an owner producer paid a processing fee.

Nawar: OK. Where we stand right now is that CNRL doesn't find this fee affordable. We can't justify it or rationalize it and are looking to disputing it. We request that the owners waive it.

I can forward the information and you can get back to me in writing on your decision.

Barry: Nawar, we need to make some decisions and 1976218 would like to make a motion..

Motion – "1976218 makes the motion that proposes the fee structure of the gas plant be set at \$32/E3 m3 for all 3rd party gas producers and that CNRL, with the expiry of their term at the end of the month, be charged \$32/E3 m3 consistent with the other 3rd party producers producing gas into the system."

Hereafter know as "Mail Ballot 23-02"

I would like to put that motion on the table for discussion.

Nawar: Right now? I would be happy to put that right now.

So, Mail Ballot voting procedures / provisions require a voting of 2 or more parties with more with 60%. Taking into consideration that you made this motion as of right now, CNRL, as an owner and operator accepts the motion.

CNRL puts forth the motion to Barry & Greg as the remaining owners.

CNRL votes negative.

Barry – Affirmative
Greg – 1951629 Ab votes Affirmative

Nawar: Pursuant to the voting provisions this motion cannot proceed.

Barry: I don't believe that to be the case. A motion cannot be vetoed unless the opposing vote has 50% +.

Nawar: OK.

Barry: I would appreciate a copy of the power point.

Nawar: Ok Fair enough I fully understand your feedback and position. I will take this back to discuss internally. It will be pushed up to legal and we will dispute the fee.

Should I issue a formal Mail Ballot? We will take it further from our communications.

Barry: Will you be following up with minutes of this meeting as a formal WIO's meeting and documentation of the meeting?

Nawar: Yes

Barry: OK. If we can document our discussion and the meeting I will respond with any concerns.

Nawar: I will get the minutes out in the next few days understanding that CNRL will be disputing the fees.

Meeting adjourned.



April 21, 2023

Via email

1976218 Alberta Ltd.
#35 West Terrace Drive
Cochrane, AB T4C 1R5

1951629 Alberta Ltd.
220 Silver Hill Place NW
Calgary, AB T3B 4L6

Attention: Barry Reid

Attention: Greg Wood

Dear Sirs:

Re: CNRL Custom Processing Fee at Armada 1-18-17-18W4 Gas Plant - CNRL File: 658810

Further to our recent email correspondence and subsequent meeting on March 15, 2023 Canadian Natural Resources Limited ("CNRL") as Operator and Owner in the 1-18-17-18W4 Gas Plant (the "Plant") has brought to remaining Owners' attention our review of CNRL's custom processing fee at the Plant. Plant Owners are aware that CNRL is currently being charged the following:

- 1) Our working-interest share of Plant's annual operating costs due to the Plant's joint account being set up as a profit centre, and
- 2) A custom processing fee of \$14.55e3m3 against our throughput pursuant to an Amending Letter Agreement dated October 16, 1996

Due to this current billing structure, the sum of the above charges results in CNRL's actual fee to process at the plant amounting to **\$29.78e3m3** which is significantly higher than the current \$14.55e3m3 custom processing fee and represents a rate of return on capital to remaining Owners substantially exceeding the industry 20% standard JP-05 rate - please see tables below outlining CNRL's true share of costs at the Plant in the year 2022:

Plant Owners	Plant Working Interest	2022 Operating Costs
CNR	42.863%	\$143, 859
1976218 AB Inc.	49.9975%	\$167, 804
1951629 AB Inc.	7.1395%	\$23, 962
Total	100%	\$335, 625

$$57.13\% = \frac{87.5\%}{12.5\%}$$

Canadian Natural Resources Limited

Suite 2500, 855 – 2 Street SW Calgary, Alberta, Canada T2P 4J8 T 403.517.6700 F 403.517.7350 www.cnrl.com



	Plant Throughput (2022 Vol)	Custom Fee Revenue (2022)
CNR	6700	\$97,485
1976218 AB Inc.	0	\$0.00
1951629 AB Inc.	0	\$0.00
Non-Owners (3 rd Parties)	17,507	\$525,210
Total	181,772	\$622,695

CNR Custom Process Fee Payment @ \$14.55e3m3	\$97,485	\$14.55	
CNR share @ DOI	\$41,785		
CNR's Net Custom Process Fee	\$55,700	\$8.31	(A)
CNR W.I. Share of Plant Opex	\$143,859	\$21.47	(B)
Total (A) & (B)	\$199,559	\$29.78*	

$$\frac{\$143,859}{6700} = 21.47$$

* CNR's true processing fee paid in 2022 is \$199,559/6700 = **\$29.78e3m3**

Owners have been (for years) inequitably benefiting from this non-standard billing structure through which CNRL annually over-contributes to plant's operating costs while remaining Owners over-collect capital fee revenues at the expense of the Operator. CNRL is shouldering a significantly disproportionate share of Plant's operating costs. Therefore, provided that the amount of CNRL's custom processing fee is subject to review and evaluation periodically, and provided that the timeline to undertake this review was due by March 31, 2023 we herein advise the Owners that CNRL will be proceeding as follows:

1. Effective April 1, 2023 CNRL as Operator will reduce the amount of the custom processing fee that CNRL pays against its throughput from \$14.55e3m3 to \$5.00e3m3.
2. CNRL will continue to pay the \$5.00e3m3 custom fee along with our annual working-interest share of plant's opex resulting in CNRL's actual fee amounting to approximately \$24.35e3m3. Please note \$24.35e3m3 is more than 75% of the current \$30.00e3m3 fee that non-Owners pay at the plant and represents a standard healthy 20% ROR to Owners.

Remaining Owners continue to benefit tremendously from CNRL's operatorship and our efforts in optimizing Plant's operating costs despite ongoing throughput fluctuations. CNRL believes the above is an amenable and required adjustment which allows for the correct and equitable sharing of Plant's operating costs amongst the Owners.



Canadian Natural

Yours very truly,
Canadian Natural Resources Limited

Nawar Belah

Nawar Belah
Joint Venture Representative

Encl.

cc.: Teri Pyo, Supervisor Joint Ventures

1976218 Alberta Ltd.
#35 West Terrace Drive
Cochrane, Ab T4C 1R5
Phone: 403-850-9194
Email: breid55@shaw.ca

Canadian Natural Resources Limited
2500, 855 – 2nd Street SW
Calgary, Ab
T2P 4J8

November 29th, 2022

Attention: San Bylyku

via email: San.Bylyku@cnrl.com

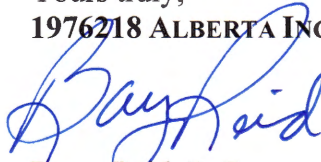
Re: Meeting Request
Agreement for the CO&O of Armada Gas Plant and Gathering System Dated April 1984

As per 4.03 of the CO&O Agreement for the Armada Gas Plant and Gathering System dated April 1984, 1976218 Alberta Ltd. ("197"), as a 49.9975% working interest owner, hereby requests that CNRL convene an owners meeting.

There are various outstanding issues that have been raised over the past months that require clarification.

We look forward to a proposed meeting date.

Yours truly,
1976218 ALBERTA INC.



Barry Reid, P. Eng.
President

cc. Greg Wood – 1951629 Alberta Inc.

via email: gregbwood@shaw.ca

Canadian Natural Resources

Meeting Minutes

August 25, 2022: August 25, 2022 via Webex 3: PM






RE: Armada Gas Plant



Present: Barry Reid
Greg Wood
Michelle Thoen
Mike Kozak
Darren Smith
Mike Griffin

1. Discussion of Armada Gas Plant

- Turnaround Discussion – Darren Smith to provide a list of what was exactly done during the outage of the T/A for 2022 to the Both Greg and Barry whom are the Armada Owners.

Turnaround Notes below have been provided by Mike Griffin for the daily work that was done during T/A:

 May 2, 2022.docx  May 3, 2022.docx  May 4, 2022.docx  May 5, 2022.docx  May 6, 2022.docx

 May 7, 2022.docx  May 8, 2022.docx

- **Higher Operating Cost Discussion**
 - Recent costs for R&M and E&I Costs showing for May and June Opex would be as follows:
 - Mycom compressor service that required more work than expected. Was not budgeted under the TA. **\$6K**
 - Cooler cleaning under opex.
 - Inspections found some pocket weld psv's needing remedied. Additional piping and crew work needed to relocated psv's
 - Deadleg piping removed. Took the opportunity when the plant was down. Safety & Integrity concerns.
 - Used the outage to complete a lot of the yearly E&I PM work while services were on site.

- Inspection Reports to be provided to the Armada Owners. **Waiting on Integrity to provide us the 2022 T/A Inspection Reports.**
- Integrity concerns: field was just notified on this and should be resolved in the next couple of weeks. There could be an additional cost for this but owners will be notified.
- Discussion of the Revolution 12-32 sour well and there will be no extra costs to owners for bringing this well on. Based on previous rate this well did produce approx. 30e3m3/d.
- Owners requested a copy of the last Emissions report – **Waiting on the third triannual survey that was done and waiting for this report.** – No Deficiencies were found. This Report is standard. CNRL is already at low bleed which is the requirement for existing facilities.
- Abandonment costs for the facility is as follows:
 - Abandonment Costs of the facility provided by the Site Specific Assessment done in 2021 is a Gross Liability of \$714,834.00.

Greg Wood asked why the Operating Costs have increased from 2018-2020:

- Gross Operating Cost 2018 – \$271,069
- Gross Operating Cost 2019 – \$247,931
- Gross Operating Cost 2020 – \$344,558.
 - Extra opex of 68.4K is due to the following:
 - Flare Stack Upset in 2020 caused additional R&M Costs for Ridgeline Canada 12K, Doug's Vac 9K, Baseline 9K, Newell Disposal 2.4K, PTW fko sd materials 5K, and picker 4K
 - MEC's K301 Compressor Repair 6K
 - Firetube repairs reboiler, Chance 3.3K
 - Dapajo 5K, Univar 4.3K
 - Unit Heater for building 2.7K
 - Doug Frey – Mycom refridge comp Oh 9K

There is some smaller stuff that could be included but this explains the bulk of the increase in R&M for 68.4K in 2020.

Fee Discussion

- Both Greg and Barry would like to see the Gross T/A amount for the Armada Plant Amortized over 3 years.
 - This would increase the fee. Both Owners would like the fee to be increased to \$35.00 from \$30.00
 - Field doesn't believe that the custom users can handle this increase
 - As a result a meeting will be set for mid-month of September to discuss if Armada can handle a fee increase.
 - CNRL will also be getting a fee increase to whatever the custom users are paying at the time our contract expires at end of March.

Accounting Action Item

Fuel Gas /Vent – Report that Barry had given from Petrinex was a lot lower Jan 2021 to April 2022. Refer to Barry's Table below:

Answer for Discrepancy:

- Fuel/Vent Discrepancy – As of 2022-05 CNRL reports both Fuel numbers at the Plant, prior to this CNRL had reported one number at the GGS 0082463 and one number at the Plant 1480. May 2022 the plant was shut in while performing an overhaul.

What has happened Owners would like to know why May 2022 volumes are different than what they were JIB'd per the table below.

- Spoke with Richard Smith and he has confirmed that the correct Volume for May 2022 is 1676.4. He has also provided the backup in the attached PDF to show this. He doesn't know where the 2076.9 number is coming from. Please see the attachment that has been provided from Accounting which substantiates the 1676.4 number.

BILLED JIB VOL = 1035.4
Grossed up
= 2076.9



Fee Revenue
2022-05.pdf

Armada Gas Plant 01-18-017-18W4M - Volumes / Pricing Year 2020

Armada Gas Plant 01-18-017-18W4M - Volumes / Pricing Year 2020																			Year 2021																				
31,455.8 E3 m3																			22,019.2 E3 m3																				
Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21																			Dec-21 Jan-22 Feb-22 Mar-22 Apr-22 May-22 Jun-22 Jul-22																				
31 31 28 30 30 31 30 31 31 30 31 30																			31 31 28 30 30 31 30 31																				
Petrinex Volumes (Gross)																																							
REC	Petrinex Total Received (E3 m3) AB GS 0082463 1-18 LP																		2653.8	2636.5	2361	2606.6	1180.1	1196.7	1242.5	1571.8	2098.6	1979.7	1905.3	1762.4	1498	1513	1370.3	1653.4	1504.7	1676.4	2124.8		
	AB GS 0082466 1-18 HP																																						
	Petrinex Total Received (E3 m3)																		2653.8	2636.5	2361.0	2606.6	1180.1	1196.7	1242.5	1571.8	2098.6	1979.7	1905.3	1762.4	1498.0	1513.0	1370.3	1653.4	1504.7	1676.4	2124.8	0.0	
	Net JIB volume (input)																		1327	1307.9	1179.4	1302.5	589.6	598.4	621.2	786	1049.2	989.8	883.7	818.8	683.3	748.5	685.1	826.7	752.4	1035.4	1062.2		
	Grossed up volume from JIB																		2694.1	2615.8	2398.9	2605.1	1179.3	1196.9	1242.5	1572.1	2098.5	1979.7	1767.5	1637.7	1368.7	1487.1	1370.3	1653.5	1504.9	2070.9	2124.3	0.0	
	Difference Δ Volume (E3 m3)																		-0.3	0.6	2.1	1.5	0.8	-0.2	0.0	-0.3	0.1	0.0	137.8	124.7	131.3	15.9	0.0	-0.1	-0.2	-394.5	0.3		
	Difference Δ (%)																		0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	7.2%	7.1%	8.8%	1.1%	0.0%	0.0%	0.0%	-23.5%	0.0%		
DISP	Sales From 1-18 Plant																		2498.9	2495.6	2237.7	2454.8	1121.4	1122.2	1143.5	1450.4	1999.5	1861.8	1843.3	1729.5	1452.9	1438.2	1337.4	1611.7	1448.2	1573.4	1943.4		
	AB GR 0001734																		46.7	46.8	42.6	47.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Fuel																		63.1	51	48	51.4	18	46.1	42.6	44.7	42.2	42.7	43.9	63.8	63.8	68.7	61.3	73	72.2	125.6	168.1		
	Vent																		19.6	0.6	0.5	0.2	0.4	0.2	0.2	0.4	0.4	0.2	0.8	0.8	0.9	0.7	1.8	1.9	2	2.2	2		
	Shrinkage/Fuel Etc.																		5.8%	4.6%	5.2%	5.8%	5.0%	6.2%	8.0%	7.7%	4.7%	6.0%	3.3%	1.9%	3.0%	4.9%	2.4%	2.5%	3.8%	6.1%	8.5%		
Received Monthly Total Petrinex (E3m3)																			2,553.8	2,616.5	2,361.0	2,606.6	1,180.1	1,196.7	1,242.5	1,571.8	2,098.6	1,979.7	1,905.3	1,762.4	1,498.0	1,513.0	1,370.3	1,653.4	1,504.7	1,676.4	2,124.8		
Received Total (mcf/d)																			3,039.0	2,996.3	2,993.4	3,084.5	1,396.5	1,370.4	1,470.3	1,800.0	2,403.2	2,342.6	2,181.9	2,085.5	1,715.5	1,732.6	1,717.3	1,956.5	1,780.6	1,919.7	2,514.3		
ALCO 30 Day Spot Pricing \$/Cdn/MMBtu																			\$ 2.57	\$ 2.78	\$ 3.87	\$ 2.74	\$ 2.80	\$ 3.08	\$ 3.40	\$ 3.81	\$ 3.65	\$ 3.89	\$ 3.30	\$ 4.77	\$ 4.36	\$ 4.48	\$ 4.78	\$ 5.08	\$ 6.91	\$ 7.57	\$ 7.30	\$ 5.45	

DAILY SHIFT UPDATE

Date: May 2, 2022

Start Of: Dayshift

SAFETY (Discussion, Incidents, Issues)

Went through with all pre-job expectations, CNRL way, 4 Pillars, etc.

*flare isolation on psv's. Possible vapours can return. Splash loading into plastic tub with no grounding wire.

•

WORK COMPLETED	NEXT SHIFTS WORK
<ul style="list-style-type: none"> Shut down & de-pressure plant. LOTO & blinding. Vessels & piping sucked on, engine & compressor tear down. Reboiler piping removed, still column washed, firetube loaded for Brooks. Bullet blinded & air mover on. PSV's pulled. 	<ul style="list-style-type: none">
LOCKOUTS REQUIRED	RESOURCES REQUIRED
<ul style="list-style-type: none"> Perimeter blinding & LOTO LPG bullet blinding and air 	CNRL: Gary Jerad Mike Dan Stacy Andy Chance: 5 guys/12 hrs Dougs Vac: 2 guys/12 hrs Dexter: 3 guys/12 hrs PTW: 1 guy/12 hrs MECs: 5 guys/14hrs Bigfoot: 2 guys/6hrs

DAILY SHIFT UPDATE

Date: May 3, 2022

Start Of: Dayshift

SAFETY (Discussion, Incidents, Issues)

- Found stored pressure in OOS piping, scope change identified thru wso, mec no monitor on site
- Positive note, no seal on face mask for entry so no entry,

WORK COMPLETED	NEXT SHIFTS WORK
<ul style="list-style-type: none"> • Wash bullet, swap out reboiler, UT inspections, compressor tear down/cleaning, pull gas/gas exchanger end plate, psv removals, femp repairs, E&I, reboiler work & firetube sandblasted • 	<ul style="list-style-type: none"> •
LOCKOUTS REQUIRED	RESOURCES REQUIRED
<ul style="list-style-type: none"> • Perimeter blinding & LOTO • LPG bullet blinding and air • 	CNRL Jerad Mike Dan Dustin Leanne Chance: 5 guys/12 hrs Dougs Vac: 2 guys/6 hrs Dexter: 4 guys/12 hrs PTW: 1 guy/10 hrs MECs: 3 guys/9 hrs Grady: 1 guy/10 hrs G&R: 2 guys/10 hrs

DAILY SHIFT UPDATE

Date: May 4, 2022

Start Of: Dayshift

SAFETY (Discussion, Incidents, Issues)

- Worker stepped outside man lift working on tank roof, asked to stay off roof
- Worker using compressed air to blow dust off co-worker after cooler cleaning
- Delivery truck proceeded to work area without checking in at office

WORK COMPLETED	NEXT SHIFTS WORK
<ul style="list-style-type: none"> • Dry ice & inspect bullet, pull blinds, close manway • Gas to gas plates installed • Deadleg piping removed in process • Compressor OH • Cooler cleaning • Vessel cleaning old dehy 	<ul style="list-style-type: none"> •
LOCKOUTS REQUIRED	RESOURCES REQUIRED
<ul style="list-style-type: none"> • Perimeter blinding & LOTO • LPG bullet blinding and air • Cooler fan LOTO 	CNRL: Gary Jerad Mike Dan Morgan Alec Chance: 5 guys/12 hrs Dougs Vac: 2 guys/8 hrs Dexter: 4 guys/12 hrs PTW: 1 guy/8 hrs MECs: 2 guys/10 hrs Grady: 1 guy/10 hrs Alco: 2 guys/14hrs Bigfoot: 2 guys/9hrs

DAILY SHIFT UPDATE

Date: May 5 2022
Start Of: Dayshift

SAFETY (Discussion, Incidents, Issues)

- Reboiler firetube supports trimmed for spacing
-

WORK COMPLETED	NEXT SHIFTS WORK
<ul style="list-style-type: none"> • Compressor OH • Parts returned from CSM • E&I • Install psv's • Piping work process • Finished inspections. Do compressor at 500 hr. • Reboiler install work 	<ul style="list-style-type: none"> •
LOCKOUTS REQUIRED	RESOURCES REQUIRED
<ul style="list-style-type: none"> • Perimeter blinding & LOTO 	CNRL: Gary Mike Leanne Chance: 5 guys/12 hrs PTW: 3 guy/8 hrs MECs: 4 guys/12 hrs Grady: 2 guy/8 hrs RCI: 1 guy/12 hrs

DAILY SHIFT UPDATE

Date: May 6 2022
Start Of: Dayshift

SAFETY (Discussion, Incidents, Issues)

-
-

WORK COMPLETED	NEXT SHIFTS WORK
<ul style="list-style-type: none"> • Compressor OH • Parts returned from CSM • E&I • Piping work process • Inlet sep float column • Finish reboiler install • Start cleanup • Finish Micom • Finish psv's • Fix pocket psv's in process 	<ul style="list-style-type: none"> •
LOCKOUTS REQUIRED	RESOURCES REQUIRED
<ul style="list-style-type: none"> • Perimeter blinding & LOTO 	CNRL: Gary Mike Chance: 7 guys/12 hrs PTW: 1 guy/8hrs MECs: 4 guys/12 hrs RCI: 1 guy/12 hrs Blainco: 1 guy/9hrs

DAILY SHIFT UPDATE

Date: May 7 2022
Start Of: Dayshift

SAFETY (Discussion, Incidents, Issues)

- Scope change identified for some structural welding in re fridge building
- Clear communication with crews as blinds being pulled

WORK COMPLETED	NEXT SHIFTS WORK
<ul style="list-style-type: none"> • Finish OH compressor & engine • Pull blinds • Unlock, pressure & purge facility • Clean up 	<ul style="list-style-type: none"> •
LOCKOUTS REQUIRED	RESOURCES REQUIRED
<ul style="list-style-type: none"> • Perimeter blinding 	CNRL: Gary Mike Chance: 5 guys/12 hrs MECs: 6 guys/12 hrs

DAILY SHIFT UPDATE

Date: May 8 2022
Start Of: Dayshift

SAFETY (Discussion, Incidents, Issues)

- Don't get careless for last day and start up. Tired, don't rush. Be safe.
- Misunderstanding on compressor discharge. Blind was not flipped to sales. Wrong line identified prior.

WORK COMPLETED	NEXT SHIFTS WORK
<ul style="list-style-type: none"> • Finish las of overhaul. Start up/shut down, final checks • E&I shut down checks/esd function tests • Relocate process fg scrubber psv. Hazard for heads hitting <p>BOL 4:30pm</p>	<ul style="list-style-type: none"> •
LOCKOUTS REQUIRED	RESOURCES REQUIRED
	<p>CNRL: Gary Jerad Mike Dan Chance: 2 guys/12 hrs MECs: 5 guys/12 hrs PTW: 2 guys/16hrs</p>

August 29, 2022

1976218 ALBERTA LTD.
 #5, 201 Grand Blvd
 Cochrane, Alberta T4C 2G4

Participant: LANDOWNER – 49.997% Interest

Lands: SE 18-17-18-W4M Compressor Site

Subject: Sanling Energy Ltd. - Pipeline Abandonment Notification
Lands: SE 18-17-18-W4M; NE 7-17-18-W4M
Cost Centre: TBD **TPL File P-2904**

In compliance with the Alberta Energy Regulator (AER) regulations, Summit in collaboration with the Orphan Well Association is herein providing you notification that the following pipeline(s) will be abandoned.

License # - Line #	From Location	To Location
32118-1	1-18-17-18-W4M	16-7-17-18-W4M

Pursuant to AER requirements, the referenced pipeline(s) will be purged of all gas related hydrocarbons and/or produced fluids and will be left in the ground in safe condition in accordance with current pipeline abandonment regulations and guidelines.

General Description of Project	The pipeline will be purged, cleaned, cut and capped in accordance with government regulations and guidelines. To complete this procedure, dig sites may be necessary at a limited number of locations. Should a dig site be required on your property you will be contacted directly regarding the specific location and access thereto.	
Equipment Required	Light construction equipment and associated service trucks will be required to complete the project.	
Project Scheduling and Duration	This project is anticipated to begin Q2 2022 to Q1 2023 and will take 3-4 days to complete. Summit will provide inspection during the abandonment operations to ensure correct and safe procedures are followed for the pipeline isolation, cleaning and facility equipment removal.	
Emissions (if applicable)	No odor is expected during the abandonment operation of the pipeline; however, should it occur it would be short term.	
Traffic and Noise	Increased traffic and noise are to be expected during abandonment operations but will be eliminated upon completion of the project.	
Emergency Response Plan	Summit has a Corporate Emergency Response Plan in place. The plan complies with the AER regulations and will be enacted in an emergency. Summit's 24-hour Emergency number is 1-866-836-6988.	
Abandonment Inquiries	Cam Morishita	Cell: 403-802-3633
Orphan Well Association	Benjamin Ringrose Abandonment Coordinator	Office: 403-355-4307 Cell: 403-370-4396
Alberta Energy Regulator Field Office	Medicine Hat Field Centre	Office: 403-527-3385



Additional Information

The following additional information can be obtained by calling the AER at (403) 297-8311 or visiting the website at www.AER.ca:

- Information Letter from the CEO of the AER
- The AER brochure "Understanding Oil and Gas Development in Alberta" EnerFAQs: What is the AER?
- EnerFAQs: Having Your Say at an AER Hearing
- EnerFAQs: Inspections and Enforcement of Energy Developments in Alberta EnerFAQs: All About Critical Sour Wells
- EnerFAQs: Explaining AER Setbacks EnerFAQs: Flaring and Incineration
- EnerFAQs: Proposed Oil and Gas Wells, Pipelines and Facilities: A Landowner's Guide EnerFAQs: The AER and You: Agreements, Commitments, and Conditions
- EnerFAQs: All About Alternative Dispute Resolution EnerFAQs: Oil Sands
- EnerFAQs: Expressing your Concerns – How to File a Statement of Concern about an Energy Resource Project
- EnerFAQs: How to Register a Private Surface Agreement

We appreciate your time and consideration in reviewing this information package. Should you have any questions regarding this information, please contact one of the representatives listed above or Lorinda Turner at 403-888-9292.

*** **Landowner's:** Should you have a renter of this land that you wish for us to direct a copy of this letter to, please contact Lorinda Turner at 403-888-9292 or email: surface_land@summitearth.com

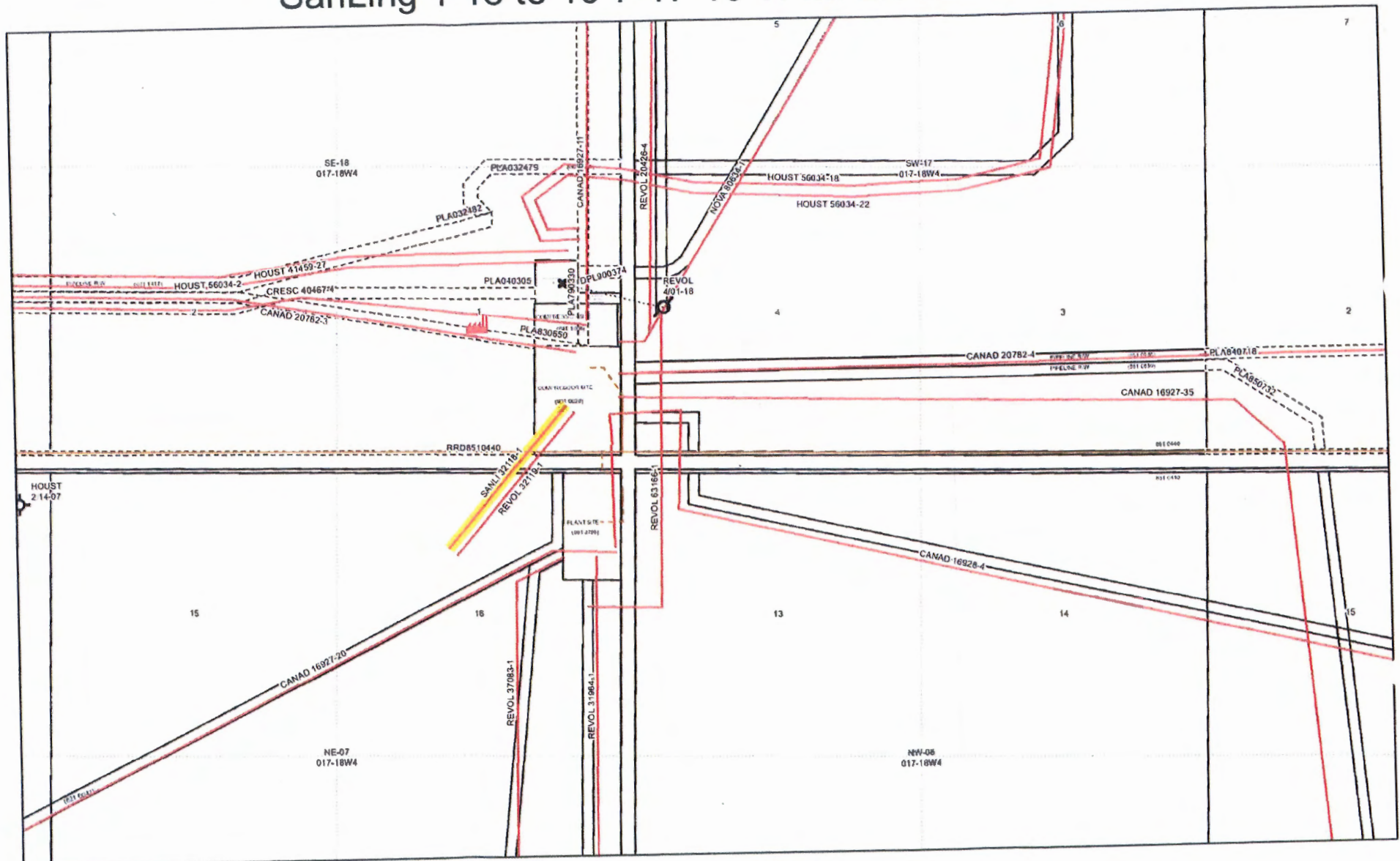
Summit's 24-hour Emergency number is 1-866-836-6988.

Yours truly,

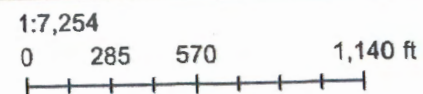
Lorinda Turner

Surface Land Agent
Summit Decommissioning Services

SanLing 1-18 to 16-7-17-18-W4M Lic 32118-1



Sunday, August 28, 2022



From: Michelle Thoen <Michelle.Thoen@cnrl.com>
Sent: Tuesday, September 13, 2022 6:33 AM
To: breid55@shaw.ca; 'Greg Wood'
Cc: Darren Smith; Mike Griffin; Mike Kozak
Subject: RE: Armada Follow-up

Hi Barry/Greg,

I forwarded the meeting minutes to you this morning

I believe we are just waiting on the reports for a couple of items

As of having another meeting I know that we said mid September but I will check with the field as I believe this is about fees and I am unsure if anything has changed

Mike/Mike/Darren,

Can you advise on what your thoughts are in regards to fee changes. I know we were going to make a meeting to discuss but not sure if this is necessary

I am wondering if we should push this further out as I know that CNRL fees will go up but I know the other owners want to push the fees to 35.00/e3m3m- My concerns are the same as the previous ones that other companies were complaining when we increased to 30.00/e3m3m so we definitely don't want to have companies shut in because we increase to 35.00/e3m3

Please let me know

Thanks

michelle

From: breid55@shaw.ca <breid55@shaw.ca>
Sent: Friday, September 9, 2022 4:50 PM
To: Michelle Thoen <Michelle.Thoen@cnrl.com>; 'Greg Wood' <gregbwood@shaw.ca>
Cc: Darren Smith <Darren.Smith@cnrl.com>; Mike Griffin <Michael.M.Griffin@cnrl.com>; Mike Kozak <Mike.Kozak@cnrl.com>
Subject: Armada Follow-up

This email was received from an external email address. Verify the source and the purpose of this email before opening any attachments or clicking on any embedded links.

Michelle,

Were you going to put together some minutes from our last meeting along with the additional information requested?

We had talked about another follow up meeting in late Sept. Is that still the intent?

Have a great weekend.

Barry

BARRY REID | P.ENG
1976218 ALBERTA LTD.
#35 WEST TERRACE DRIVE | COCHRANE, AB T4C 1R5
(403) 850-9194 CELL | breid55@shaw.ca

1976218 Alberta Ltd.
#35 West Terrace Drive
Cochrane, Ab T4C 1R5
Phone: 403-850-9194
Email: breid55@shaw.ca

Canadian Natural Resources Limited
2500, 855 – 2nd Street SW
Calgary, Ab
T2P 4J8

July 18th, 2022

Attention: Michelle Thoen

via email: Michelle.Thoen@cnrl.com

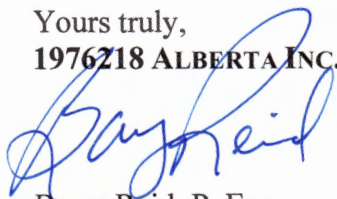
Re: Meeting Request
Agreement for the CO&O of Armada Gas Plant and Gathering System Dated April 1984

As per 4.03 of the CO&O Agreement for the Armada Gas Plant and Gathering System dated April 1984, 1976218 Alberta Ltd. ("197"), as a 49.9975% working interest owner, hereby requests that CNRL convene an owners meeting.

There are various outstanding issues that have been raised over the past months that require clarification.

We look forward to a proposed meeting date.

Yours truly,
1976218 ALBERTA INC.



Barry Reid, P. Eng.
President

AUG 25th MTG
MIKE GIBLIN
403-485-5728

cc. Greg Wood – 1951629 Alberta Inc.

via email: gregbwood@shaw.ca

1976218 Alberta Ltd

#35 West Terrace Drive
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?



Jake Howell
JV Representative
Phone: (403) 386-5206
E-mail: jake.howell@cnrl.com

October 24, 2017

Via email

"Without Prejudice"

1976218 Alberta Ltd
#35 West Terrace Drive
Cochrane, AB T4C 1R5

1951629 Alberta Ltd.
220 Silver Hill Place NW
Calgary, AB T3B 4L6

Attention: Barry Reid

Attention: Greg Wood

Dear Sirs:

Re: CNRL Gas Handling Agreement and Fuel Gas charge at the Armada Gas Plant

Further to your correspondence of August 31, 2017 and email of September 1, 2017, CNRL would like to respond to the various issues and comments provided.

The proposed method detailed in my e-mail of June 27, 2017 was never intended to be inequitable, and I believe that the method proposed provides a win-win for all parties.

At this point though, as it seems we have come to an impasse, we advise that CNRL will be proceeding as follows:

1. CNRL will reinstate the \$5000/month fuel gas charge to the joint account as the previous Operator's practices; and
2. CNRL will issue an internal service agreement dated April 1, 2017 with a fee of \$14.55/e3m3 based on the agreement the previous operator had with the owners of the plant. CNRL terminated this agreement in error and, we are therefore, reinstating the previous arrangement. Back charges will be booked to the jib upon execution of the agreement.

As Mr. Reid mentioned in his e-mail, CNRL have optimized the operating costs at the plan. In 2005, Husky had budgeted to charge ~\$600k compared to CNRL's \$275k from June 2016 to May 2017. Not only is this a benefit to all of the owners in the plant, this will also provide some comfort to owners in terms of the economics of the third parties delivering product to the plant given that the third party fee is fixed (ie lower Opex, higher return on capital). One of the biggest concerns for field life economics are the fees charged and by reducing Opex at the plant, in the event of third party producers looking at shutting in their production, we have room to provide the fee reductions needed to prolong the economic life of their production. At the same time, owners are suggesting that CNRL should pay increased fees which is contrary to the arguments made by Mr. Wood for prolonging the life of the field.

Canadian Natural Resources Limited

Suite 2100, 855 - 2nd Street SW Calgary, Alberta, Canada T2P 4J8 T 403.517.6700 F 403.517.7350 www.cnrl.com

The original fee of \$14.55/e3m3 that CNRL was paying provides a rate of return on capital to owners which exceeds the industry standard JP-05 rate of 20%.

No production has been shut-in following the termination of the CNRL contract, and there has been no impact to third party production.

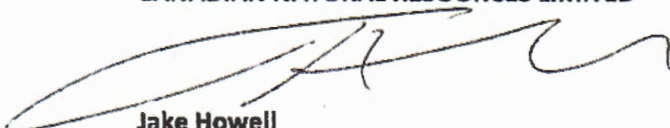
CNRL is continuing to pursue third party opportunities in the area and will update owners on these as things progress. If the other owners have ideas/contacts to help in this regards, please feel free to forward on for evaluation.

CNRL believes that the above solution is amenable to all parties and would now like to suggest that we move on and focus on constructive initiatives at the plant rather than squabbling amongst ourselves.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

CANADIAN NATURAL RESOURCES LIMITED

A handwritten signature in dark ink, appearing to read 'Jake Howell', is written over a horizontal line.

Jake Howell
JV Representative

cc.: Adriana Borbon
Supervisor, Joint Venture
cc.: Rob Kerr
Manager, Joint Venture

Canadian Natural Resources Limited
2500, 855 – 2nd Street SW
Calgary, Ab
T2P 4J8

August 31, 2017

Attention: Jake Howell

via email: Jake.Howell@CNRL.com

Re: Armada Gas Plant 01-18-017-18W4M
Proposed Changes to Capex & Opex Methodology

We (1976218 Alberta Ltd.) have reviewed your proposed changes for the Armada Gas Plant as outlined in your email of June 27th, 2017 and subsequent clarification on July 27th. Based on our evaluation we do not see any advantage to the proposal.

Our purchase of our interest in the facility was predicated on the upside of reducing operating expenses and a consolidation of gas volumes in the area. Based on the 12 month JVB's and accounting for taxes to be billed, we estimate the 12-month operating cost (June 2016 – June 2017) to be approximately \$345,000 versus the budget CNRL 2017 full year budget of \$368,115. This equates to an approximate operating per unit cost of \$0.20/ mcf or \$7.20 /E3 m3 and fixes the capital component at \$12.68/E3 m3.

CNRL has made progress in controlling operating expenses and this has been a benefit to all the Plant Owners.

Our concerns with the proposed changes are:

- all fees, opex and capex splits are subject to 13 month adjustments and excess capacity calculations. This is a cumbersome, error prone process with minimal upside for 1976218. Based on the present operating cost, capital component, surplus capacity calculations and a one-year production forecast, non-producing plant owners would see an approximate 15% drop in revenue.
- tracking and/or audit of these calculations would be difficult if non-producing Plant Owners are not involved in the opex billing.
- revenue to the remaining Plant Owners would be negatively impacted if CNRL were to acquire other 3rd parties that currently pay processing fees.
- at the March 8th Operator meeting we did discuss short term (2-year) incentive fees for attracting outside consolidation volumes. This scenario would continue to complicate revenue/operating splits amongst the Plant Owners.

Our purchase of the Armada assets was based on the Armada Facility being managed as a custom processing (midstream) facility as agreed to by all Plant Owners in the amending agreement dated October 16th, 1996. As outlined in my letter of March 31, 2017, it remains our stance that a standard fee of \$19.88 be charged for all gas volumes presently processed through the facility.

We would suggest a 2-year term for a new processing agreement between CNRL and the Plant Owners, after which time the Plant Owners would review operations / profitability and re-consider possible changes to the CO&O.

Area Consolidation Progress

There had been ongoing discussion at the Operators meetings regarding 3rd party volumes (Houston Oil & Gas, Crescent Point & City of Medicine Hat). We are interested in the progress of these discussions.

Fuel Gas

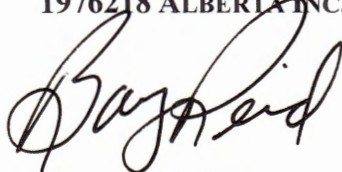
After reviewing some of the recent correspondence on plant fuel gas in your email of July 27th, there are a couple of issues I need to understand:

- Is fuel gas being consumed by the plant from the producers in proportion to their throughput?
- Are fees being billed to producers based on raw gathered volumes? If so, then there should not be any need for charges to the joint account to compensate. Producers are billed on raw volumes and paid on sales volumes. The difference would be their fuel/shrinkage. Historically this has been 4-5%.
- The Spyglass Eyremore Plant 16-7-017-18W4M receives clean gas back from the Armada 1-18 plant for fuel (~2 E3 m3/d +/-). How is this fuel buy-back managed? Is the fuel volume netted against their sales volume?

You can reach me at 403-850-9194 to discuss further.

Yours truly,

1976218 ALBERTA INC.



Barry Reid, P. Eng.
President

cc. Walter Wright – WGW Enterprises Inc.
Greg Wood – 1951629 Alberta Inc.
Dorothy Wood - 1951629 Alberta Inc
Brent Cooper – 1976218 Alberta Ltd
Adrianna Borbon – CNRL

via email: wrightwg@shaw.ca
via email: gregbwood@shaw.ca
via email: jewlz4sale@yahoo.com
via email: bcooper@successenergy.ca
via email: Adriana.Borbon@cnrl.com

MAY 4 LUNCH.
JUNE 27, 2017 4 EMAIL

The current setup for third party revenue and operating expenses at the Armada is outdated and CNRL, as operator of the facility, is suggesting an industry standard methodology be used at the plant going forward.

Current Methodology

- All Expenses and revenues at the plant are distributed based on working interest
- Tariff Model in that Owners flowing volumes to the plant are subject to fees
- Fuel gas allowance charged to the plant Owners with no throughput to compensate Owners who contribute fuel gas consumed at the plant.
 - Per clause 604(a) of the model gas handling agreements for the plant, Producer Inlet substances can be used or consumed at the operator's discretion free of charge. Fuel gas is contributed by Owners with throughput. The processing fees charged to Owners with throughput is calculated based on plant inlet volumes, instead of being based on shrunk volumes after fuel usage. To compensate Owners contributing with fuel for the plant operation, a fuel gas allowance is charged to Owners with no throughput. This was the methodology that the previous operator had implemented.

Proposed Methodology

- Operating Expenses
 - Operating Expenses at the facility are billed to working interest owners based on their throughput at the plant - CNRL = 100%
 - An Operating Expense Division Of Interest (DOI) is setup at the plant based on the previous year's throughput. Operating expenses are adjusted via 13th month adjustments based on actual throughput at the facility - ?
- Capital Expenses
 - Any capital expenses at the plant are billed based on the owners working interest in the plant
- Allocation of Third Party Revenue from non-Owner gas
 - The fixed fee charged to non-Owners at the plant has two components : -

$$\text{Fixed Fee} = \text{Capital Fee Component} + \text{Operating Fee Component}$$

$$\text{Operating Fee Component} = \frac{\text{Yearly Operating Expenses}}{\text{Total Plant Throughput}}$$

$$\text{Capital Fee} = \text{Fixed Fee} - \text{Operating Fee}$$

- For fee calculation purposes, turnaround expenses will be included in the Yearly
- ✓ Operating Expense. Turnaround expenses will be distributed over a 5 year period to take into account turnaround frequency
- Fixed Fee to be calculated and updated from time to time to ensure operating costs are covered, TA allowance, and a 20% ROR in the capital invested is included.
- ✓ *Assume CNRL 100%?*
- Opex Portion of the Fee
 - Allocated to Owners based on the Operating Expense DOI at the plant
- Capital Portion of the Fee
 - Allocated to Owners based on surplus capacity at the plant
 - Surplus capacity for each owner will be calculated by subtracting each owner's yearly throughput from their annual capacity at the plant. *CO:10*
 - Capacity is defined and detailed in the CO&O - *3.010 - 8.02*
 - A revenue DOI for the facility will be setup to distribute the Capital Fee portion of the fee.
 - Capital Fee component will be distributed monthly
 - Capital Fee component will be subject to 13th month adjustment
- Both the revenue DOI and the throughput DOI will be based on the previous year's actuals.
 - The operator, *at its sole discretion*, may adjust the DOI's based on events at the plant at any point in order to mitigate the effect of the year end adjustment.

How this methodology affects the plant owners

- As owners will no longer be paying fees at the plant, no fuel gas charges will be billed to the joint account.
- Owners with no gas flowing through the facility will pay no operating expenses; rather they will receive monthly revenue from the capital portion of the fee.
- Yearly equalizations will be carried out to determine the actual fee breakdown at the facility and to make any adjustments to the amounts owing by the owners.
- The CO&O will be amended to incorporate the above methodology.

Benefits of this new approach

- Owners with no throughput no longer have to pay monthly op costs
- Owners with throughput, no longer pay fees up to their owned capacity at the plant
- Owners with excess capacity at the plant will be charged *an excess capacity fee* to be determined by the operating committee.
- Brings the plant in line with industry standard – operators with tariff arrangements rarely have any throughput at the plant and therefore they can pass on all the operating expenses to the third parties, this is not the case at the Armada Plant.
- Fuel gas charge to Owners with no throughput will no longer be applicable

IS THE ACTUAL CAPACITY VOLUME DETAILED IN THE CO&O AT 30 TPD/d

The current setup for third party revenue and operating expenses at the Armada is outdated and CNRL, as operator of the facility, is suggesting an industry standard methodology be used at the plant going forward.

Current Methodology

- All Expenses and revenues at the plant are distributed based on working interest
- Tariff Model in that Owners flowing volumes to the plant are subject to fees
- Fuel gas allowance charged to the plant Owners with no throughput to compensate Owners who contribute fuel gas consumed at the plant.
 - Per clause 604(a) of the model gas handling agreements for the plant, Producer Inlet substances can be used or consumed at the operator's discretion free of charge. Fuel gas is contributed by Owners with throughput. The processing fees charged to Owners with throughput is calculated based on plant inlet volumes, instead of being based on shrunk volumes after fuel usage. To compensate Owners contributing with fuel for the plant operation, a fuel gas allowance is charged to Owners with no throughput. This was the methodology that the previous operator had implemented.

Proposed Methodology

NOTE: CO:O CLAUSE 11.05

- Operating Expenses
 - Operating Expenses at the facility are billed to working interest owners based on their throughput at the plant
 - An Operating Expense Division Of Interest (DOI) is setup at the plant based on the previous year's throughput. Operating expenses are adjusted via 13th month adjustments based on actual throughput at the facility
- Capital Expenses
 - Any capital expenses at the plant are billed based on the owners working interest in the plant
- Allocation of Third Party Revenue from non-Owner gas
 - The fixed fee charged to non-Owners at the plant has two components : –

$$\text{Fixed Fee} = \text{Capital Fee Component} + \text{Operating Fee Component}$$

$$\text{Operating Fee Component} = \frac{\text{Yearly Operating Expenses}}{\text{Total Plant Throughput}}$$

$$\text{Capital Fee} = \text{Fixed Fee} - \text{Operating Fee}$$

Q?
Assure
CNRL 100%
if no other
owner
producing?

- For fee calculation purposes, turnaround expenses will be included in the Yearly Operating Expense. Turnaround expenses will be distributed over a 5 year period to take into account turnaround frequency
- Fixed Fee to be calculated and updated from time to time to ensure operating costs are covered, TA allowance, and a 20% ROR in the capital invested is included.
- Opex Portion of the Fee
 - Allocated to Owners based on the Operating Expense DOI at the plant
- Capital Portion of the Fee
 - Allocated to Owners based on surplus capacity at the plant
 - Surplus capacity for each owner will be calculated by subtracting each owner's yearly throughput from their annual capacity at the plant.
 - Capacity is defined and detailed in the CO&O
 - A revenue DOI for the facility will be setup to distribute the Capital Fee portion of the fee.
 - Capital Fee component will be distributed monthly
 - Capital Fee component will be subject to 13th month adjustment
- Both the revenue DOI and the throughput DOI will be based on the previous year's actuals.
 - The operator, at its sole discretion, may adjust the DOI's based on events at the plant at any point in order to mitigate the effect of the year end adjustment.

WHAT IS THE CAPACITY? - AER AT 30 MTPCT/24H

SAVE AS Q1 - ASSURE 100% CNA
CLAUSE 3.010 : 8.02

How this methodology affects the plant owners

- As owners will no longer be paying fees at the plant, no fuel gas charges will be billed to the joint account.
- Owners with no gas flowing through the facility will pay no operating expenses; rather they will receive monthly revenue from the capital portion of the fee.
- Yearly equalizations will be carried out to determine the actual fee breakdown at the facility and to make any adjustments to the amounts owing by the owners.
- The CO&O will be amended to incorporate the above methodology.

Benefits of this new approach

- Owners with no throughput no longer have to pay monthly op costs
- Owners with throughput, no longer pay fees up to their owned capacity at the plant
- Owners with excess capacity at the plant will be charged an excess capacity fee to be determined by the operating committee.
- Brings the plant in line with industry standard – operators with tariff arrangements rarely have any throughput at the plant and therefore they can pass on all the operating expenses to the third parties, this is not the case at the Armada Plant.
- Fuel gas charge to Owners with no throughput will no longer be applicable

How: WHY? - IS THIS A BENEFIT?

- IS NOT APPLICABLE NOW



April 11th, 2017

Without Prejudice

1976218 Alberta Ltd.
35 West Terrace Dr.
Cochrane, AB T4C 1R5
Attention: Barry Reid / Joint Ventures Department

Re: Armada Gas Plant 01-18-017-18W4M

Following the Armada Gas Plant Operating Committee Meeting of March 8th 2017, we have undertaken an extensive review of operating costs and processing fees payable by Owners. Furthermore, we acknowledge receipt of Barry Reid's letter of March 31st 2017 and herein aim to incorporate a response on pertinent items as well as summarizing the outcome of our review, actions to be undertaken and our proposal for amicably and professionally moving forward.

1. Processing Fees

We have rescinded our notice of termination of the *Agreement to Transport and Process Producer Gas Through The Armada Gas Gathering System and Gas Plant Between The Armada Gas Gathering System and Gas Plant Owners and Marathon Canada Limited dated July 1st 2000* (ARM.F1.17A2).

We recognize the commitment to pay processing fees under this agreement and we will be crediting the Plant account for fees applicable to CNRL volumes from effective date of acquisition to the present in due course. On a go forward basis, CNRL owned production will be subject to fees in accordance with the contract (ARM.F1.17A2) which we consider to be in effect.

Please be reminded that any change in fees must be agreed by all parties, including CNRL.

2. Operating Costs

Since CNRL assumed Operatorship of the facility, we have reduced plant operating costs by approximately 42% per year.

However, we have noted that since the effective date of CNRL's operatorship, **we have not charged Fuel Gas** as an Operating Cost to the Plant account which is necessary for a custom processing facility such as Armada.

A fuel gas charge was historically paid by owners and will be applied retroactively from effective date of CNRL's acquisition and on a go forward basis based on actual usage. This change will be reflected in the monthly operating costs.

Canadian Natural Resources Limited

Suite 2500, 855 – 2 Street SW Calgary, Alberta, Canada T2P 4J8 T 403.517.6700 F 403.517.7007 www.cnrl.com

3. Interest Charges

We note the request in Barry Reid's letter of March 31st that interest should be applied to the processing fees payable by CNRL during the transition period following CNRL's assumption of operatorship.

It should be noted that interest charges should also apply to the plant account for **unpaid fuel costs** from the effective date of CNRL's operatorship.

Given the magnitude of the sums in question for both interest applicable to unpaid processing fees and for interest payable on unpaid fuel charges we suggest that to move this forward, interest charges for all parties should be waived.

4. Notice of Default Per B. Reid Email 31-3-17 (page 2 para. 7)

Payment or otherwise of processing fees by owners is not a matter dealt with by the CO&O. Processing fees are dealt with by the ARM.F1.17A2 contract and such contract is required by Clause 2 of the Amending Letter Agreement dated October 16th 1996. CNRL is not in default of the CO&O.

With regard to payment of processing fees, please refer to paragraph 1 herein – CNRL will be effecting payment in due course.

5. Accounting Procedure – Per B. Reid Email 31-3-17 (page 3 para. 4)

There is no obligation for CNRL to disclose information on 100% CNRL Operations or Contract Operating Agreements. These are not related and will not be related to the CO&O and we consider this matter closed. **Please abstain from** continued requests on this topic.

6. Exhibit B – Per B. Reid Email 31-3-17 (page 3 para.5)

This item requires further review and we will respond under separate cover.

7. LLR – Per B.Reid Email 31-3-17 (page 3 para. 6)

This item was discussed at the Operating Committee Meeting of March 8th 2017 and **no further action is required.**

8. 03-05-017-17W4M Compressor – Per B.Reid Email 31-3-17 (Page 4 para.1)

This is a suspended site. Actual costs are charged when applicable (i.e. taxes) and are reflected in you JIB. The accounting group can provide backup to the JIB details upon request.

An agreement is not necessary for the suspended facility and we will, as always, provide backup for any costs charged upon request following issuance of the JIB.

Closing

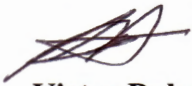
Since the effective date of CNRL's operatorship of the Armada plant we have spent a great deal of time and effort reviewing the facility, the agreements and our associated obligations. We have also spent a great deal of time working with the other owners to address concerns, satisfy needs and to demonstrate CNRL's operating philosophy and how we have achieved mutual benefit through CNRL's operation.

CNRL owns and operates a great deal of infrastructure in the area and across Western Canada and we are absolutely satisfied that we are operating this facility in a prudent and cost effective manner and in accordance with the terms of the governing agreements, governing law and best industry practice.

We trust that this letter addresses the principal concerns raised by owners in the March 8th Operating Committee Meeting and Barry Reid's email of March 31st and hope that we can move forward in a professional manner for the benefit of all parties.

Should you have any questions, please don't hesitate to contact the undersigned.

Sincerely,



Victor Daboin

JV Representative

Tel: 403 290 8069

Email: victor.daboin@cnrl.com



Linsey Rennie

JV Representative

Tel: 403 716 6216

Email: linsey.rennie@cnrl.com

cc. Adriana Borbon – Supervisor, Joint Venture
Robb Kerr – Manager, Joint Venture
Chandra Mazuryk – Legal Counsel

Canadian Natural Resources Limited
2500, 855 – 2nd Street SW
Calgary, Ab
T2P 4J8

March 31, 2017
"WITHOUT PREJUDICE"

Attention: Victor Daboin

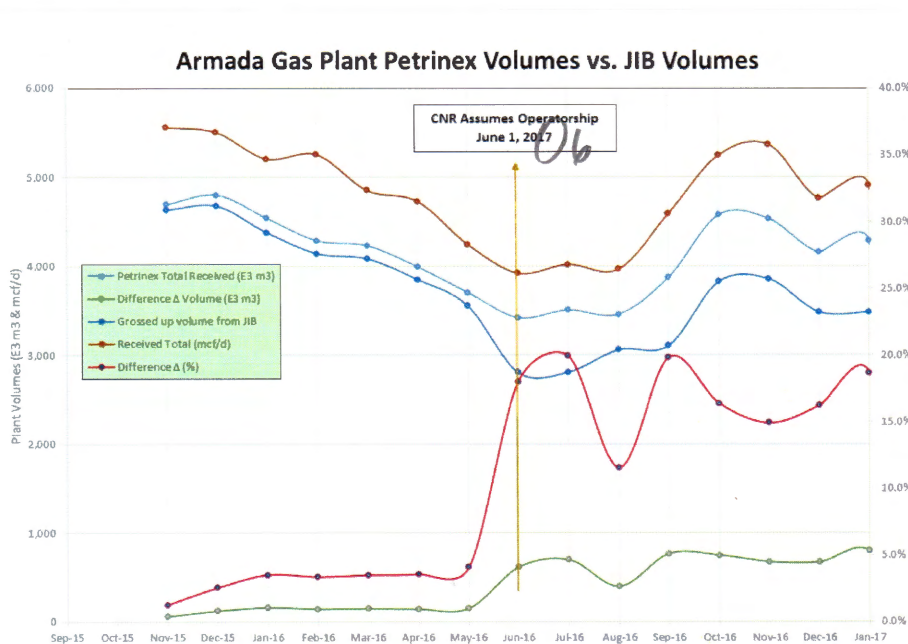
via email: Victor.Daboin@cnrl.com

Re: Armada Gas Plant 01-18-017-18W4M
Owners Meeting March 8th, 2017
Follow-up

Various issues were identified and discussed at the recent March 8th, 2017 Armada Gas Plant Owners meeting.

The issue of highest priority is the processing agreement dated July 1, 2000 (the "Agreement") between the Gas Plant Owners and Marathon Canada Limited. (CNR File #ARM.F1.17A2) This Agreement was negotiated by the Plant owners and Marathon Canada Limited in July 2000. The Agreement was subsequently assigned to Husky Energy by Marathon and, most recently, by Husky to CNRL by way of the Asset Exchange Agreement dated May 18, 2016 between Husky Oil Operations and CNRL.

At the November 10th, 2016 Owner's meeting, the issue was first raised regarding a "short-fall" in paid processed volumes compared to Petrinex throughput volumes. There were assurances that CNRL would review and clarify the situation.



Clarification on this issue was requested again in my emails dated January 2, and February 15th, 2017. Your email response of February 15th, stated that CNRL had not been charging fees to itself for the volumes processed through the Armada Gas Plant.

- February 16th, 2017: Mr. Greg Wood (1951629 Alberta Inc.) clarified to you in an email, the terms of the Armada CO&O Agreement as amended October 16, 1996 (the “CO&O Amendment”). The terms and conditions were very clear regarding CNRL’s responsibility in regards to fees paid to the Owners. In short, the CO&O Agreement clearly states that “all volumes of gas processed, whether owned by a Producer or a Producer Owner, will be subject to a Processing Agreement with the Owners or with the Gas Plant Operator as agents for the Owners”.

- February 16th, 2017: CNRL served notice (the “Termination Letter”) terminating the Agreement effective April 1, 2017 (in accordance with Clause 1001 of the Agreement).

- March 8th, 2017: Owners Meeting at the offices of CNRL. It was requested that CNRL pay the outstanding amounts owed (with interest) but CNRL would not commit to paying outstanding amounts.

- March 23rd, 2017: CNRL attempted to rescind the termination letter of February 16th. Clause 1001 of the Agreement provides that the Agreement continues until terminated by either party giving 30 days’ notice. There is no provision for rescinding a termination notice, nor can the Agreement be re-instated once terminated without the approval of the Owners. In short, the Agreement will continue only until the date stated in the Termination Letter.

Therefore, effective April 1, 2017 (The “Termination Date”), there is no processing agreement in place between CNRL and the Plant Owners and/or the Operator of the Armada Gas Plant on behalf of the Plant Owners. Any further CNRL production volumes produced after the Termination Date will be considered both a trespass by CNRL and a breach of CNRL’s obligations to the Plant Owners under the CO&O.

LETTER ABOVE
In accordance with the CO&O Amendment, and in particular Clause 5.02 (c) (i) thereof, 1976218 Alberta Ltd., as the majority working interest Owner, hereby provides you with written notice of your default as Gas Plant Operator. In accordance with the CO&O Agreement, you are required to remedy such default within 30 days of the date hereof.

We have had discussions with Debra Cerney of RBC in their Edmonton Commercial Loans Branch with respect to the interpretation of “interest rate” as defined in the Agreement. Overall the number used as an interest rate is 6% per annum. I have done analysis of what is owed to the Plant Owners on the attached **Schedule “A”**. The numbers are all 100% payable to the Plant account as defined in the CO&O Agreement (Clause 7.07) and as amended in the CO&O Amendment #5.

It is our expectation that CNRL will satisfy all outstanding terms of the Agreement up to the Termination Date including, without limitation, the payment of all processing fees and interests thereon. We also expect CNRL to act quickly in the replacement of the Agreement with a new processing agreement for CNRL gas processed after the Termination Date.

We have had ongoing discussions with 1951629 Alberta Inc. related to this issue. Given the time frame of the Termination Date and lack of a new processing agreement, we are prepared to allow continued CNRL volumes to produce after the Termination Date through the Armada Gas Plant and GGS with CNRL's acceptance that the volumes be charged the standard fee structure of \$19.88 / E3 m3. We will require written acceptance of this condition.

In this regard, the following Agreements are attached separately for reference:

- Armada Gas Plant & Gathering System CO&O April 1984
- Armada Plant Amending Letter Agreement – NuGas Limited October 1996
- Armada Gas Plant – Exhibit “A” August 1, 2016
Exhibit “B” Updated June 2015 Mail Ballot 2015-02

Various terms of the CO&O need to be discussed and updated:

- The **Accounting Procedure (Exhibit C)** is out of date and does not address the present Business Unit Scenario and CNRL's 100% Operations and fee structures for Contract Operating. We would like a disclosure of all those costs.

My April 2016 calculations are:

- 177 wells connected. With agreements (?)
- 131 Producing (48 CNRL – 38%)

These costs need to be reviewed as we review overall processing fees. I would also like a clarification of how the liquid marketing is done from the Plant.

- **Exhibit “B” Assets** should be transferred to a separate PL100 License. One that only reflects the Pipeline Assets owned by the Armada Gas Plant.

These Assets need to be treated as a separate cost center. We believe the 3 major pipelines should have transportation fees associated with them in the long term. A nominal fee could be part of the overall Fee Review.

As part of the pipeline review, the report by **Ridgeline Canada dated February 8, 2016** to Husky and attached as Schedule “B” needs to be reviewed and clarified.

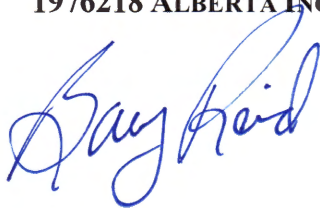
- **LLR:** My concerns regarding the Gas Plant / 3-5 Compressor are well documented and CNRL need to honor its “duties and obligations”. Clarify the LLR's associated with each facility and submit documentation to AER to get assigned an Asset Value to the Gas Plant.

• **03-05-017-17W4M Compressor:** We will no longer accept any costs associated with this compressor. The equipment is suspended. The only costs associated will be the taxes and we will need to see tax details prior to approval. There is no agreement in place as has been requested on several previous occasions.

We look forward to a draft Processing Agreement from CNRL in the coming week to formalize the continued flow of CNRL gas volumes associated with the previous Agreement. You are a valuable customer to the Armada Gas Plant, but we need to incorporate all agreements at the same pricing scenario. If we determine once CNRL has disclosed all information requested, it may be prudent to drop fees as well as contract operating fees. The Contract Operating fees are in place to the benefit of the processing agreement which ultimately is to the benefit of the Owners. It has to be part of the discussion.

We look forward to the upcoming discussions.

Yours truly,
1976218 ALBERTA INC.



Barry Reid, P. Eng.
President

cc. *Walter Wright – WGW Enterprises Inc.*
 Greg Wood – 1951629 Alberta Inc.
 Dorothy Wood - 1951629 Alberta Inc
 Brent Cooper– 1976218 Alberta Ltd

via email: wrightwg@shaw.ca
via email: gregbwood@shaw.ca
via email: jewlz4sale@yahoo.com
via email: bcooper@successenergy.ca

CNRL: *Thomas.smith@cnrl.com*
 Rob.Kerr@cnrl.com
 Adriana.Borbon@cnrl.com

Armada Gas Plant Owners Volume /Fee reconciliation
CNRL Monthly Volumes (E3 m3/Month)

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	Total (8 Months)
CNRL Volume (CNRL supplied March 8)	734.9	741.3	579.4	699.9	700.9	650.3	668.7	775.0				5550.4

Original Wells

00/15-16-16-19W4/05	73.7	73.5	75.2	70.9	74.6	70.1	73	70.8				
00/14-17-16-19W4/04	28.4	28.1	31.2	27.3	27.7	26.2	27.1	23.3				
00/07-20-18-18W4/02	25.9	26.3	24.9	26.4	27.9	26.8	22	21				
Total Original Wells Volume	128.0	127.9	131.3	124.6	130.2	123.1	122.1	115.1				1002.3
Not an Original Well Volume	606.9	613.4	448.1	575.3	570.7	527.2	546.6	659.9				4548.1

Fees Payable

Original Wells (\$12.78/E3 m3)	\$ 1,635.84	\$ 1,634.56	\$ 1,678.01	\$ 1,592.39	\$ 1,663.96	\$ 1,573.22	\$ 1,560.44	\$ 1,470.98				
Non-Original (\$14.55/E3 m3)	\$ 8,830.40	\$ 8,924.97	\$ 6,519.86	\$ 8,370.62	\$ 8,303.69	\$ 7,670.76	\$ 7,953.03	\$ 9,601.55				5550.4

Total	\$ 10,466.24	\$ 10,559.53	\$ 8,197.87	\$ 9,963.00	\$ 9,967.64	\$ 9,243.98	\$ 9,513.47	\$ 11,072.52				
--------------	---------------------	---------------------	--------------------	--------------------	--------------------	--------------------	--------------------	---------------------	--	--	--	--

Interest Rate 101(k) - defined

Prime - 2.7%

Demand Loan RBC + 1.3%

Plus 2% as per agreement

Total Annual Interest Rate	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
----------------------------	----	----	----	----	----	----	----	----	----	----	----	----

Monthly Interest Rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
-----------------------	------	------	------	------	------	------	------	------	------	------	------	------

Previous Month		\$ 10,518.57	\$ 21,183.49	\$ 29,528.26	\$ 39,688.72	\$ 49,904.65	\$ 59,444.37	\$ 69,302.62	\$ 80,777.02	\$ 81,180.91
Outstanding	\$ 10,466.24	\$ 10,559.53	\$ 8,197.87	\$ 9,963.00	\$ 9,967.64	\$ 9,243.98	\$ 9,513.47	\$ 11,072.52	\$ -	
Interest	\$ 52.33	\$ 105.39	\$ 146.91	\$ 197.46	\$ 248.28	\$ 295.74	\$ 344.79	\$ 401.88	\$ 403.89	\$ 405.90
Total Owing	\$ 10,518.57	\$ 21,183.49	\$ 29,528.26	\$ 39,688.72	\$ 49,904.65	\$ 59,444.37	\$ 69,302.62	\$ 80,777.02	\$ 81,180.91	\$ 81,586.81

SCHEDULE A

Currently, within the Armada AMU, there are 6 wellsites that are in the reclamation phase of the well life. A detailed summary of the wellsites within the Armada AMU that are currently in the reclamation phases are presented below:

	Initial Reclamation Phase	Follow Up Reclamation Phase	Post-Reclamation Assessment Phase	Application Phase	Application Sent
Number of Wellsites	1	3	1	0	1

Reported Spills/Releases

Information provided/obtained from Husky and AER spill and complaint information available via Abacus Datagraphics (Abadata, 2016) identified 5 wells within the Armada AMU with reported spills. Details of several of the release locations are below:

100/14-17-016-19W4/00

- March 2, 1994 a release of 0.5 m³ of crude oil occurred offsite due to an equipment failure. No product was recovered. Clean up was completed on July 6, 1994.

100/08-33-015-21W4/00

- April 12, 2001 a release of 1.0 m³ of crude oil occurred offsite due to a failure at the flare stack. All released product was recovered and clean up was conducted on April 30, 2001.
- An aerial photograph of the surface lease is presented in Appendix B.

100/07-20-016-19 W4/00

- January 28, 1988 a pipeline failure (license # 16927-25) resulted in the onsite release of 0.1 (1000 m³) marketable gas production. No product was recovered; clean up was conducted on January 27, 1994.
- An aerial photograph of the surface lease is presented in Appendix B.

Armada AMU Pipeline Status

Within the Armada AMU there are 76 abandoned, discontinued and operating pipelines, 14 possible inactive pipelines and 2 possible deadlegs (Dynamic Risk, 2015). There are 23 water-body crossings, 25 road crossings and 0 railroad crossings associated with the 76 pipelines (Dynamic Risk, 2015). A summary of the pipeline activity within the Armada AMU is presented below (Dynamic Risk, 2015):

Substance	Abandoned	Discontinued	Operating	Total
Fuel Gas	0	0	1	1
Natural Gas	8	8	56	72
Oil Well Effluent	0	0	3	3
Total	8	8	60	76

SCHEDULE B



March 23, 2017

1976218 Alberta Ltd.
35 West Terrace Dr.
Cochrane, AB, T4C 1R5
Attention: Barry Reid / Joint Ventures

Re: Agreement to Transport and Process Producer Gas Through the Armada Gas Gathering System and Gas Plant between the Armada Gas Gathering System and Gas Plant Owners and Marathon Canada Limited dated July 1, 2000
CNR File # ARM.F1.17A2

Through this letter, Canadian Natural Resources (CNR) **rescinds** the letter dated February 16, 2017 sent to the Armada Gas Plant owners that served as notice to terminate the subject agreement effective April 1, 2017. The subject agreement will continue to be active after April 1, 2017.

Should you have any questions concerning this matter, please do not hesitate to contact Linsey Rennie, Joint Venture Representative for the area, at Linsey.Rennie@cnrl.com or the undersigned at Sergio.Puerto@cnrl.com.

Canadian Natural Resources
By its managing partner,
Canadian Natural Resources Limited

Sergio Puerto
Joint Ventures Analyst

Canadian Natural Resources Limited

Suite 2500, 855 – 2 Street SW Calgary, Alberta, Canada T2P 4J8 T 403.517.6700 F 403.517.7007 www.cnrl.com

Barry Reid

From: Greg Wood <gregbwood@shaw.ca>
Sent: Friday, March 17, 2017 1:28 PM
To: 'Barry Reid'
Cc: Dorie
Subject: RE: Armada Mail Ballot - Opex
Attachments: Armada Letter agreement0001.pdf

Barry,

No mail ballots have been found as yet which document the \$10,780 per month charges. However, I did locate copies of two letter agreements regarding charges for Armada Gas Plant Operating Expenses, scanned images of which are attached.

The first letter was dated October 10, 1984 and was sent by the operator Cochrane Oil and Gas Ltd. to Red Rock Resources (50% Owner) requesting approval to set a fixed fee for operating labour and transportation charge at \$9,000 per month to be charged to the Plant Operating Account. This letter agreement was signed off by Red Rock on October 15, 1985

The second letter was dated February 20, 1989, and was sent by the operator Co-Maxx Energy Group to RTEC Two Resources and to R3 Resources Ltd. requesting approval to amend the amount from \$9,000 per month to \$10,780 per month. This increase was approved by R3 Resources, acting as manager for 57.14% of the ownership interest, on March 1, 1989. Note that the specific phrase "operations staffing and management" was used.

These charges remained in effect in subsequent years, as evidenced by an Agenda Note sent to R3 Resources by Tarragon Oil and Gas following Tarragon's takeover of NuGas, which describes audit adjustments made covering the period September 1997 to March 1998. In this period, Nugas and Tarragon had charged the Plant Account for labour and benefits on top of the \$10,780 per month. Subsequently these charges for labour and benefits were reversed, leaving only the \$10,780 per month charge.

I will continue to research the correspondence files for any further agreements or documented comments regarding Plant Operating Charges.

...Greg

From: Barry Reid [mailto:breid55@shaw.ca]
Sent: March-14-17 1:15 PM
To: Greg Wood
Subject: Armada Mail Ballot - Opex

Greg,

Can you check and see if there was ever a Mail Ballot to owners for the Husky fixed \$10,800 (?) monthly opex charge.
Thx..Barry

BARRY REID P.ENG | PRESIDENT

**BAY TRAIL
RESOURCES**

Co-Maxx by mail
March 1/1989

CO MAXX

CO-MAXX ENERGY GROUP INC.

Suite 2100, First Canadian Centre
350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Telephone: (403) 233-7100

February 20, 1989

RTEC Two Resources Inc.
Suite 3300, Scotia Centre
700 - 2nd Street S.W.
Calgary, Alberta
T2P 2W2

R³ Resources Ltd.
1440 Aquitaine Tower
540 - 5th Avenue S.W.
Calgary, Alberta
T2P 0M2

Dear Sir(s):

RE: Overhead Costs - Armada Plant

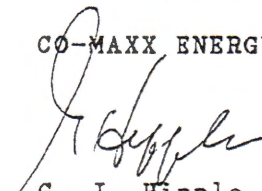
We would bring to your attention that Co-Maxx has been charging \$9,000 per month since October, 1984 to provide the operations staffing and management of the Armada Plant. This charge is based on the supply of one full time employee, one full time relief employee and a vehicle for their use. With the plant continually pushing capacity over the past few months, these people are fully utilized. Our actual cost for providing basic plant operating services is now:

Salary Plant Superintendent	\$ 5,250/mo.
Salary Relief Operator	2,900
One Vehicle/Fuel/Repair/Insurance	1,000
Employee Benefits (20%)	<u>1,630</u>
	\$10,780/mo.

As a result of our current cost experience, we propose, subject to your concurrence to charge \$10,780 per month effective February 1, 1989 to the plant account rather than the present \$9,000. As there has been no increase in this charge since 1984, this represents an increase of about 4% per year and since throughput has gone from 10mmcf/d to 17mmcf/d the charge based on volume has obviously decreased substantially. If you are in agreement with the proposed charge, would you please so indicate below and have a copy returned to Co-Maxx.

Yours very truly,

CO-MAXX ENERGY GROUP INC.


G. J. Hipple,
President

GJH/wlm

AGREED AND ACCEPTED

THIS 1ST DAY OF March, 1989,

AT CALGARY, ALBERTA.

R³ Resources Ltd.

per:  

RTEC Two Resources Inc.

per: _____

COCHRANE OIL & GAS LTD.

Suite 2100, FIRST CANADIAN CENTRE
350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Telephone: (403) 233-7100

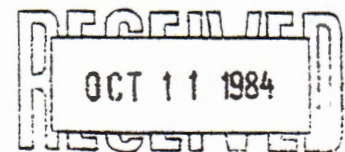
October 10, 1984.

Red Rock Resources Ltd.
1440 Aquitaine Tower
540 - Fifth Avenue S.W.
CALGARY, Alberta, T2P 0M2

ATTENTION: Dr. Ian H. Mackay

Dear Sir:

Re: Armada Gas Plant
Operating Personnel Charge



Cochrane has recently analysed the breakdown of time that our Plant Foreman and Relief Operator spend in the operation of the Armada Gas Plant.

As you know the Plant runs 24 hours per day, 7 days per week. The Plant Foreman or his relief are required to be available for duty 24 hours per day to assure that the Plant is immediately attended to if it goes down on a shut down or an emergency situation.

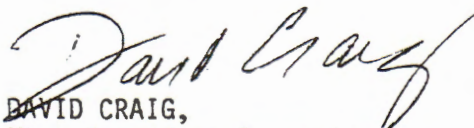
Cochrane recommends that a \$9,000 per month fixed fee be charged to the Plant Operating Account in lieu of keeping time and vehicle sheets.

The \$9,000 monthly fee will cover the plant operating and transportation charge and was derived at on the basis of a full-time (8 hours /day) Plant Foreman and a relief man (on his days off), plus a transportation allowance for a full-time pickup truck.

If you agree with the Fixed Fee charge presented, please sign and return one copy for our records.

Yours very truly,

COCHRANE OIL & GAS LTD.


DAVID CRAIG,
Vice President Operations

DC:mw

AGREED THIS 15th DAY OF

October, 1984


Red Rock Resources Ltd.

1) FEES
2)

Armada Gas Plant

Operating Committee Meeting

March 8th, 2017

Meeting at CNRL's Office

THOMAS. SMITH.

• TON SMITH
• SERGIO

- ORACE - SURFACE LAND TO CALL
1. LLR (Barry's Request)
 2. Estimated Volumes for 2017
 3. General Review of the Armada Area (Map) with Competitors and Potential Third Party Gas that could flow to Armada Plant
 4. Operating Costs at the Plant (Husky vs. CNRL)
 5. Current Processing Fees and Request from Partners to revise Fees →
 6. CNRL 100% Owned Pipelines and Compressors feeding the Armada Plant
 7. Billing Issues (Barry's Request)
 8. Other Questions from Partners?

TON - HOUSTON
CRECENT POINT 13-35 SW. 16-19W.

35E³ & SW CNRL COMPRESSOR.

10
[35/E³ - SE COMPRESSOR
7⁰⁰ ARMADA
1/5E³ - 3rd PARTY

LME SENT
\$200K

3-5⁰⁰



Canadian Natural
VISITOR

DATE: Mar 8, 2017

Armada Gas Plant Volumes

e3m3/month	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Grand Total
0989 RESOURCE PARTNERSHIP	10.9	12.5	12.6	34.5	34.2	31.3	26.4	30.0	192.4
ALDER RIDGE RESOURCES LTD.	9.3	8.8	6.5	6.5	7.7	7.8	16.0	6.3	68.9
CAMBIAR INVESTMENT CORP.	6.5	5.5	9.6	6.6	6.2	10.7	11.5	13.1	69.7
CANADIAN NATURAL RESOURCES PARTNERSHIP	734.9	741.3	579.4	699.9	700.9	650.3	668.7	775.0	5,550.4
CENOVUS ENERGY INC.	-	-	-	-	-	11.6	7.0	5.6	24.2
CITY OF MEDICINE HAT	149.0	143.4	134.3	134.0	142.2	136.5	138.7	141.7	1,119.8
D. L. CAMPBELL	1.0	1.0	0.9	1.2	1.1	1.0	1.1	1.5	8.8
HARVEST OPERATIONS CORP.	-	-	-	-	-	-	-	-	-
HOUSTON OIL & GAS LTD.	71.0	79.7	92.8	530.0	696.6	611.9	507.9	513.7	3,103.6
JOURNEY ENERGY PARTNERSHIP	0.6	0.5	0.8	-	-	-	-	-	1.9
LGX OIL + GAS INC. IN RECEIVERSHIP	148.3	146.8	128.6	133.3	155.1	155.8	124.7	111.6	1,104.2
LITTLE ROCK RESOURCES LTD.	-	-	-	-	-	-	-	-	-
MCCHIP RESOURCES INC.	0.2	0.1	0.4	0.2	0.2	0.3	0.4	0.5	2.3
PURE OIL & GAS CO. LTD.	-	-	-	-	69.2	76.5	44.0	39.7	229.4
SANLING ENERGY LTD.	-	1,219.5	1,123.3	1,009.4	1,160.0	1,095.5	1,078.8	1,125.0	7,811.5
SIGNALTA RESOURCES LIMITED	21.2	22.3	22.5	19.9	20.9	20.3	19.7	22.0	168.8
SPHERE ENERGY CORP.	643.3	643.1	700.1	639.8	854.0	981.8	803.3	761.7	6,027.1
SPYGLASS RESOURCES CORP.	1,170.1	-	-	30.0	-	-	-	-	1,200.1
SURGE ENERGY INC.	45.1	48.9	47.6	39.1	46.9	44.8	45.6	49.5	367.5
TAQA NORTH	49.3	52.9	60.2	53.2	56.1	52.3	54.8	56.6	435.4
VELVET ENERGY LTD.	-	-	-	-	21.9	17.1	12.6	-	51.6
WILCOX ENERGY CORP.	11.2	10.1	8.3	8.4	9.7	8.2	7.2	4.8	67.9
WILLISCHILD ENERGY LTD.	7.1	6.4	6.2	6.1	6.1	5.3	5.7	4.7	47.6
WIM JALINK	1.0	1.1	0.9	1.1	1.1	0.9	1.0	1.4	8.5
WOLF COULEE RESOURCES INC.	107.4	119.8	121.8	126.6	126.4	150.7	140.0	143.6	1,036.3
ZARGON OIL & GAS LTD	400.7	413.0	406.8	398.3	460.9	440.8	432.4	461.2	3,414.1
ZARGON OIL & GAS PARTNERSHIP	-	-	-	-	-	-	-	6.9	6.9
ZOSTERA RESOURCES LTD.	-	-	-	-	2.7	25.5	14.7	13.2	56.1
Grand Total	3,588	3,677	3,464	3,878	4,580	4,537	4,162	4,289	32,175

Days 30 31 31 30 31 30 31 31 245

e3m3/d	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Grand Total
0989 RESOURCE PARTNERSHIP	0.4	0.4	0.4	1.2	1.1	1.0	0.9	1.0	0.8
ALDER RIDGE RESOURCES LTD.	0.3	0.3	0.2	0.2	0.2	0.3	0.5	0.2	0.3
CAMBIAR INVESTMENT CORP.	0.2	0.2	0.3	0.2	0.2	0.4	0.4	0.4	0.3
CANADIAN NATURAL RESOURCES PARTNERSHIP	24.5	23.9	18.7	23.3	22.6	21.7	21.6	25.0	22.7
CENOVUS ENERGY INC.	-	-	-	-	-	0.4	0.2	0.2	0.1
CITY OF MEDICINE HAT	5.0	4.6	4.3	4.5	4.6	4.6	4.5	4.6	4.6
D. L. CAMPBELL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HARVEST OPERATIONS CORP.	-	-	-	-	-	-	-	-	-
HOUSTON OIL & GAS LTD.	2.4	2.6	3.0	17.7	22.5	20.4	16.4	16.6	12.7
JOURNEY ENERGY PARTNERSHIP	0.0	0.0	0.0	-	-	-	-	-	0.0
LGX OIL + GAS INC. IN RECEIVERSHIP	4.9	4.7	4.1	4.4	5.0	5.2	4.0	3.6	4.5
LITTLE ROCK RESOURCES LTD.	-	-	-	-	-	-	-	-	-
MCCHIP RESOURCES INC.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PURE OIL & GAS CO. LTD.	-	-	-	-	2.2	2.6	1.4	1.3	0.9
SANLING ENERGY LTD.	-	39.3	36.2	33.6	37.4	36.5	34.8	36.3	31.9
SIGNALTA RESOURCES LIMITED	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7
SPHERE ENERGY CORP.	21.4	20.7	22.6	21.3	27.5	32.7	25.9	24.6	24.6
SPYGLASS RESOURCES CORP.	39.0	-	-	1.0	-	-	-	-	4.9
SURGE ENERGY INC.	1.5	1.6	1.5	1.3	1.5	1.5	1.5	1.6	1.5
TAQA NORTH	1.6	1.7	1.9	1.8	1.8	1.7	1.8	1.8	1.8
VELVET ENERGY LTD.	-	-	-	-	0.7	0.6	0.4	-	0.2
WILCOX ENERGY CORP.	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.3
WILLISCHILD ENERGY LTD.	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
WIM JALINK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WOLF COULEE RESOURCES INC.	3.6	3.9	3.9	4.2	4.1	5.0	4.5	4.6	4.2
ZARGON OIL & GAS LTD	13.4	13.3	13.1	13.3	14.9	14.7	13.9	14.9	13.9
ZARGON OIL & GAS PARTNERSHIP	-	-	-	-	-	-	-	0.2	0.0
ZOSTERA RESOURCES LTD.	-	-	-	-	0.1	0.9	0.5	0.4	0.2
Grand Total	119.6	118.6	111.7	129.3	147.7	151.2	134.3	138.4	131.3

Description	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Total
Operating Expense													
6010.105 - Parts & Supplies					(4)	1,094	345	2,478	1,679	577	3,403	787	10,359
6010.110 - Lubricants									914	914			1,829
6020.105 - Salaries Operations					427	657	739	908	1,081	918	1,557	1,161	7,449
6020.110 - Benefits Operations					136	129	138	168	213	167	238	238	1,427
6020.115 - Contract Operations					1,626	2,561	2,440	2,988	2,324	2,501	2,706	2,355	19,502
6020.120 - Engineering, Superv., Consulting					3,120	820	820	820	820	410	410		7,220
6030.120 - Travel / Training Costs						0		1	2	2	1	1	7
6030.125 - Safety Related Costs						654	1	3	2,347	108	1,279	200	4,593
6030.130 - Vehicle Costs					62	65	645	892	441	78	543	180	2,907
6030.140 - Field Supplies Costs								16	31	37	51		135
6030.145 - Office Costs								0	0	2	1	3	7
6040.105 - Lease & Road Maintenance					1,426								1,426
6050.105 - Repairs & Maintenance							7,644	12,465	17,880	7,475	7,432	7,079	59,975
6050.115 - R&M - Labour						11	22	21	37	36	33	32	197
6070.115 - Propane										660			660
6080.110 - Trucking - Produced Water								(0)					(0)
6080.120 - Trucking - Tangibles / Freight											180		180
6090.105 - Chemicals						3,020		2,960					5,980
6090.110 - Methanol										666			666
6110.105 - Instrumentation / Electrical					2,525	736		219	3,457	1,726			8,663
6120.110 - Utilities					1	1,583	2,915	2,669	2,435	2,270	3,313	1,768	16,953
6130.125 - Hot Oiling/Pressure Truck					1,040								1,040
6170.905 - Overhead								2,480	2,580	2,300	5,757	2,648	15,764
6210.110 - Chart Reading					82	135	110	114					440
6210.115 - Gas Analysis								9	6	6	6	6	32
6210.120 - Oil Analysis							46		12				58
6220.105 - Regulatory					523			5,195		143			5,861
6220.110 - Prov Admin/Orphan Fees			254	64	64	64	64	64	64	64	64		762
6250.110 - Waste Management					62	62	62	121	1,706	706	473	473	3,664
6280.110 - Processing Income - Gas Plant					(55,310)	(56,771)	(55,682)	(62,586)	(77,119)	(77,230)	(69,310)	(69,349)	(523,357)
Total - Operating Expenses			254	64	11,089	11,591	15,992	34,590	38,026	21,766	27,446	16,932	177,757
Operating Income			254	64	(44,221)	(45,180)	(39,690)	(27,996)	(39,093)	(55,463)	(41,863)	(52,418)	(345,601)

\$5000 - 1/200 / DAY

1-18 PLANT

\$10/E3

FOR OPA

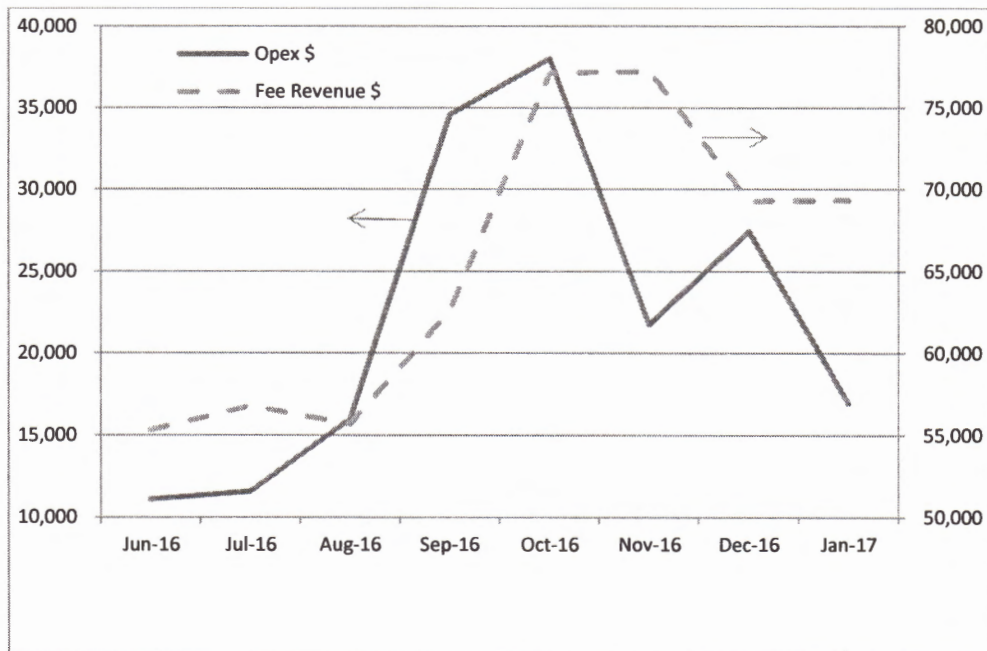
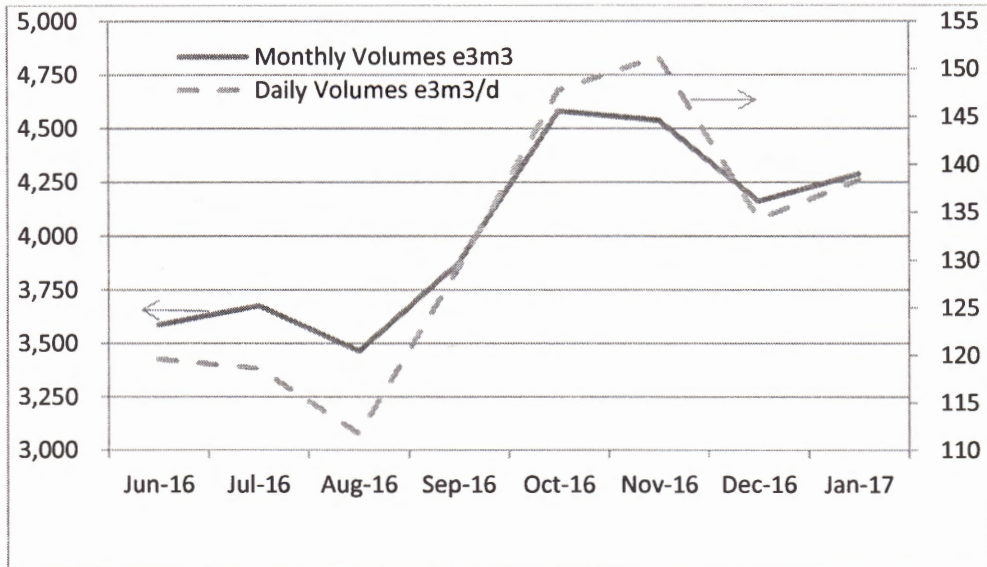
\$284 ACTUAL

1988

Armada 01-18-017-18W4 Gas Plant 2015 Operation Cost Budget

Operating Cost (\$)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Fuel	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	64,525
Treating	1,800	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	21,050
Servicing	0	0	0	0	500	0	0	0	0	0	0	1,000	1,500
Maintenance	18,383	18,383	18,383	18,383	18,383	18,383	18,383	18,383	18,383	18,383	18,383	18,383	220,600
Sand	0	0	0	0	0	0	0	900	0	0	0	0	900
Land Costs & Taxes	0	0	0	825	495	0	0	0	0	40,700	0	0	42,020
Labour	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	19,530
Overhead Recovery	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	166,800
Other Costs	1,717	1,717	1,717	1,717	1,717	1,717	1,717	1,717	1,717	1,717	1,717	1,717	20,600
Total	42,805	42,755	42,755	43,580	43,750	42,755	42,755	43,655	42,755	83,455	42,755	43,755	557,525

Armada Gas Plant
Historic volumes, Operating Costs, Fee Revenue



Note: Opex Does not include turnarounds costs

1976218 Alberta Ltd.
#35 West Terrace Drive
Cochrane, Ab T4C 1R5
Phone: 403-850-9194
Email: breid55@shaw.ca

Canadian Natural Resources Limited
2500, 855 – 2nd Street SW
Calgary, Ab
T2P 4J8

March 3, 2017

Attention: Sergio Puerto

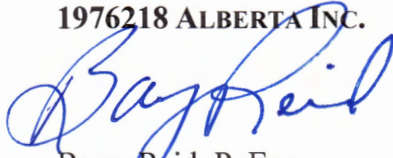
via email: Sergio.Puerto@cnrl.com

Re: CNR File: ARM.F1.17A2

We have received and reviewed your letter of February 16th, 2017 serving the 30 day cancellation notification for the above contract.

Please confirm that this contract referenced correlates to the Husky Contract **FA034495**. Please update us with the new CNR files numbers corresponding to all the Husky contracts involving the Armada Gas Plant (list attached).

Yours truly,
1976218 ALBERTA INC.



Barry Reid, P. Eng.
President

cc. Walter Wright – WGW Enterprises Inc.
Greg Wood – 1951629 Alberta Inc.
Brent Cooper – 1976218 Alberta Ltd
Victor Daboin – CNRL

via email: wrightwg@shaw.ca
via email: gregbwood@shaw.ca
via email: bcooper@successenergy.ca
via email Victor.Daboin@cnrl.com



February 16, 2017

1976218 Alberta Ltd.
35 West Terrace Dr
Cochrane, AB, T4C 1R5
Attention: Joint Ventures Department



*Reviewed
BR*

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

Re: Agreement to Transport and Process Producer Gas Through the Armada Gas Gathering System and Gas Plant between the Armada Gas Gathering System and Gas plant Owners and Marathon Canada Limited dated July 1, 2000
CNR File # ARM.F1.17A2

This letter serves as the required thirty (30) days' notice that Canadian Natural Resources (CNR) is terminating the subject agreement effective April 1, 2017. CNR is currently doing a general review of the Armada area and related service agreements.

Should you have any questions concerning this matter, please do not hesitate to contact the undersigned at Sergio.Puerto@cnrl.com

Yours truly,

Canadian Natural Resources
By its managing partner,
Canadian Natural Resources Limited

Sergio Puerto
Joint Ventures Analyst

Canadian Natural Resources Limited

Suite 2500, 855 – 2 Street SW Calgary, Alberta, Canada T2P 4J8 T 403.517.6700 F 403.517.7007 www.cnrl.com

Barry Reid

From: Victor Daboin <Victor.Daboin@cnrl.com>
Sent: Tuesday, February 28, 2017 4:31 PM
To: Greg Wood; Barry Reid; Dorie
Cc: Thomas Smith; Sergio Puerto
Subject: Armada Operating Committee Meeting Next Week

Good afternoon all,

For an agenda, I would say we could go with something like this:

1. LLR Request from Barry
2. Estimated Volumes for 2017
3. General Review of the Armada Area (Map) with Competitors and Potential Third Party Gas that could flow to Armada Plant
4. Operating Costs at the Plant (Husky vs. CNRL)
5. Current Processing Fees and Request from Partners to revise Fees
6. CNRL 100% Owned Pipelines and Compressors feeding the Armada Plant
7. Billing Issues (Barry's Request)

Greg,

Regarding the issue you brought up in your email below; as you mention, this is something that was agreed upon more than 20 years ago; but the current operation has changed. At the meeting, CNRL will show for example how the current Opex for the plant is more than \$200K/year lower than what Husky used to spend; which is money being saved by all the partners. Husky used to charge for example \$14K/month in an Overhead that might no longer have been applicable either or justified. And Husky was also charging the partners for Fuel Gas; which CNRL is instead absorbing as produced gas shrinkage and allocating it to the rest of producers as well; which is an added benefit to all the plant owners not producing any gas.

CNRL also owns 100% some of the pipelines and compressors feeding the plant; bringing third party gas to the plant/generating revenue for the plant owners, while covering 100% of the Opex; and undercharging third parties for the use of these facilities.

We can discuss all this more in detail at the meeting.

Thanks

Victor

From: Greg Wood [mailto:gregbwood@shaw.ca]
Sent: Thursday, February 16, 2017 10:47 AM
To: Victor Daboin
Cc: Barry Reid; Dorie
Subject: FW: Armada

- NOTICE SENT OUT FEB 16

This email was received from an external email address. Verify the source and the purpose of this email before opening any attachments or clicking on any embedded links.

Victor,

Barry forwarded to me your enclosed response regarding the discrepancy in processing fees. In future, please copy me directly on all matters relating to Armada joint ownership and operations.

You should be aware that the Armada CO&O Agreement, as amended October 16, 1996, clarifies **that all producers must pay a processing fee**. It is specifically stated in paragraph 2 of the amending letter agreement that

"The Owners hereby agree that the gas gathering lines and the gas plant are a **custom processing facility** such that **all volumes of gas processed, whether owned by a Producer or a Producer Owner, will be subject to a Processing Agreement with the Owners or with the Gas Plant Operator as agents for the Owners**. The Owners from time to time will agree on the form of this processing agreement and the custom fees." (Boldface shown for added emphasis)

These conditions have been met by all previous Operators and Owners since 1984, including Husky, and it is my understanding that an processing agreement with Husky was in effect at the time of the transfer to CNRL.

Please arrange immediately to have the JV billings from June 2016 to the current date corrected to include the correct processing fees to be paid by CNRL to the Armada Gas Plant Account, and arrange for immediate distribution of the revenues to all Owners.

...Greg

Gregory Wood
1951629 Alberta Inc.

From: Barry Reid [<mailto:breid55@shaw.ca>]

Sent: February-15-17 12:43 PM

To: Greg Wood

Subject: FW: Armada

FYI

From: Victor Daboin [<mailto:Victor.Daboin@cnrl.com>]

Sent: Wednesday, February 15, 2017 8:41 AM

To: Barry Reid <breid55@shaw.ca>

Subject: RE: Armada

Yes, I am working on all the issues and request for our meeting. I did an area review last week and found that we have charged processing fees to all third parties.

CNRL is not charging fees to itself however. I heard that Husky was charging fees to itself. Not sure if that would be the reason for the difference?

From: Barry Reid [<mailto:breid55@shaw.ca>]

Sent: Wednesday, February 15, 2017 4:12 AM

To: Victor Daboin

Subject: Armada

This email was received from an external email address. Verify the source and the purpose of this email before opening any attachments or clicking on any embedded links.

Victor,

Any updates on my request below or do you want to wait for the operators meeting?

Barry Reid

Subject: Armada Gas Plant Operating Committee Meeting
Location: Room BHE21001 VideoConf (13)
Start: Thu 11/10/2016 2:00 PM
End: Thu 11/10/2016 4:00 PM
Recurrence: (none)
Meeting Status: Accepted
Organizer: Victor Daboin
Resources: Room BHE21001 VideoCc

Meeting will be at:

Canadian Natural Resources
855 – 2nd Street SW

Please go to 21st Floor



**Canadian Natural
VISITOR**

DATE: Nov 10, 2016

From: Barry Reid [<mailto:breid55@shaw.ca>]

Sent: Monday, October 24, 2016 11:48 AM

To: Victor Daboin; 'Brent Cooper (Success Energy Ltd.)'; 'Walter Wright'; 'Greg Wood'

Subject: RE: Armada Gas Plant Operating Committee Meeting

Victor,

I am good for Nov 10th.

The other item for discussion may be area development / facility consolidations.

Barry

From: Victor Daboin [<mailto:Victor.Daboin@cnrl.com>]

Sent: Monday, October 24, 2016 9:28 AM

To: Barry Reid <breid55@shaw.ca>; Brent Cooper (Success Energy Ltd.) <bcooper@successenergy.ca>; Walter Wright <wrightwg@shaw.ca>; Greg Wood <gregbwood@shaw.ca>

Subject: Armada Gas Plant Operating Committee Meeting

Good morning,

Would November 10th from 2 pm to 4 pm work for everyone to have the Operating Committee Meeting?

I will endeavor to send before that day the 2017 Budget; so we could review and our meeting.

Please let us know any items you would like to add to the agenda below proposed by Barry:

- Operations update, volumes, SI's etc.
JIB status / transition from Husky
2017 Budget
- Facility AER – LLR status
- Fees – Review of existing fees that were last updated in 2000. Pipeline transportation fee?
- 3-5 Compressor – Operating agreement? Nothing in place.

Thanks

Victor

From: Barry Reid [<mailto:breid55@shaw.ca>]

Sent: Monday, October 17, 2016 11:50 AM

To: Victor Daboin

Cc: Rob Kerr; Adriana Borbon; Brent Cooper (Success Energy Ltd.); Walter Wright; Greg Wood

Subject: Armada Gas Plant

Victor,

Correspondence attached.

I am also looking for the Field Foreman's name and number for Armada. I am planning to be in the area in the next couple of weeks and would like to stop in and meet the CNRL foreman.

Barry

Barry Reid | P.Eng

1976218 Alberta Ltd.

#35 West Terrace Drive | Cochrane, AB T4C 1R5

(403) 850-9194 CELL | breid55@shaw.ca

Barry Reid

From: Victor Daboin <Victor.Daboin@cnrl.com>
Sent: Thursday, November 03, 2016 1:17 PM
To: Barry Reid; 'Brent Cooper (Success Energy Ltd.)'; 'Walter Wright'; 'Greg Wood'
Subject: Armada Gas Plant Operating Committee Meeting
Attachments: Armada Operating Budget 2017.xlsx

Good Morning,

In anticipation to the meeting, I am sending attached a draft of an "Estimated" Operating Budget for 2017. Please keep in mind that we have been operating this facility for only a few months; therefore, it is challenging at this point to know for sure how a full year of operation will be like; but we are confident we can operate for less than in previous years.

This budget is just a preliminary estimate; and we can probably provide an update early next year as to actual progress. Please also note that one of the compressors at the plant will have an overhaul in 2017 during the 3rd quarter; at an estimated cost of \$170K for five days.

The plant will continue running as a partial shut-down only during that time.

Please let me know any questions or concerns in the meantime; or we can further discuss at the meeting.

Thanks

Victor Daboin
Joint Venture Representative
Canadian Natural Resources Limited
Phone: (403) 290-8069
Fax: (403) 517-7363

From: Barry Reid [mailto:breid55@shaw.ca]
Sent: Monday, October 24, 2016 11:48 AM
To: Victor Daboin; 'Brent Cooper (Success Energy Ltd.)'; 'Walter Wright'; 'Greg Wood'
Subject: RE: Armada Gas Plant Operating Committee Meeting

Victor,
I am good for Nov 10th.
The other item for discussion may be area development / facility consolidations.
Barry

From: Victor Daboin [mailto:Victor.Daboin@cnrl.com]
Sent: Monday, October 24, 2016 9:28 AM
To: Barry Reid <breid55@shaw.ca>; Brent Cooper (Success Energy Ltd.) <bcooper@successenergy.ca>; Walter Wright <wrightwg@shaw.ca>; Greg Wood <gregbwood@shaw.ca>
Subject: Armada Gas Plant Operating Committee Meeting

Good morning,

Would November 10th from 2 pm to 4 pm work for everyone to have the Operating Committee Meeting?

I will endeavor to send before that day the 2017 Budget; so we could review and our meeting.

Please let us know any items you would like to add to the agenda below proposed by Barry:

- Operations update, volumes, SI's etc.
JIB status / transition from Husky
2017 Budget
- Facility AER – LLR status

- Fees – Review of existing fees that were last updated in 2000. Pipeline transportation fee?
- 3-5 Compressor – Operating agreement? Nothing in place.

Thanks
Victor

From: Barry Reid [<mailto:breid55@shaw.ca>]

Sent: Monday, October 17, 2016 11:50 AM

To: Victor Daboin

Cc: Rob Kerr; Adriana Borbon; Brent Cooper (Success Energy Ltd.); Walter Wright; Greg Wood

Subject: Armada Gas Plant

Victor,

Correspondence attached.

I am also looking for the Field Foreman's name and number for Armada. I am planning to be in the area in the next couple of weeks and would like to stop in and meet the CNRL foreman.

Barry

BARRY REID | P.ENG

1976218 ALBERTA LTD.

#35 WEST TERRACE DRIVE | COCHRANE, AB T4C 1R5

(403) 850-9194 CELL | breid55@shaw.ca

1976218 Alberta Ltd.
#35 West Terrace Drive
Cochrane, Ab T4C 1R5
Phone: 403-850-9194
Email: breid55@shaw.ca

Canadian Natural Resources Limited
2500, 855 – 2nd Street SW
Calgary, Ab
T2P 4J8

October 17th, 2016

Attention: Victor Daboin via email: Victor.Daboin@cnrl.com

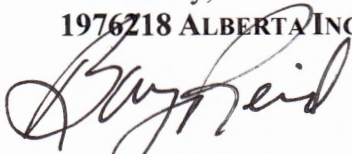
Re: Meeting Request / Budget Forecast
Agreement for the CO&O of Armada Gas Plant and Gathering System
Dated April 1984

As per 4.03 of the CO&O Agreement for the Armada Gas Plant and Gathering System dated April 1984, 1976218 Alberta Ltd. ("197"), as a 49.9975% working interest owner, hereby requests that CNRL convene an owners meeting.

There are various outstanding issues that have been raised over the past months that require clarification. As well, clause 7.04 of the agreement requires the operator to prepare and submit a budget to the owners prior to October 31 of each year.

We look forward to a proposed meeting date.

Yours truly,
1976218 ALBERTA INC.



Barry Reid, P. Eng.
President

cc. Walter Wright – WGW Enterprises Inc.
Greg Wood – 1951629 Alberta Inc.
Brent Cooper – 1976218 Alberta Ltd

via email: wrightwg@shaw.ca
via email: gregbwood@shaw.ca
via email: bcooper@successenergy.ca

Barry Reid

From: Teri Pyo <Teri.Pyo@cnrl.com>
Sent: Thursday, September 15, 2016 3:09 PM
To: breid55@shaw.ca
Subject: New JV Rep

Hi Barry,

As per our phone conversation, Victor Daboin will be taking over the Armada gas facility. Like I said, he is very competent and experienced so you're in good hands !

His email is: Victor.Daboin@cnrl.com
His office number is: 403.290.8069

The production accountant looking after the area is Wayne Steffen (Wayne.Steffen@cnrl.com).

Hope that helps. Thanks !

Teri Kim Pyo, P.Eng. | Canadian Natural Resources Ltd. | office 403.386.8911 | cell 587.585.5127 | email teri.pyo@cnrl.com

Barry Reid

From: Teri Pyo <Teri.Pyo@cnrl.com>
Sent: Thursday, September 08, 2016 3:55 PM
To: Barry Reid
Subject: RE: Armada Mail Ballot 2016-02

Hi Barry, I'm sorry I haven't gotten you any of the information you've requested yet. We are still trying to dig up the info and I will update you as soon as I get it.

Thanks,
Teri

From: Barry Reid [mailto:breid55@shaw.ca]
Sent: Tuesday, September 06, 2016 8:56 AM
To: Teri Pyo
Subject: RE: Armada Mail Ballot 2016-02

Thanks Teri.

From: Teri Pyo [mailto:Teri.Pyo@cnrl.com]
Sent: Tuesday, September 06, 2016 8:36 AM
To: Barry Reid <breid55@shaw.ca>
Subject: RE: Armada Mail Ballot 2016-02

Hi Barry ! Hope you had a good long wknd !

Thanks so much for signing the mail ballot. Looking forward to working together ! I will work to get you the information you requested as soon as possible !

Thanks,
Teri

From: Barry Reid [mailto:breid55@shaw.ca]
Sent: Friday, September 02, 2016 11:13 AM
To: Rory Livingston
Cc: Teri Pyo
Subject: Armada Mail Ballot 2016-02

Rory,

We are amending our vote on the above Ballot to the attached. I have had some good discussions with Teri. We have agreed to continue the flow of information to address ongoing commitments to resolve some still outstanding queries. Some of the information that needs to be submitted to AER is the responsibility of Husky. Historical data. Land Titles is also Husky's responsibility to resolve.

We both hope that Husky is working hard to assist in resolving our issues.

Have a great long weekend.

Barry

BARRY REID | P.ENG
1976218 ALBERTA LTD.
#35 WEST TERRACE DRIVE | COCHRANE, AB T4C 1R5

Barry Reid

From: Barry Reid <b Reid55@shaw.ca>
Sent: Tuesday, August 30, 2016 3:36 PM
To: 'Teri Pyo'
Cc: 'Rob Kerr'; 'Adriana Borbon'
Subject: RE: Armada Gas Facility

Teri,

Thanks for the follow-up call yesterday.

A couple of things we discussed yesterday:

- Query #1:**
- Can we get details on the description of the various facilities. There is the 03/01-18 and two locations at 03-05. Since 19762018 ab is only a part owner in the 3-5 facility, can we get clarification on what these Liability amounts are being allocated to. We are unclear what the 03/01-18 refers to.
 - There does not appear to be any asset value assigned to the 01-18 facility. Directive 006 Appendix 12 does allow for a submission of information to determine an asset value. Have they been done or will they be done? For small companies, ensuring a positive LLR or some asset value is critical in managing our company. Since Husky has the historical data, we would like to see that information submitted to AER.
- Below is a comparison of LLR data that was available in the Husky data room and the updated July 2016 values you supplied.

Download Date	Licence Number	Licence Value	Licence Status	Surface Location	Liability Management Program	Asset Calculation Method	Deemed Asset Amount	Deemed Asset Amount
04 JAN 2016	F2223	2223	Amended	00/03-05-017-17W4	LLR Conventional	Asset Exempt	\$0.00	\$0.00
04 JAN 2016	F22838	22838	Amended	00/03-05-017-17W4	LLR Conventional	Asset Exempt	\$0.00	\$0.00
04 JAN 2016	F2226	2226	Amended	00/01-18-017-18W4	LLR Conventional	Asset Exempt	\$0.00	\$1.00
04 JAN 2016	F29848	29848	Issued	03/01-18-017-18W4	LLR Conventional	Asset Exempt	\$0.00	\$0.00

- Query #4:** It was noted that the schematics were updated in March 2016. We did a plant tour on May 12th and the Husky foreman, Mark Doram, was submitting additional revisions to the schematics to the Taber office in the following week. Mark Doram had been involved in the area for a significant time and also during the original construction of the facility. This information should be located for updated plant files.

- Land Titles:** In 1995, Cody Energy sold their 12.5%. The R³ Group exercised their proportionate share of the 12.5% which is how they ended up with an additional 7.14%. Land Titles were never updated to reflect this change in ownership. Husky has been made aware of the situation, but we have had no confirmation that the corrections are being addressed.

Barry

From: Teri Pyo [mailto:Teri.Pyo@cnrl.com]
Sent: Monday, August 22, 2016 8:57 AM
To: breid55@shaw.ca
Cc: Rob Kerr <Rob.Kerr@cnrl.com>; Adriana Borbon <Adriana.Borbon@cnrl.com>
Subject: Armada Gas Facility

Hi Barry,

Thanks for taking the time to chat w me this morning. As per our phone conversation, here is the email response to your letter that 1976218 Alberta Ltd. sent to Husky on August 03rd. We hope the answers below are to your satisfaction. I apologize for the delay getting this to you.

Query #1 – Husky's LLR Information for Armada

- Please find the below snapshot of the LLR calculation of the Armada asset from Husky's Upstream Evaluation & ARO Groups. These numbers were based on the July 2016 LMR Information.

Staging LLR Facility

Download Date	Run	Run Type	Licence Number	Licence Status	Surface Location	Liability
04 JUL 2016	36204	Monthly Audit	2223	Amended	00/03-05-017-17W4	LLR Conve
04 JUL 2016	36204	Monthly Audit	22838	Amended	00/03-05-017-17W4	LLR Conve

Staging LLR Facility

Download Date	Run	Run Type	Licence Number	Licence Status	Surface Location	Liability
04 JUL 2016	36204	Monthly Audit	2226	Amended	00/01-18-017-18W4	LLR Conve
04 JUL 2016	36204	Monthly Audit	29848	Abandoned	03/01-18-017-18W4	LLR Conve

Query #2 / #3 – Revenues generated from Husky / CNR volumes (April 1 – Current) & Service Agreements at Armada

- Attached are the facility charge worksheets that have been prepared by the Production Accountant for Armada.
- This should answer any questions for April & May production volumes / UWI's / processing rates / revenues for all agreements at Armada Gas Plant.
- There were no new service agreements signed by Husky on behalf of the WIO's in 2016.

Query #4 – Facility / Gathering System Measurement Schematics

- Attached is the most recent copies of the schematics & process flow diagrams that Husky had in-house. Please note that these schematics were updated in March 2016.

Query #5 – Plant Site Survey / Plot Plant

- Attached is the most recent copy of the Gas Plant Plot Plan.

Query #6 – CNRL JV Contact

- Teri Pyo
- Office Address: 2100, 855 – 2nd Street SW, Calgary, AB, T2P 4J8
- Email: Teri.Pyo@cnrl.com
- Office: 403.386.8911

Query #7 – Cancellation of Husky Agreement FA034495

- The agreement has been assigned to CNRL so Husky will not be able to terminate this agreement without CNRL's consent. CNRL will not be terminating this agreement.

I hope this email answers all your questions. If you require any more information, please let me know. Enjoy your time at the lake !

Thanks,

Teri Kim Pyo, P.Eng. | **Canadian Natural Resources Ltd.** | office 403.386.8911 | cell 587.585.5127 | email teri.pyo@cnrl.com



707 – 8th Avenue S.W.
Box 6525, Station D
Calgary, AB T2P 3G7



Fax: (403) 298-7464

February 12, 2018

1976218 Alberta Ltd.
35 West Terrace Drive
Cochrane, Alberta
T4C 1R5

1951629 Alberta Inc.
220 Silver Hill Place N.W.
Calgary, Alberta
T3B 4L6

Attention: Barry Reid

Attention: Gregory Wood

**RE: Notice of Disposition of Interest dated December 22, 2017
Agreement for the Construction, Ownership and Operation of the
Armada Gas Plant and Gathering System
Husky Oil Operations Limited to Canadian Natural Resources
Husky Files: FA034460 and C020031**

Pursuant to a letter dated January 22, 2018 from 1976218 Alberta Ltd. ("1976218"), copy attached, please be advised that the 3-5-17-17 W4M compressor was applied for by Co-Maxx Energy Group Inc., as Owner of the facility, and approved by the ERCB by letter dated November 25, 1994 as a booster compressor on the gathering system that is governed under the CO&O (see attached Board approval). It is in fact a part of the facility under the CO&O, whether or not it was specifically identified and scheduled in the CO&O, and it has not been treated as a separate functional unit or as a separate facility. It cannot be removed from the ROFR notice on the CO&O, so therefore the Schedule "A" is in fact correct and the Notice was properly served.

As the timeframe for election under the Notice of Disposition of Interest has now expired without a formal election being received, both 1976218 and 1951629 Alberta Inc. are deemed to have waived their preferential right of purchase on the sale of Husky's interest to Canadian Natural Resources. Husky will now proceed with the closing of the sale of its 0.003% interest to Canadian Natural Resources.

Yours truly,

HUSKY OIL OPERATIONS LIMITED

Christopher M. Beare
Manager, Acquisitions/Divestitures

Enclosure

cc Canadian Natural Resources

1976218 Alberta Ltd.
#35 West Terrace Drive
Cochrane, Ab T4C 1R5
Phone: 403-850-9194
Email: breid55@shaw.ca

Husky Energy
707 – 8th Ave SW
Calgary, Alberta
T2P 3G7

January 22nd, 2018

Attention: Christopher M. Beare, Manager, Acquisitions & Divestures

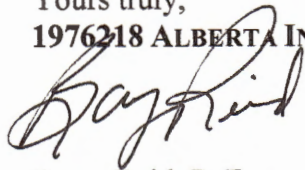
Re: Notice of Disposition of Interest
Agreement for the CO&O of Armada Gas Plant and Gathering System
Dated April 25th, 1984
Husky file: FA34460

1976218 Alberta Ltd. ("197"), has received (Dec 28, 2017) and reviewed your above Notice of disposition to CNRL.

Schedule "A" of the notice is incorrect and we are therefore rejecting the Notice. The Schedule incorrectly lists the Booster Compressor 3-5-17-17W4M as part of a ROFR agreement. In fact the compressor is a separate asset then the Armada Gas Plant & GSS which the CO&O dictates.

We would request the Notice be re-issued with the corrections.

Yours truly,
1976218 ALBERTA INC.



Barry Reid, P. Eng.
President



707 – 8th Avenue S.W.
Box 6525, Station D
Calgary, AB T2P 3G7

Bus: (403) 298-6111
Fax: (403) 298-7464

VIA COURIER

December 22, 2017

SEE ATTACHED ADDRESSEE LIST

**RE: NOTICE OF DISPOSITION OF INTEREST
AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP AND
OPERATION OF THE ARMADA GAS PLANT AND GATHERING SYSTEM
Dated April 25, 1984
Husky File: FA034460**

Pursuant to the terms of the Agreement for the Construction, Ownership and Operation of the Armada Gas Plant and Gathering System and any amendments thereto (collectively the "Agreement"), Husky Oil Operations Limited ("Husky") hereby provides notice of its intention to dispose of **its entire interest** in the facilities as described on the attached schedule "A" (the "Interests"). The Interests are being purchased by Canadian Natural Resources. ("CNR") pursuant to a Sale Agreement dated December 1, 2017 ("Sale Agreement").

The purchase price attributed to the Interests is \$27.00 in Canadian Funds (the "Purchase Price"). The effective date of this purchase is July 1, 2016. Closing of this sale is scheduled for January 7, 2018, and normal industry terms and conditions applicable to the closing of an oil and gas transaction will apply, including, without limitation, the assumption of all environmental liabilities, abandonment and reclamation costs associated with the Interests, whether they accrued before or after the Effective Date, including providing an indemnity to Vendor in respect of same. A copy of the Sale Agreement will be made available for your viewing by appointment during normal office hours in our offices.

The Interests are subject to the terms of the Agreement and, according to Husky's records and pursuant to Clause 9.01(a.) (Disposal of an Interest in the Gas Plant and/or Gathering System) and Clause 9.02 (Sale of an Interest in the Gas Plant) thereof, a right of first refusal accrues to your company's benefit. Husky respectfully requests that your company waives its preferential right of purchase and permit the sale of the Interests to CNR.

Please indicate whether or not you wish to exercise your right of first refusal by signing both copies of this notice in the appropriate space provided below, and returning one copy to the attention of the writer as soon as possible, but in any event **within the applicable period of thirty (30) days** from receipt of this notice. Should you elect to exercise your right of first refusal and purchase the Interests, it is Husky's intention to prepare, and your obligation to enter into, a sale agreement that incorporates the same terms as the Sale Agreement, with only such changes made as are necessary. Should more than one company elect to acquire the Interests subject to the right of first refusal, then the electing companies shall purchase a

portion of the Interests in the proportion its interests in the facilities bears to the total interests of all such purchasers.

Further, pursuant to the provisions of Clause 9.01, if there are no elections made to exercise the rights of first refusal on the disposition of the Interests, the disposition to the proposed purchaser shall be made subject to the consent of the remaining owners of the facilities, which consent shall not be unreasonably withheld. Consent to the disposition will be deemed unless within the prescribed time period an owner advises the other owners by notice that it is not prepared to consent to the disposition.

Your early attention to this matter would be appreciated. Should you have any questions regarding this matter, please contact the writer at 403-298-6107.

Sincerely yours,

HUSKY OIL OPERATIONS LIMITED



Christopher M. Beare
Manager, Acquisitions & Divestitures

<p>Company Name: _____</p> <p>hereby elects to waive the right of first refusal and consents to the disposition</p> <p>this ____ day of _____, 201__</p>	<p>Company Name: _____</p> <p>hereby elects to exercise the right of first refusal</p> <p>this ____ day of _____, 201__</p>
--	--

<p>Per: _____</p> <p>Name: _____</p> <p>Title: _____</p>
--

Functional Unit	Husky Assigned Interest
<p>1. Oil and Gas</p> <p>2. Coal</p> <p>3. Power</p> <p>4. Transportation</p> <p>5. Other</p>	<p>1. Oil and Gas</p> <p>2. Coal</p> <p>3. Power</p> <p>4. Transportation</p> <p>5. Other</p>

Husky Assigned Interest

0.003000%

0.003000%

ADDRESSEE LIST:

Husky Oil Operations Limited

707 – 8th Avenue S.W.
Calgary, Alberta
T2P 3G7

Attention: Joint Venture Representative

Canadian Natural Resources

2100, 855 – 2nd Street SW
Calgary, Alberta
T2P 4J8

Attention: Commercial Operations

1951629 Alberta Inc.

220 Silver Hill Place N.W.
Calgary, Alberta
T3B 4L6

Attention: Gregory Wood

1976218 Alberta Ltd.

35 West Terrace Drive
Cochrane, Alberta
T4C 1R5

Attention: Barry Reid

WGW ENTERPRISES INC.

323- 10 Aspenshire Dr. S.W.
Calgary, Alberta T3H 0T2

December 12, 2016

To: Husky Oil Operations Limited
707 – 8th Avenue S.W.
Calgary, Alberta T2P 3G7

Attention: Christopher M. Beare

Re: Husky's ROFR option to purchase a 0.003% working interest in the Armada Gas facilities from WGW Enterprises Inc.

Dear Sir:

On June 2, 2016, Husky executed a ROFR option to purchase a 0.003% working interest in the Armada Gas facilities from WGW Enterprises Inc.

Husky advised that the operations, including Armada had been sold to CNRL as of July 11, 2016.

On July 7, 2016 Husky (Nina Young) was requested to issue a correct JIB

Representing the proper ownership for the month of June. WGW was subsequently requested to properly allocate the net proceeds, which was done. According to the information received, 1951629 was recognized as an owner as of June 1, 2016 and 1976218 was recognized as an owner as of July 1, 2016.

On August 8, 2016, Husky was advised that the JIB presented for July was incorrect with respect to the ownership and the lack of any reference to revenue for the month in the statement.

On September 7, 2016 Husky was again advised as to the lack of revenue showing up on the July JIB and also on the August JIB.

No response of any kind until September 19, 2016 when Husky indicated they would like to proceed with purchase and requested that WGW Enterprises provide them with a "Statement of Adjustments".

On September 29, 2016 WGW indicated that in order to provide any "Statement of Adjustments" we would need to have the appropriate JIBs for the months of July, August & September. Could now add October & November.

As of December 8, there has been no response to this request.

It has now been over six months since the ROFR option was executed by Husky; and four months since WGW Enterprises first requested additional information (no response). It would seem that reasonable time frame for completing a transaction of this size would be the same or less than that allowed for a seller to complete a deal following the waiver of their ROFR rights (ie 60 days). Given that there is no provision in the CO & O Agreement that limits the timing for a transaction to be completed by a party exercising their option to purchase, it could be deemed that the same time limit would be reasonable. Regardless the time it has taken to achieve anything is totally unreasonable and it is therefore deemed that your ROFR Option to Purchase has expired.

Yours truly

Walter G. Wright., President



707 - 8th Avenue S.W.
Box 6525, Station D
Calgary, AB T2P 3G7

VIA COURIER

Bus: (403) 298-6111
Fax: (403) 298-7464

June 8, 2016

P: 5 SIGNED
MAY 18 / 16

APRIL 1ST EFFECTIVE
DATE.

SEE ATTACHED ADDRESSEE LIST

**RE: NOTICE OF DISPOSITION OF INTEREST
AGREEMENT FOR THE CONSTRUCTION, OWNERSHIP
AND OPERATION OF ARMADA GAS PLANT AND GATHERING SYSTEM
Dated April 25, 1984
Husky File: F034460**

Pursuant to the terms of the Agreement for the Construction, Ownership and Operation of the Armada Gas Plant and Gathering System and any amendments thereto (collectively the "Agreement"), Husky Oil Operations Limited ("Husky") hereby provides notice of its intention to dispose of **its entire interest** in the facilities as described on the attached schedule "A" (the "Interests"). The Interests are being purchased by Canadian Natural Resources. ("CNR") pursuant to an Asset Exchange Agreement dated **May 18, 2016** ("Sale Agreement").

The purchase price attributed to the Interests is **\$13,852,352.00** in Canadian Funds (the "Purchase Price"). The effective date of this purchase is **April 1, 2016**. Closing of this sale is scheduled for June 6, 2016, with closing occurring with rights of first refusal assets held in escrow, and normal industry terms and conditions applicable to the closing of an oil and gas transaction will apply, including, without limitation, interest being payable on the Purchase Price from and including the Effective Date, calculated daily, and not compounded, at the Prime Rate, to and including the day prior to the Closing Date as well as assuming all environmental liabilities, abandonment and reclamation costs associated with the Interests, whether they accrued before or after the Effective Date, including providing an indemnity to Vendor in respect of same. A copy of the Sale Agreement will be made available for your viewing by appointment during normal office hours in our offices. This copy will have certain information blacked out.

The Interests are subject to the terms of the Agreement and, according to Husky's records and pursuant to Clause 9.01(a.) (Disposal of an Interest in the Gas Plant and/or Gathering System) and Clause 9.02 (Sale of an Interest in the Gas Plant) thereof, a right of first refusal accrues to your company's benefit. Husky respectfully requests that your company waives its preferential right of purchase and permit the sale of the Interests to CNR.

Please indicate whether or not you wish to exercise your right of first refusal by signing both copies of this notice in the appropriate space provided below, and return one copy to the attention of the writer as soon as possible and in any event **within the applicable period of thirty (30) days** from receipt of this notice. Should you elect to exercise your

right of first refusal and purchase the Interests, it is Husky's intention to prepare, and your obligation to enter into, a sale agreement that incorporates the same terms as the Sale Agreement, with only such changes made as are necessary. Should more than one company elect to acquire the Interests subject to the right of first refusal, then the electing companies shall purchase a portion of the Interests in the proportion its interests in the facilities bears to the total interests of all such purchasers.

Further, pursuant to the provisions of Clause 9.01, if there are no elections made to exercise the rights of first refusal on the disposition of the Interests, the disposition to the proposed purchaser shall be made subject to the consent of the remaining owners of the facilities, which consent shall not be unreasonably withheld. Consent to the disposition will be deemed unless within the prescribed time period an owner advises the other owners by notice that it is not prepared to consent to the disposition.

Your early attention to this matter would be appreciated. Should you have any questions regarding this matter, please contact the writer at 403-298-6107.

Sincerely yours,

HUSKY OIL OPERATIONS LIMITED



Christopher M. Beare
Manager, Acquisitions & Divestitures

<p>Company Name: _____</p> <p>_____</p> <p>hereby elects to waive the right of first refusal and consents to the disposition</p> <p>This ____ day of _____, 2016</p>	<p>Company Name: _____</p> <p>_____</p> <p>hereby elects to exercise the right of first refusal</p> <p>this ____ day of _____, 2016</p>
--	--

<p>Per: _____</p> <p>Name: _____</p> <p>Title: _____</p>
--

SCHEDULE "A"

Facility: **Agreement for the Construction, Ownership and Operation of the Armada Gas Plant and Gas Gathering System dated and effective April 25, 1984**

the "Interests":

<u>Functional Unit</u>	<u>Husky Assigned Interest</u>
Gas Plant 1-18-17-18W4M	42.860000%
Booster Compressor 3-5-17-17W4M	42.860000%

Current Parties: **Husky Oil Operations Limited
WGW Enterprises Inc.
Galloway Resources Inc.
KJB Investments Inc.
Winwood Energy Inc.
IHMCO Investments Ltd.**

ADDRESSEE LIST:

Husky Oil Operations Limited

707 – 8th Avenue S.W.

Calgary, Alberta

T2P 3G7

Attention: Joint Venture Representative

WGW Enterprises Inc.

1005, 744 – 4th Avenue SW

Calgary, Alberta

T2P 3T4

Attention: Walter Wright

Galloway Resources Inc.

1005, 744 – 4th Avenue SW

Calgary, Alberta

T2P 3T4

Attention: Walter Wright

JKB Investments Ltd.

1005, 744 – 4th Avenue SW

Calgary, Alberta

T2P 3T4

Attention: Walter Wright

Winwood Energy Inc.

1005, 744 – 4th Avenue SW

Calgary, Alberta

T2P 3T4

Attention: Walter Wright

IHMCO Investments Ltd.

1005, 744 – 4th Avenue SW

Calgary, Alberta

T2P 3T4

Attention: Walter Wright

INTER-COMPANY MEMORANDUM

TO: RORY LIVINGSTONE – HUSKY ENERGY
FROM: WALTER WRIGHT – WGW ENTERPRISES INC,
CC: GALLOWAY RESOURCES; IMHCO INVESTMENTS; JKB INVESTMENTS
1951629 ALBERTA INC (GREG WOOD VIA EMAIL GREGBWOOD@SHAW.CA)
SUBJECT: HUSKY ARMADA GAS PLANT 01-18-017-18W4M
OPERATIONS /OWNERS MEETING
DATE: JUNE 7, 2016

As per 4.03 of the Armada CO&O agreement and my email of June 6th, 2016, WGW Enterprises Inc., as a 14.288% working interest owner, has requested an Owners Meeting of the Armada Gas Plant at your earliest convenience and within the timeframe outlined in the CO&O. Given the various transactions that have occurred, pending or yet to be disclosed, WGW requests that a senior Husky Manager with decision making authority be present at the meeting. WGW would request that Brent Cooper and Barry Reid from Success Energy Ltd. be allowed to attend as observers.

Agenda

1. Operations Update (Husky)
 - a. Present throughput / shut in volumes
 - i. Husky Taber Assets Sale
 1. Status, timing / Effective Date
 2. Change in field operations June 1, 2016, being managed/operated by CNRL, violation of 5.06 of CO&O. Clarification required.
 3. ROFR to WI owners.
 4. 2016 Budget / Mail Ballot

2. Sale of WI's (4 companies) to Success Energy (June 24th deadline).

a. Success Energy: clarification of Purchaser / LOI

b. Due Diligence – letters /emails requests to Husky

i. LLR: clarification of locations listed in Husky divestment package, Asset value calculation, submission of AER data.

1. Most recent submission (AER regulation of within 3 years) of 1-18 and 3-5 remediation costs.

ii. Land Titles revisions required to close. Husky amendments required. Caveats removal / timing.

iii. Armada CO&O assets data room – Access for WI owners.

1. Present location of CO&O asset/operation files.

2. Updated Measurement drawings.

3. 1-18 surface land P&S and buyback agreement

4. Most recent survey / plot plan of 1-18 plant site.

3. Proposed Mail Ballots

- a. Husky Processing Agreements Motion 1: (with the clarification that CNRL has purchased and taken over operatorship)

"Be it resolved that Husky Processing Agreement FA034495 be terminated on the effective date of any production disposition and assigned to the ownership of CNRL under processing agreement F034503."

4. Other Business

3-5 TAXES:

W.G. Wright



-----Original Message-----

From: Walter Wright [<mailto:wrightwg@shaw.ca>]

Sent: Tuesday, June 07, 2016 12:08 PM

To: Rory Livingston

Subject: Re: Armada

Hi Rory

See attached

Walter

On 07/06/2016 9:57 AM, Rory Livingston wrote:

> Good Morning Walter,

>

> Thanks for your email. I'm not clear on what it is you are asking about below, do you think you could be a little more explicit? We (Husky) are not a party to the Management Agreement, so we wouldn't know of any details related to ownership within the terms of that agreement, prior to or after Winwood withdrew from it. I have however, received a direction to pay from Greg Wood for the numbered company and their interest to be paid directly. If that is the case we will arrange (in Jiblink) for Greg's company to receive its expenses and revenues separate from the R3 group of managed companies. Is that what your query is alluding to? If not, please advise.

>

> Secondly, we have no issue holding an Operating Committee Meeting. Once I receive an agenda I can arrange a time / date and book a meeting room. As we have a number of staff here (and depending on the questions) I will need some time to arrange a time that works for everyone.

>

> Thanks,

> Rory

>

>

>

> -----Original Message-----

> From: Walter Wright [<mailto:wrightwg@shaw.ca>]

> Sent: Monday, June 06, 2016 1:37 PM

> To: Rory Livingston

> Subject: Armada

>

> Hi Rory

> Sorry I haven't been back to you sooner as we were moving and I was cut off on the phone and the Internet. As an Owner with greater than a 10% working interest, I am requesting that an Operator's meeting be called, recognizing that a 10 day notice period is provided for. We will provide you with an agenda as there are a number of things that appear to be confusing. You will note that since Husky took over operations,

> R3 was represented and billed accordingly with a 57.14% interest (interest rolled to the second decimal) If you follow this through to the individual companies of the R3 group, and again rounding the interest to the two decimal points, you will come up with a combined interest of 50.01%. Also we note that our original purchase from Cochrane Oil & Gas was for a 50% interest, followed up with a purchase of 7.14% from Cody.

> I think a case could be made for our consistent 50% interest after Winwood withdrawing from the management agreement. Nothing changed over the years. Please give us a date and time for an Operators meeting.

> The agenda will be forthcoming.

>