

COURT FILE NUMBER **Q.B. No. 151 of 2022**

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE **SASKATOON**

APPLICANT **RURAL MUNICIPALITY OF LACADENA No. 228
RURAL MUNICIPALITY OF MIRY CREEK No. 229
RURAL MUNICIPALITY OF SNIPE LAKE No. 259
GOVERNMENT OF SASKATCHEWAN, as represented by the
Minister of Energy and Resources**

RESPONDENT **ABBEY RESOURCES CORP.**

IN THE MATTER OF THE RECEIVERSHIP OF ABBEY RESOURCES CORP.

**AND IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
RSC 1985, c C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
ABBEY RESOURCES CORP.**

SECOND AFFIDAVIT OF KATHRYN A. BLACK

I, KATHRYN A. BLACK of the City of Regina, in the Province of Saskatchewan, MAKE OATH AND SAY THAT:

1. I am employed by the Applicant, the Government of Saskatchewan as represented by the Ministry of Energy and Resources (the "**Ministry**"), in the capacity of Acting Executive Director of Field Services. I have conducted a review of the Ministry's files in this matter as well as other records maintained by the Ministry. I swear this affidavit based on my review of the Ministry's files and records and my personal knowledge of the matters and facts deposed to herein, except where stated to be on information and belief and whereso stated I verily believe the same to be true.
2. As an Acting Executive Director for the Ministry, I am responsible for overseeing all aspects of Saskatchewan's field inspection and compliance programs for wells, facilities and pipelines. Duties include overseeing staff engaged in field investigations, pipeline and facility

licensing and compliance audits, well integrity programs, emergency response planning and field office operations. I am authorized to make this Affidavit on behalf of the Ministry.

3. This affidavit is intended to supplement my First Affidavit in the proceedings centering around Abbey Resources Corp. (“**Abbey**”).

Abbey’s Response to Minister’s Order

4. In order to ensure Abbey understood why the shut down order was issued, the Ministry prepared a letter outlining the basis for the order and forwarded the same to Abbey’s counsel on or about February 1, 2022. Attached and marked hereto as **Exhibit “A”** is a copy of the letter.
5. On or about February 16, 2022, Abbey provided the Ministry with its written reply to the Ministry’s shut down order and letter of February 1, 2022. Attached and marked hereto as **Exhibit “B”** is a copy of the reply received.
6. In specific reply to some of the points raised by Abbey, I can advise as follows:
 - (a) In reply to paragraph 1(a), I agree that the purpose of the Pipeline Risk Assessment Report (“the **Assessment Report**”) was so Abbey could develop and implement a mitigation plan. However, I further note that operators are required to have a plan in place at first instance as part of a Safety and Loss Management System (SLMS) required by CSA Z662. Abbey had stated in a previous application that this system was in place. The Explore report said it was not. In addition, since the risk assessment was received in early December, Abbey has provided no indication to the Ministry that Abbey has prepared, or even started preparing, a mitigation plan;
 - (b) In reply to paragraph 6, I note that there is again no timeline provided by Abbey for the rehabilitation of the pipelines; and
 - (c) In reply to paragraph 8, I note that the contaminant that arises from Abbey’s spills is predominantly salt water. Any salt water can kill vegetation and break down the structure of the soil. In some cases, it can take up to five years to rehabilitate native

prairie lands that have been impacted by salt water. Attached and marked hereto as **Exhibit “C”** are copies of photos evidencing the negative effects to the land.

7. I further note for the Court that to date Abbey has still failed to provide a concrete mitigation plan. Abbey had previously indicated in an email to the Ministry that Abbey was preparing one and restated that fact again in December, 2021.

Prudence of the Ministerial Order

8. The Ministry is of the understanding that there may be some comment on the prudence of the Ministerial Order at the hearing of this matter on February 28.
9. In view of this, the Ministry has reviewed the matter thoroughly, and I offer the following in an effort to expand on the earlier explanations of the Ministry’s reasons for issuing the order.
10. One of the matters considered was the adherence of the Assessment Report to norms employed in the industry. Upon review of the report, when received, it became apparent to the Ministry that the report did not comply with the requirements of the standards to be employed in such matters, being CSZ Z662:19 and ASME B31.8S-2020 when Assessment Report was completed.
11. In arriving at this conclusion, the Ministry noted that in the preparation of the Assessment Report, Abbey failed to provide the information required of it when completing both the Assessment Report. Thus, while the report may generally conform to the form required by the standards above, it does not comply fully with the standard, which requires that the information not supplied by Abbey be obtained and used in the preparation of the Assessment Report.
12. It has been suggested since the last hearing in this matter that the Assessment Report categorization of the pipelines as low, medium, high and very high risk should not be considered failure prediction rankings. While that position is understood, and is generally the case, the Assessment Report employed failure modifiers in the assessment, which in the absence of the additional data required to comply with the CSA and ASME standards, meant that this had to be the basis for assessment.

13. From the Ministry's perspective, any chance of, or actual, failure is of concern. The very high and high risk pipelines were often in geographically sensitive areas and Explore Inc. had also considered things such as historical failures of pipelines segments and other failure factors when categorizing the failure risk.
14. The Ministry did not make the decision to issue the shut-down order based solely on the Assessment Report. Prior to receipt of the Assessment Report, Abbey was already considered a high-risk licensee due to Abbey's difficulties in detecting leaks and the disproportionate number of incidents that Abbey contributed to.
15. The Assessment Report only further increased the already existing concerns of the Ministry. Notably, the Assessment Report noted that Abbey did not have a Pipeline Integrity Management program, which was a serious issue given Abbey is a high-risk operator.
16. In addition to its history of increased spills, Abbey also has a poor history of addressing spills once they occur. In a few specific examples, I note as follows:
 - (a) Often, because the pipelines operated are low pressure pipelines, the spills and breaks are not detectable until noticed by a field operator, Ministry field officer or landowner. Attached and marked hereto as **Exhibit "D"** is a copy of photos of a pipeline break discovered by a Ministry field officer near Kindersley. I can advise it is not uncommon for this to occur on Abbey pipelines;
 - (b) In one specific instance, Abbey took over 18 hours to address a spill raised by a landowner, contrary to Directive PNG014: Incident Reporting Requirements, which requires immediate action. The significant delay allowed an unnecessary amount of natural gas and salt water to leak onto the land; and
 - (c) For a spill that took place in October, 2021, Abbey fixed the pipeline and left the farmland in a significant state of distress. They failed to remediate the land disturbance contrary to their obligations, prompting the Ministry to instruct Abbey that the environmental third-party contractor was to manage the final restoration of the site and not Abbey. Abbey's personnel had demonstrated that they were unable to restore the

sites to the Ministry's satisfaction. Attached and marked hereto as **Exhibit "D"** is a copy of a photo of the landowner's field confirming the same.

17. The concern is not academic and it is ongoing. I can advise the Court that since the Assessment Report was drafted, Abbey suffered an incident on a medium risk pipeline on December 14, 2021 and an incident on a high risk pipeline on January 21, 2022. A further incident was discovered by the Ministry's field staff on February 9, 2022, on a low risk rated line.

Remediation Costs

18. The Ministry considers the costs projected by Abbey to be inordinately low.
19. The Ministry's earlier assessment of cost, filed in this proceeding, is a high-level assessment that came in well above the figure employed by the Company. The Ministry, in arriving at that determination, relied in part in on-site inspection of the pipelines involved and on information provided by other operators.
20. I can advise the Court that the Ministry remains of the position that the shut down orders were necessary and required in order to best mitigate the potential of a catastrophic environmental loss. From an environmental protection point of view, the shut-down order was necessary, especially given the note in the Explore report, "the challenge and largest overall limitation for Abbey Resources is to identify economically feasible solutions to mitigate the risk identified in this assessment."

Other Matters

21. On September 28th, 2021, Abbey submitted an application for a liner to be installed. The liner application was approved on the basis that Abbey declared in the application that that they had a Safety and Loss Management System in place. As was noted in the third and Fourth Affidavits of Brad Wagner, a key part of such a system being the Pipeline Integrity Management Program, was, the Ministry discovered later, was not in place.

22. Accordingly, if Abbey had responded truthfully that on that application, the application would not have been approved and the application would be viewed as “non-routine”, which means Ministry staff are required to inspect the installation for deficiencies.
23. I note from the Ministry’s file that on November 30th, 2021, the Ministry immediately imposed an obligation (due to an apparently inaccurate calculation) on the approval, which meant that Abbey was required to refrain from moving forward with the installation until they had responded to the Ministry and satisfied the Ministry that the calculations underlying the application were correct. To date, no response has been received.
24. Regardless of the approval, Abbey did not notify the Ministry with respect to construction and pressure tests. Nor did Abbey obtain a Leave to Open licence, all of which are required under *The Pipelines Act, 1998* and *Directive 034: Saskatchewan Pipelines Code*.
25. In the result, aside from the misrepresentation made in the application, Abbey was still non-compliant with its obligations.
26. At this time, I am not aware of any additional liners that may have been installed but note that there was a suggestion by Abbey that a second liner had been installed, but Abbey has since indicated that it was not installed.
27. In response to these unilateral actions, the Minister issued a new order shutting in the affected pipeline. Attached and marked hereto as **Exhibit “F”** is a copy of the order confirming the same.
28. This new development is consistent with a demonstrated pattern of Abbey and its management failing to communicate and cooperate with the Ministry in respect of its obligations. Many of the other issues have already been outlined in the previous affidavit material filed in this matter and will not be repeated for the sake of brevity.

Conclusion

29. I make this affidavit in opposition to Abbey receiving any further protection under the *Companies Creditors Arrangement Act* (the “CCAA”) and further, in support of an application to appoint a receiver over the assets and undertaking of Abbey.

SWORN BEFORE ME BY ELECTRONIC)
MEANS at the City of Regina,)
in the Province of Saskatchewan,)
this 25th day of February, 2022.)


_____)

A COMMISSIONER OF OATHS
In and for the Province of Saskatchewan.
Being a solicitor


KATHRYN A. BLACK

CONTACT INFO AND ADDRESS FOR SERVICE:

ROBERTSON STROMBERG LLP
Suite 600, 105 – 21st Street East
Saskatoon, SK S7K 0B3

Lawyer in Charge of file: M. Kim Anderson, Q.C. and Travis K. Kusch
Direct Line: (306) 933-1344
Facsimile: (306) 652-2445
E-Mail: mk.anderson@rslaw.com/t.kusch@rslaw.com

This is Exhibit "A" referred to in the Affidavit of
KATHRYN BLACK
Sworn before me via electronic means this 25th day of
February, 2022.

A handwritten signature in blue ink, appearing to read "J. Steele", is written above a horizontal line.

A Commissioner for Oaths for Saskatchewan
Being a Solicitor



Government
of
Saskatchewan

Ministry of Justice
Civil Law
900 – 1874 Scarth Street
Regina, Canada S4P 4B3
Bus: 306-787-
Fax: 306-787-0581

February 1, 2022

Please Reply To:
Leanne Lang
Phone: (306) 787-5545
Fax: (306) 787-0581

Kevin Hoy
DLA Piper (Canada) LLP
Suite 1000, Livingstone Place West
250 2nd St. W.
Calgary, Alberta
T2P 0C1

Dear Mr. Hoy:

I am legal counsel for the Ministry of Energy and Resources (ER) regarding regulatory matters. I am writing in response to your application for an interim regulatory stay of the Minister's order and your comments in court on January 27, 2022.

1. Authority for the Minister's order

You asked for clarification regarding the authority for the Minister's order dated January 24, 2022 (MRO). The MRO was issued to Abbey Resources Corp. (Abbey) pursuant to subsection 12(1) of *The Pipelines Act, 1999* (PA) and subsection 17.01(1)(a) of *The Oil and Gas Conservation Act* (OGCA). The MRO suspends the licences and operation of Abbey's high and very high-risk pipeline segments effective January 24, 2022, and orders the pipeline segments to be shut in by February 7, 2022.

Subsection 12(5) of the PA requires the Minister to provide an opportunity for the licensee to make representations to the Minister within 15 days after the date of the suspension of the licence. ER officials can meet with Abbey officials to discuss your submission, or you can provide it in writing, or both. The contact persons at ER will be Kathryn Black, the Director of Pipelines and Facilities and Brad Wagner, the Director of Liability Management. We will need to receive your representations by Tuesday, February 16, 2022. If you would like to discuss this process further, please do not hesitate to contact me.

2. The Minister's authority to reconsider a decision under the OGCA

Subsection 6.1(2) of the OGCA allows the Minister to reconsider an order. Any representations by your client regarding the MRO will be considered by ER under the authority of ss. 12(5) of the PA and ss. 6.1(2) of the OGCA.

3. The reasons for the issuance of the MRO

The Minister was satisfied that the order was necessary for the purposes of public safety, protection of property and the environment. These factors were outlined in the affidavits of Kathryn Black and Brad Wagner.

More specifically, the MRO was issued for the following reasons:

ER required Abbey to conduct a risk assessment of all its pipeline systems due to its high rate of pipeline failures and ER's concern with the integrity of Abbey's pipeline infrastructure. Abbey's own risk assessment report prepared by Explore, which is attached to the ninth affidavit of Jim Gettis, as Exhibit A, provides that 10% of Abbey's pipelines are at high or very high risk for spills and failures due to corrosion and erosion issues. Some of these pipelines are located in close proximity to the South Saskatchewan River, near Indigenous lands and in environmentally sensitive and protected areas. Abbey has not provided a reasonable plan to mitigate the risk of future spills and failures in relation to 343 kilometers of high-risk pipelines.

Abbey also has a high incidence of pipeline spills and ER has received many complaints from landowners regarding these spills. Abbey operates 2% of the wells in the province but contributes to 12% of the spill incidents in Saskatchewan. It also has 36 outstanding inspection compliance matters which relate to serious issues, including: elevated methane levels related to surface casing vent flows, inadequate spill cleanup, holes in the ground on leased areas, soil subsidence and corroded equipment.

The Explore risk assessment report states on page 21 that Abbey does not have a defined risk assessment and management process within an overall Pipeline Integrity management program. This is a mandatory requirement for pipeline operators, and the absence of the program increases the risk associated with the pipeline operation.

ER has significant concerns about the cost of repairing these pipelines and the resources (financial and otherwise) available to Abbey to repair in a timely manner. Abbey has failed to respond to some spills as they arise and has not reported all spills. Abbey has also failed to commit to a timeframe on its decommissioning and reclamation obligations and the cost of those obligations continues to increase. The Explore report also noted the following on page 19 of the report: "With the nature of Abbey Resources pipeline systems associated to the production of low pressure, sweet gas production, the challenge and largest overall limitation for Abbey is to identify economically feasible solutions to mitigate the risk identified in this assessment."

Please feel free to contact me if you have any further questions regarding the MRO.

Sincerely,



→

Leanne Lang
Senior Crown Counsel
LL/msf

cc: Sharla Hordenchuk, Assistant Deputy Minister, ER
Brad Wagner, Director of Liability Management, ER
Kathryn Black, Director of Facilities and Pipelines, ER

This is Exhibit "B" referred to in the Affidavit of
KATHRYN BLACK
Sworn before me via electronic means this 25th day of
February, 2022.



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ABBAY RESOURCES CORP.



February 16, 2022

Via Email

Ministry of Energy and Resources
1000, 2103 11th Avenue
Regina, SK. S4P 3Z8

Attn: Kathryn Black, Director of Pipelines & Facilities
Brad Wagner, Director of Liability Management

Dear Ms. Black and Mr. Wagner:

RE: Reassessment of MRO 14/22 issued January 24, 2022

The Saskatchewan Ministry of Energy and Resources ("ER") issued to Abbey Resources Corp. ("Abbey") a Ministerial Order (the "MRO") dated January 24, 2022, pursuant to *The Pipelines Act, 1998*, SS 1998, c P-12.1 (the "*Pipelines Act*") and *The Oil and Gas Conservation Act, RSS 1978*, c O-2, (the "*Oil and Gas Act*"). This MRO required the suspended operation of all flowline segments listed in Table 1: Abbey Resources High and Very High Risk Segments from the risk assessment analysis (the "*Risk Assessment*") Explore completed in December 2021, as follow-up response to ER letter dated Sept. 3, 2021 requiring Abbey to complete a risk assessment on all pipeline systems within Saskatchewan.

In accordance with its right to make representations to ER pursuant to section 12(5) of the *Pipelines Act*, and with a view to encouraging ER to reconsider its decision to issue the MRO pursuant to section 6.1 (2) of the *Oil and Gas Act*, Abbey sets out the following representations:

1. Prior representations of ER, both made directly to Abbey and in evidence filed in the before the Court of Queen's Bench for Saskatchewan in the restructuring proceedings of Abbey Resources, indicated that ER would work with Abbey to review and assess. Abbey notes:
 - a. The ER letter to Abbey, dated September 3, 2021, in which ER requested the completion of the Risk Assessment, clearly stated "*The Ministry of Energy and Resources (ER) is requesting Abbey Resources Corporation (Abbey) conduct a risk assessment of all Abbey pipeline systems within Saskatchewan....The purpose of this risk assessment is to identify and prioritize risk so that Abbey can develop a mitigation plan that can effectively reduce the number of incidents.*" The required risk assessment was completed December 3, 2021 in accordance with Annex B of CSA Z662-19 and submitted to ER as required. Following the completion of the risk assessment, Abbey initiated the next steps of developing a an accurate and detailed mitigation plan, however this order has not facilitated Abbey with the opportunity to present a finalized mitigation plan in lieu of suspending the pipelines;

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- b. In a sworn Affidavit, dated August 3, 2021, a representative from ER, namely Brad Wagner, indicated that the ER may order Abbey to “*restore and replace its flowlines within a specific period of time. If [Abbey] fails to do so, this may serve as an additional reason for the Ministry to suspend [Abbey’s] license.*” On the basis of this representation, Abbey reasonably presumed that it would have the opportunity to work with ER to implement a remediation plan prior to the issuance a Ministerial order suspending licenses of a material portion of Abbey’s pipeline infrastructure.

In a manner inconsistent with its prior express representations, ER made its decision to issue the MRO without: making queries of Abbey regarding outstanding concerns relating to the Risk Assessment; assessing the status of Abbey’s pipeline risk mitigation plan; providing Abbey with a reasonable opportunity to remedy pipeline infrastructure most susceptible to breakages; or, prior-consultation with, or advance notice to, Abbey.

2. ER protocol for past Abbey failures has provided the opportunity to provide alternatives to allow pipelines to be returned to service through accepted industry practices such as engineering assessments, pipeline rehabilitation (i.e. liners), or alternative approaches to corrosion mitigation programs. No such opportunities have been provided for maintaining service of the pipelines, or returning the pipelines to service, in the MRO.
3. The Risk Assessment identifies relative risk, not absolute risk. The Risk Assessment classified High Risk or Very High Risk lines based on a combination of likelihood and consequence weightings, relative to the lines included in the assessment, and plotted on a risk matrix to ascertain four different values of risk. This assessment however was not a quantitative assessment comparative to all licensed pipelines within the province, but only relative to each other within the Abbey pipeline inventory in Saskatchewan. Section 1 on Page 3 of the Risk Assessment clearly states the Risk Assessment was completed “in order to **identify and prioritize** the risk of all of their pipeline assets. This assessment has been completed as a prescriptive based assessment and is **intended to be utilized by Abbey Resources to develop a mitigation and/or rehabilitation plan** to effectively reduce the number of pipeline failures occurring within their pipeline systems.” The scope of the Risk Assessment the Order was based off of was not to ascertain a level of “*public safety or the safety of any person or for the protection of property or the environment*” with regards to failure likelihood calculations.
4. The risk analysis within the assessment was completed in consideration of the recommended Risk Assessment approach as outlined in Section 5.5 of ASME B31.8S-2020 and accordance with the requirements in Section B.5.2 of CSA Z662-19, Annex B using mathematical modelling. As such, the pipelines identified as high or very high risk and encompassed within MRO 14/22 were **not a direct assessment of the likelihood of failure** (i.e. not ranked as a high or very high risk of failure). Section 3.3.3 on Page 18 clearly states “It should be noted that the output from the risk analysis and resulting risk matrix to categorize the pipelines into the categories of Low, Medium, High and Very High Risk **provides a relative measure of risk by combining the numerical estimates of likelihood and consequence**. This risk evaluation therefore **should not be considered a failure prediction ranking**, but rather a source for ranking and prioritizing pipelines for applying risk management strategies.”



5. Following the completion of the Risk Assessment, and in the first steps of developing a risk mitigation plan, Abbey completed mapping to clarify the relationship between historical failure locations and the Risk Assessment results to assign rankings of Medium, High and Very High risk (based on the combined numerical estimates of likelihood and consequence). These maps are provided in Appendix A hereto to help provide further clarification to the relationship, but not direct correlation, of pipelines that may have an elevated likelihood of failure.
6. Abbey has completed extensive research and planning to prepare an economically feasible cost option approach for the installation of loose fit polyethylene liners for the rehabilitation of pipelines for a long term approach to eliminating internal integrity issues associated with steel pipelines in the Abbey pipeline system. Once implemented, Abbey's mitigation plan will permanently remedy the susceptibility of steel pipelines to breakages. Thus, Abbey's mitigation plan should be viewed in contrast to mitigation measures to attempt to slow the progress of identified internal corrosion issues. Abbey is confident that its remediation plan will be cost-effective and feasible, notwithstanding budget constraints resulting from its ongoing restructuring proceedings. As is set out in Appendix B hereto, Abbey estimates that the cost to implement its mitigation will cost on average \$11.37/meter. Given estimated increases in production resulting allowable as a result of the remediation, Abbey anticipates that the implementation of its remediation plan will break even on costs on average within 303 days of project completion at a \$1.50/GJ net back, or within 227 days on average at a \$2.00/GJ net back.
7. Abbey has recently completed the creation of a Pipeline Integrity Manual that includes the clear definition of a Pipeline Integrity Management Program (IMP), inclusive of a defined Risk Assessment and management process.
8. Continued operation of Abbey's pipelines while Abbey works towards the implementation of its pipeline risk mitigation program does not present a serious risk to property, persons, or the environment. While Abbey acknowledges that it is absolutely necessary to implement an effective mitigation plan to substantially eliminate the risk of future breakages in its pipeline infrastructure, individual breakages are unlikely to cause serious or even moderate damage to the environment. Abbey's records show that on average, pipeline breakages in 2021 caused the release of 1.07 M³ of fluid *per* leak. In aggregate, this amounted to the release of 68.71 m³ of liquid. Such fluid is predominately water, does not contain a material (if any) volume of hydrocarbons and is very low in chlorides. By way of comparison, Abbey notes that a recent individual spill from a flowline operated by Burgess Creek Exploration Inc. (reported as Incident Number 49225 in ER's Integrated Resource Information System) resulted in the release of 147.00 m³ of fluid, which included oil.

Based on the above reasoning, Abbey requests the repeal of MRO 14/22 with the following clarifications on the next intended timely steps Abbey will be completing to accurately create a risk mitigation plan and then implement in a timely fashion:

- ➔ It is currently known from the historical failures experienced that the failures have predominantly occurred within low lying liquids/solids hold-up regions of steel pipelines.

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Additionally, these failures have been caused by internal integrity degradation with no apparent concerns from external corrosion concerns, with the internal degradation appearing to be a combination of internal corrosion (due to liquids) and erosion (due to fine solids).

- Abbey will be taking additional steps to complete further failure analysis by a third party laboratory on recent pipeline failures to ensure a complete understanding on the root cause of the typical steel pipeline failures they are experiencing.
- ➔ Abbey will be evaluating and implementing additional leak detection parameters through:
 - the use of third party aerial patrols for additional visual leak detection strategies, and
 - the identification of high failure likelihood pipelines that could be added to periodic “stand-up” leak tests for the confirmation of pipeline integrity and absence of an otherwise undetected pipeline leak.
- ➔ Abbey has an extensive and robust maintenance pigging program in place on steel pipelines within the system under pigging frequencies and using pig designs that have historically been selected based on limitations with the limitations on low differential pressures within the gathering systems.
 - Abbey will complete additional pig type and frequency reviews of each gathering system, also in consideration of excessive inclination angle changes, to optimize the effectiveness of mitigation through maintenance pigging for the reduction of solids in the pipelines that would be contributing to internal erosional concerns, as well as the potential for under deposit corrosion within areas of liquids/solids hold-ups.
- ➔ Abbey will complete and identify the priority pipelines to complete loose fit polyethylene liners for the rehabilitation of pipelines for a long term approach to eliminating internal integrity issues. This loose fit polyethylene liner installation has been confirmed to be economically viable for Abbey, and in the defined risk mitigation plan would include both short term (i.e. 2022 calendar year) and long term (multiple future years) planning for these installations.

In order to diligently and accurately create a risk mitigation plan in consideration of the Risk Assessment results, Abbey will complete further analysis of additional operational parameters to create a failure prediction model. This will then allow Abbey to focus mitigation measures appropriately in consideration of both the entire Risk Assessment profile envelope, as well as potentially where future failures are most likely to occur. The proposed dates to allow for Abbey to accurately complete this work, yet in a timely fashion in order to limit the potential for future incidents that have the potential to affect public safety, protection of property and the environment, are as follows:

1. Completion of third party laboratory failure analysis on recent and system representing failures. Target completion date = March 15, 2022
2. Completion of supplemental failure prediction modelling with the input of additional parameters reflective of the results of supplemental third party laboratory failure analysis. Target completion date = March 31, 2022



3. Completion of a risk mitigation plan for both short term and long term planning to implement. Target completion date =April 15, 2022.

Abbey believes the further information provide in this letter, along with the timeline commitment to effectively implement a risk mitigation plan with their risk management program, should effectively address the concerns the ER has raised on the basis of MRO 14/22. By repealing the requirements for the required the suspended operation of all High Risk and Very High Risk Segments pipelines from the risk assessment Explore completed in December 2021, and allowing Abbey to proceed with the next steps of creating and implementing a risk mitigation plan, as was originally discussed at the time ER solicited the Risk Assessment Analysis, Abbey will be able to effectively take steps to improve the integrity of their overall pipeline system and reduce the occurrence of pipeline failures.

Abbey trusts that the above provides the ER with satisfactory information related to appeal of MRO14/22. Abbey is willing to provide ER with any additional data, documentation, or particulars upon request if the same is required by ER as it evaluates this matter. If you have any concerns or questions, please contact the undersigned at your convenience.

Sincerely,

Jim Gettis, P.Eng
President & CEO
Abbey Resources Corp.
403-650-7511
jim.gettis@abbeyr.ca

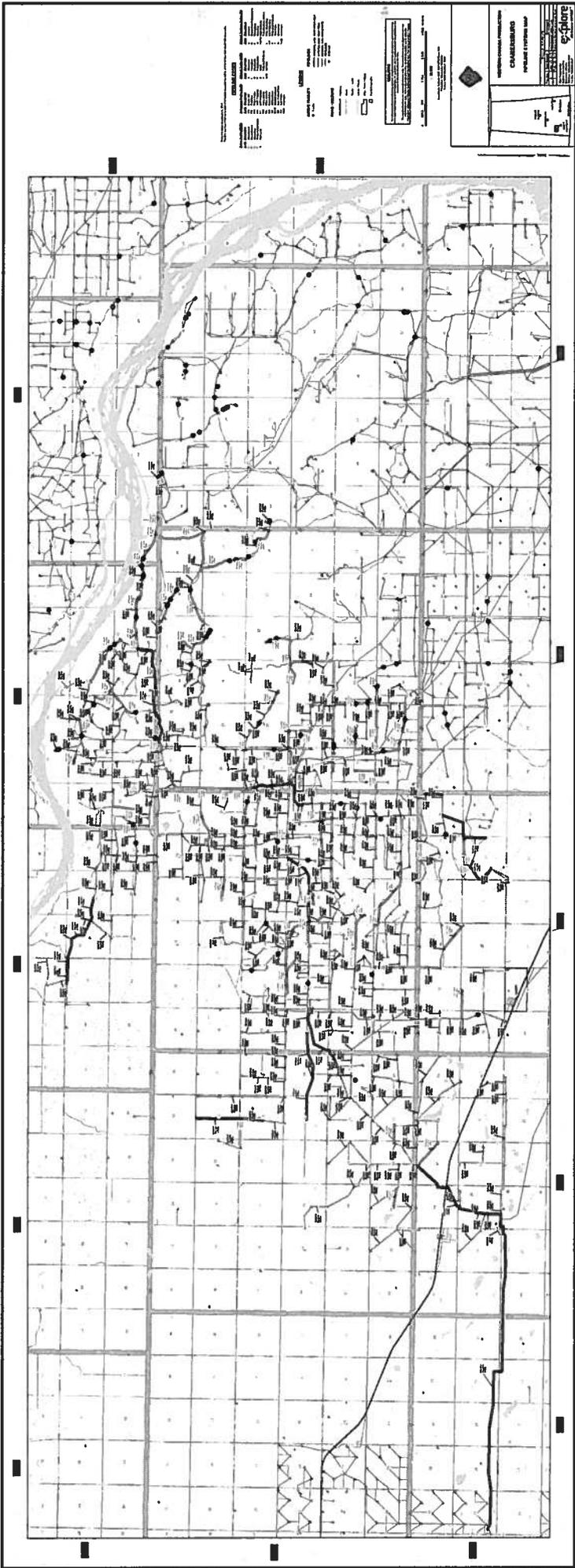
Cc: M. Kim Anderson, Q.C.
Leanne Lang
MNP Ltd.

Attachments:

- Appendix A – Pipeline System Maps
- Appendix B – Pipeline Remediation Job-Costing Projections

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Appendix A - Pipeline Systems Maps



Appendix B

Abbey Resources Corp. ("Abbey") - Pipeline Remediation Job Costing Projections

Job Cost

	<u>Pipeline Diameter</u>		
	2.5" HDPE	3.5" HDPE	4.5" HDPE
Material Price/m	\$4.17	\$7.78	\$12.50
Length/segment (m)	800	800	800
Pipe Cost/segment	\$3,333	\$6,221	\$10,000
Temp Work Space/segment	\$250	\$250	\$250
Land Consulting/segment	\$1,000	\$1,000	\$1,000
Reclamation Compensation/segment	\$500	\$500	\$500
Field Estimated Cost/segment	\$5,083	\$7,971	\$11,750
Contingency 10%/segment	\$508	\$797	\$1,175
Total Cost/segment	\$5,592	\$8,768	\$12,926
Cost/M	\$6.99	\$10.96	\$16.16
		Average/M	\$11.37

Break Even Economics

	<u>Pipeline Diameter</u>		
	2.5" HDPE	3.5" HDPE	4.5" HDPE
Average Production/well, GJ/d	10	10	10
Wells/Segment	2	2	2
Payout at \$1.50/gj Net Back (days)	186	292	431
Payout at \$2.00/gj Net Back (days)	140	219	323

Notes:

1. Pipeline liner purchase price values is based off of Quote No. S226602 (attached as TAB 1 hereto) obtained from Shawcor Ltd.

2. Job costing projections of Abbey differ from projections set out in the February 10, 2022, Report of Sproule Asset Management Limited (the "Sproule Report") commissioned by MNP Ltd. The Sproule Report assumes: (a) that raw material costs will be higher than the quoted price obtained by Abbey; and (b), that all works will be completed by independent contractors. Abbey does not intend to hire independent contractors (excepting its land management contractor) to complete material works in furtherance of the loose liner installation project. Abbey owns the necessary equipment to complete the field work and has capable field employees' with the experience and training to execute the entire project all in accordance with the regulations.

TAB 1

SHIP TO:
 Abbey Resources Corp
 1420, 205 - 5t Avenue SW
 Calgary, AB
 CANADA
 T2P 2V7

BILL TO: (Cust Ref.) Jim Gettis
 Abbey Resources Corp
 1420, 205 - 5t Avenue SW
 Calgary, AB
 CANADA
 T2P 2V7

SHIPPED FROM: Edmonton 84

CUSTOMER NO.	QUOTE NO.	QUOTE DATE	EXPIRATION DATE	SALESREP	PHONE	REV.
2203	S226602	Feb 14, 2022	Feb 21, 2022	Kory Visscher	780-996-1085	1

CUSTOMER QUOTE NO.	PAYMENT TERMS	SHIP VIA	DELIVERY TERMS LOCATION	COORDINATOR
	Due Immediately	TBD		Claudine Tonhauser

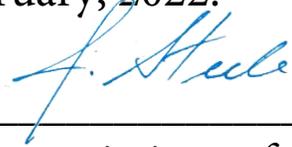
Line No	Quantity	U/M	OUR ITEM NO	PART DESCRIPTION	Unit Price	Discount	Sales Price	Line Total
1	34,447.00	ft	90000C1	IPS 2.375" SDR11, 7 x 4921' SR, Black, API 15LE, PE4710 HDPE	1.16		1.157	39,855.18
1	33,473.00	ft	90000C1	IPS 3.5" SDR11, 17 x 1969' SR, Black, API 15LE, PE4710 HDPE	2.37		2.374	79,464.90
1	32,800.00	ft	90000C1	IPS 4.5" SDR11, 25 x 1312' SR, Black, API 15LE, PE4710 HDPE	3.81		3.808	124,902.40
2	49.00	pcs	80016	Refundalbe 10' x 10" Steel Reel Deposits	550.00		550.000	26,950.00

TOTAL BEFORE DISCOUNT: 271,172.48
DISCOUNT: 0.00
SUBTOTAL: 271,172.48
TOTAL QUOTE: CAD 271,172.48

All applicable sales tax(es) will be applied when ordered. Pipe and accessories are ex works Edmonton, AB; unless otherwise noted. Quotes are subject to Shawcor Composite Production Systems, a Division of Shawcor Ltd. Terms & Conditions and are valid for 14 days or the date listed in the above expiration date, whichever is less from initial quote date

This is Exhibit "C" referred to in the Affidavit of
KATHRYN BLACK

Sworn before me via electronic means this 25th day of
February, 2022.

A handwritten signature in blue ink, appearing to read "J. Heule", is written over a horizontal line.

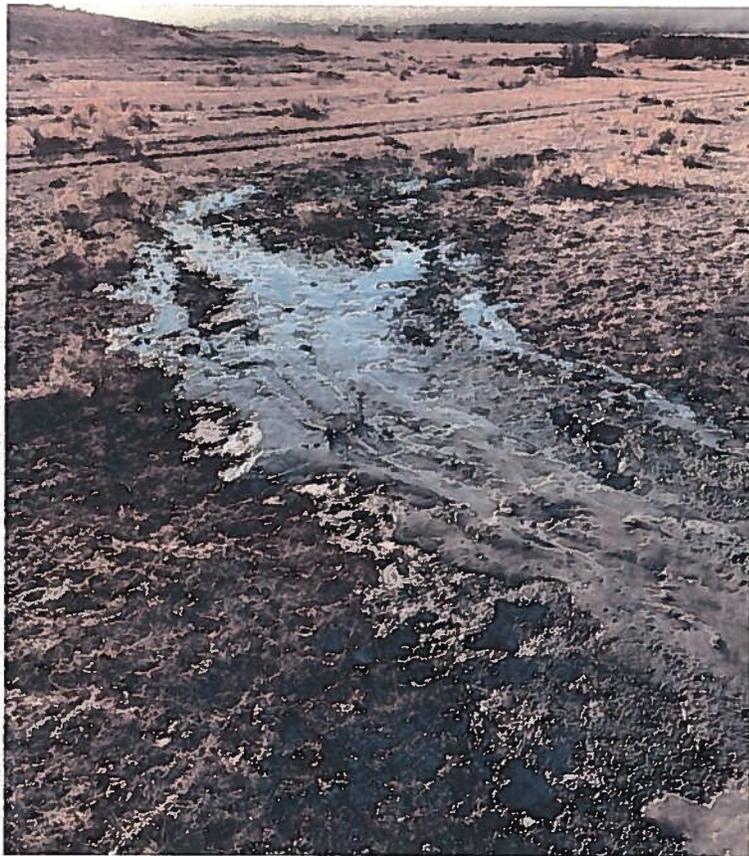
A Commissioner for Oaths for Saskatchewan
Being a Solicitor



This is Exhibit "D" referred to in the Affidavit of
KATHRYN BLACK
Sworn before me via electronic means this 25th day of
February, 2022.



A Commissioner for Oaths for Saskatchewan
Being a Solicitor



This is Exhibit "E" referred to in the Affidavit of
KATHRYN BLACK

Sworn before me via electronic means this 25th day of February,
2022.

A handwritten signature in blue ink, appearing to read "J. Steele", is written above a horizontal line.

A Commissioner for Oaths for Saskatchewan
Being a Solicitor



This is Exhibit "F" referred to in the Affidavit of
KATHRYN BLACK
Sworn before me via electronic means this 25th day of
February, 2022.

A handwritten signature in blue ink, appearing to read "J. Steele", is written above a horizontal line.

A Commissioner for Oaths for Saskatchewan
Being a Solicitor

February 23, 2022

Jim Gettis
Abbey Resources Corp.
Bow Valley Square 2
1420, 205 - 5th Avenue SW
Calgary AB T2P 2V7

Dear Mr. Gettis:

Re: Notice of Non-Compliance and Order to Suspend

Whereas Abbey Resources Corp. has indicated by email, sent to the Ministry of Energy and Resources (ER) on February 21, 2022, that a free-standing liner is currently in operation and pursuant to Section 12(1) of *The Pipelines Act, 1998*, ER is ordering the immediate suspension of pipeline segment **SK PS 00108164**.

ER is ordering this suspension, until further notice, due to the following contraventions pertaining to the recent installation of the free-standing liner:

- Failure to provide a construction notification in accordance with section 3.3 of *Directive PNG034: Saskatchewan Pipeline Code*;
- Failure to provide a pressure test notification in accordance with section 2.5.3 of *Directive PNG034: Saskatchewan Pipeline Code*;
- Failure to obtain a Leave to Open approval as required by section 5.2.2 of *Directive PNG034: Saskatchewan Pipeline Code*; and
- Failure to provide information requested via IRIS obligation # 570519, pursuant to section 22 of *The Pipelines Act, 1998*.

Due to Abbey Resources Corp.'s poor pipeline compliance record, outstanding obligations, as well as the severity of these contraventions, ER believes that issuing this suspension order is necessary for the purposes of public safety, the safety of any person, and for the protection of property or the environment.

Abbey Resources Corp. shall provide email notification to the Manager, Pipeline and Regulatory Section, confirming the pipeline has been suspended. Any questions can be directed to me at Chad.Lang@gov.sk.ca.

Jim Gettis
February 23, 2022
Page 2

Sincerely,

Lang,
Chad ER

Digitally signed
by Lang, Chad ER
Date: 2022.02.23
08:18:03 -06'00'

Chad Lang, P.Eng.
Manager, Pipeline and Regulatory Section
Energy Regulation Division, Ministry of Energy and Resources

Cc: Kathryn A Black, P.Eng, LPEI, Acting Executive Director, Field Services, ER
Ken Kowal, P.Eng, Director, Field Operations, Field Services, ER
Scott Lenz, Manager, Swift Current District Office, Field Operations, Field Services, ER
Tiffany Lowe, Manager, Kindersley District Office, Field Operations, Field Services, ER

FORM PD1

(Enacted April 16, 2020)

(Amended August 7, 2020)

**DECLARATION OF LAWYER WHO HAS WITNESSED DOCUMENTS
VIA ELECTRONIC MEANS**

I, James D Steele, of Saskatoon, in the Province of Saskatchewan, a Lawyer, did on February 25, 2022 witness Kathryn Black sign the following documents via electronic means:

1. Second Affidavit of Kathryn Black dated February 25 2022

Pursuant to Law Society of Saskatchewan Practice Directive 1, issued March 25, 2020 and amended on August 7, 2020, I have turned my mind to the risks associated with the witnessing of documents via electronic means. I have assessed the following risks, and have answered "yes" or "no" to indicate where I have identified concerns:

1. Have I identified any indicia that the transaction might be fraudulent? No
2. Did I identify concerns, including the physical presence of a third party in the company of my client while they were signing the documents, suggesting that there is a risk that the client may be subject to undue influence or duress? No
3. Did I identify concerns about my client's understanding about the documents they are executing? No
4. Did I identify concerns about my client not having an adequate opportunity to ask questions about the document being signed? No

Where I have indicated "yes" to the statements above, I managed the risks by the following means:

Attached hereto is a screen capture of my client with their photo identification that was presented to me via electronic means during the session where the above noted documents were executed.

I DO SOLEMNLY DECLARE that the statements contained in this form are complete and true in every respect. AND I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath.

February 25, 2022

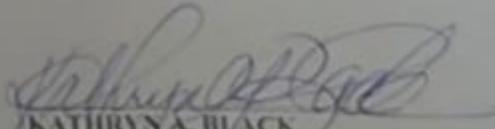


Signature of Lawyer

Conclusion

29. I make this affidavit in opposition to Abbey receiving any further protection under the *Companies Creditors Arrangement Act* (the "CCAA") and further, in support of an application to appoint a receiver over the assets and undertaking of Abbey.

SWORN BEFORE ME BY ELECTRONIC MEANS at the City of Regina, in the Province of Saskatchewan, this 25th day of February, 2022.


KATHRYN A. BLACK

Saskatchewan  driver's licence



Registration Number: 1G225481
BLACK
KATHRYN A
8524 Thurston Circle
Regina SK S4P 1A2

Sex: F Eye: GREEN Hair: BRN

Date of Birth: 1983 OCT 28 Issue Date: 2020 OCT 31 Expiry Date: 2025 OCT 31

OR SERVICE: