

(DRAFT ONLY)

BATTLE LAKE WATERSHED SYNERGY GROUP

October 7, 2010

A meeting of the Battle Lake Watershed Synergy Group (BLWSG) was held on October 7, 2010 at the Lakedell Agricultural Centre with Paul McLaughlin acting as Facilitator for the meeting.

CALLED TO ORDER:

- Paul called the meeting to order at 7:00pm.

ATTENDANCE:

- In attendance were 18 residents, industry representatives and government officials. (See attached list.)

APPROVAL OF MINUTES:

- Some members expressed that the minutes be distributed within 2 weeks of the monthly meeting date and that they are listed as a "DRAFT", until they are approved.

ACTION ITEM REVIEW:

- **#144** – Hosting event at November's regular meeting time; more discussion will follow later.
- **#145** – Jim Stevens wasn't in attendance for an update on the speaker.
- **#154** – On going, no date has been decided yet.
- **#155** – Paul said that the original application was lost however he thought it would be up and running by the time of the Open House in November.
- **#156** – Further discussion of the Communication Sub-committee would happen later in the meeting.
- **#157** – Paul did get the JPEG file from Leon Heck. Carolyn showed that they were 2 different brochures and so the group decided on which of the 2 they wanted to update for distribution.
- **#158** – Paul did have some the edits (of the BMP) from the members and they would get discussed further tonight.

BMP DRAFT:

- Michael Black lead the group's meeting through the final draft of the BMP. He indicated that the green-printing showed additions to the document

and the red-printing showed deletions made to the document. He also said that the acronym will be BLW (Battle Lake Watershed) because Synergy didn't have anything to do with it. The Better Management Practices (BMP) is for the landowners; to help let industry know what residents would really like.

- They changed some of the language of “should” and “shall” back to “will”. Michael said that they liked the stronger word to be used so that operators would strive to do the practices as listed. He felt that the changes that were made were reasonable.
- Shane from Baytex agreed with the language using “will”. As he thought that most operators would follow the practices anyway. However, Monte had trouble with an issue on page 8, so Mike said that they would change the word “will” to “strongly encourage”.
- On **page 13**, words like “surveyor and land agent” will be listed as “company representative”; and that a company representative will contact the landowner in a reasonable amount of time to make sure that all surveyor equipment has been picked up.
- On **page 20**, if possible the landowners would like to know the identity of the mineral leasee. Mike also emphasized how important he felt that an aerial map can be to a landowner regarding understanding where a lease will be. (It was noted that most land agents should be able to bring the aerial maps up on their computer without too much trouble.)
- On **page 21**, it was noted that the “bullets” themselves seemed to be missing from the document. Paul will put them back in.
- On **page 25**, on the 2nd bullet Mike explained why the wording was changed. It was felt that any reasonable request should be considered by the operator to undertake pipeline protection or relocation costs and not just for agricultural reasons (as previously stated).
- On **page 26**, the words “Alberta Energy and Utilities Board” will be changed to ERCB.
- On **page 28**, 10.3 (1st bullet) regarding signage on operator’s vehicles, Mike said that he was looking more for a sign that says “lease operator” that would show that they belong at the lease. Carolyn explained that Leon Heck told her that he preferred to see the name of each individual contractor’s business name on their trucks.

- On the 2nd bullet: Nancy Watson explained that any changing of the speed limit on a county road needs to go through Wetaskiwin Council. The words: “through consultation” needed to be changed because only county council has the authority to change the speed limit on county roads.
- The last 2 bullets on **page 29** were added in because some landowners had experienced damage to their driveways when lease trucks used their roads for turnarounds, this was most frustrating when they didn’t even have a lease on their property.
- On **page 31**, 3rd bullet: the group decided to add in the word “planned” to the phrase “short duration events”.
- **Page 32**: add to the 5th bullet: “unless otherwise directed by landowner” needed to be added to the last part of the first sentence.
- On **page 22**, on the second sentence, the word “level” should be replaced with “contour line”.
- **Page 30**: In order to make all the terminology consistent, Paul will change all of the words “incineration” to “flaring”. Also, operators preferred the words “in all other cases” be placed before “in-line testing”. And when that’s not possible: “it is strongly encouraged where practical to achieve complete combustion”.
- Paul will make the changes on the document as they were discussed tonight and then send them out via email. That document will be the one released at the Open House. He will also post it on the website. It is a living document and changes can be made in the future.

Please note: some of changes that had been discussed during the meeting may not have been captured in these minutes.)

BREAK:

- A short break was called at 8:25pm. Meeting resumed at 8:40pm.

OPEN HOUSE:

- The Open House will be held on Thursday, November 4th at 7pm (regular meeting time).
- Paul will do up an agenda for the Open House, however 2 ideas were: Paul speaking about the formation of the BLWSG and Mike Black speaking about the BMP.

- Mike will look into the costs of advertising in local papers and he will make a poster to hang up locally. The costs will be divided among industry reps, Paul has agreed to cover costs initially and then be reimbursed from industry.
- Ken Jenny agreed to pick up donuts from Thorsby's bakery for the evening.
- The brochures will also need to be ready for the Open House. Nancy Watson encouraged inviting the Synergy Group from the East to participate at the Open House. Mike said that he had a contact for that group.

BI-MONTHLY MEETINGS:

- Possible date suggestions were: January/March/May/June (optional?)/September/November.
- Dave Doze expressed concern over the length of time between meetings if they were only held every 2 months. As a solution, Paul said that he could send out a monthly email asking for any updates from industry to cover the non-meeting months.

ERCB UPDATE:

- Steve Harrington told the members that Marta will let him know when the final and approved draft of the Battle Lake Pilot Project Review is complete. If it's possible, he will see if it can be tied into the Open House.

AB ENVIRONMENT UPDATE:

- Dave Helmer said that he had nothing to report.

INDUSTRY UPDATES:

BAYTEX:

- Shane reported a pump change at 14-23-46-2 (Bob Whiteside's property).

ADVANTAGE:

- Monte had nothing to report.

CONOCO-PHILLIPS:

- Carolyn announced that they would abandon a well at 10-9-46-2-W5.

SCOLLARD:

- Ken Moen said that they were still in the planning stage on a horizontal well to be drilled from an existing well site 3-30-46-1W5 (just outside of watershed area) and going north in Section 30. If successful, the sweet gas will be pipeline connected to an existing Conoco-Phillips pipeline riser in 4-25-46-2W5.
- They are also looking at a well to be drilled south from 4-25-46-2W5 underneath section 24 (west edge) but the landowner is asking for an alternative surface location. He said that they are still in the discussion-phase only.
- Ken went on to say that Scollard did not buy International Sovereign's assets in the Battle Lake area. However Paul has an email from International Sovereign saying otherwise. Ken said that he would look into it again. **Update:** International Sovereign owned mineral rights they had leased from the Crown. These rights expired and reverted back to the Crown. Scollard has now leased these rights from the Crown in Section 11-46-2W5

MEC OPERATING CO.:

- They had nothing new to report.

TRILOGY:

- Paul read their regrets for not attending, as well as a copy of their application, and a letter from Verna Phippen regarding their application.

The following is a duplication of her letter (typed as is).

*Trilogy Resources Ltd.
1400, 332 6th Avenue S.W.
Calgary, Alberta T2P 0B2*

*Re: Trilogy Proposal for Battle Lake Well Site & Pipeline Tie-In
Trilogy 102 Pembina 16-22-46-2 W5M*

September 27, 2010

Hello Landon,

Regarding the above mentioned proposal, my first and utmost concern is the health of my family, followed by the impact on the environment and living creatures and lastly our livelihood. Our lands are NE and NW 26-46-2 W5th, and we own, reside upon, have a legal interest in and use them as collateral for lines of credit with financial institutions which we at times need to run our farming/business operations.

Firstly, I would like to commend Trilogy in the consultation that they have taken with some of the residents in the community. Unfortunately no one from Trilogy has come to see our family or listen to our concerns, which may affect us as well as other members of the community should this drill proceed.

-Is Trilogy willing to discuss this with us?

Trilogy Blue Mountain had applied for an application some time ago and it is my understanding that they did this after much consultation and research. I noticed on the application that the well was to have an estimated release amount of over 250,000 ppm with only one resident in EPZ zone.

-How was this determined?

Now I have seen amended application and the H₂S concentration is much lower. I realize it is a guess at times when a drill is performed and the exact flow/release rate that may be anticipated can vary substantially and that perhaps this may be the situation in regards to this drill.

Nevertheless your latest guess of 4400 ppm is in my mind very significant. Trilogy has circulated on their letter head that "1ppm may cause stress or health symptoms in sensitive individuals". I agree, but you fail to tell the public how you are prepared to deal with this issue when a release happens.

-What will you do for the person (or people) if this does happen?

-How do we know who is more susceptible?

-Do we wait for it to happen and then deal with it?

-How will you deal with a group of children on a bus heading to school on a cold, snowy day that are caught in a plume of H₂S down one of these roads with no way out such as the road we live on (township 465)?

-Will the operator scoop them up and throw them in the back of his pickup truck?

-Will he be scared for his own life and panic, or even be able to deal with the situation?

-Will the children of our community perish as a result of your inability to address the situation?

-Tell me how you will handle this situation when you have never had to deal with it?

I want to know and be assured you are capable of dealing with this situation before you come into our community to be my neighbour. You have stated in your information package that "Trilogy personnel have been trained to recognize hazards and deal with an emergency situation that might arise can be quickly detected and corrected".

-Could you supply me with what you have been exactly trained to do and what situations you are referring to?

There are people that live or visit and tour in our beautiful community, that ride horse back, camp, go for long walks, hike, quad, sled, ski, hunt and are at times not in close proximity or range of cell and telephones.

-How will Trilogy carry out emergency evacuations and ERP planning if you unaware of where people are in the area?

-How will Trilogy implement an Emergency Response Plan if they have no idea who is in the area?

-What about the wildlife in that lives within the area that do not have a say?

We are stewards of this land and it is our responsibility to look after their well being!

There was an incident straight south of here not many miles, where a leak occurred killing the family dog on the door step of the house 20 feet from where two young girls lay sleeping. It devastated the cattle operation, causing growth arrests in unborn fetus, abortions, putting cattle off

feed, poor conception, etc. Some may say this was an isolated case. Two years after the first incident the same thing happened again.

-I would like to know before a drill takes place how you are prepared to deal with a situation similar in nature?

-How will you reimburse a family for their loss and the devastation you may cause?

My family's farming units also custom grazes cattle and depends on this revenue for additional income.

-What will happen if a leak or plume were to impact this aspect of our operation?

-How will you address this?

I notice that Trilogy has or will be entering into a road agreement with the County of Wetaskiwin and has made a commitment to them that they will: indemnify and save harmless the County from and against all loss, costs, charges, damages, and expenses.

-Will Trilogy extend a liability clause to our family and the members of this community to protect us against any loss, costs, charges, damages, expenses, etc.?

-Is Trilogy willing to ask the other two sour gas operators that are sharing the same pipeline to enter into this agreement as well?

I would be happy to work with Trilogy, CPC and Advantage to format the wording of an agreement.

-Will your newly proposed facility and pipeline trigger any new compressors on the 8-26-46- 2 W5M facility?

-Where will the ROW be located that will now contain the added gas product to the existing Advantage and then CPC pipeline?

-Will this increase the setback on 8-26? Do or will any setbacks, EPZ or PAZ's extend beyond the border of 8-26 onto Phippen's land on NE 26 should Trilogy's proposed drill go ahead?

We have planned and made a commitment to our children that they may receive the parcel of land that would be located in industry lingo as 9-26 946-2W5M) which is a portion of our family's land holdings. This is approximately a mile from your proposed drill and our home is approximately ¾ of a mile away. This is the only place left on the NE section that does not have pipelines with their ROW's where our children could build.

We enjoy and appreciate the community we live in, and believe that it is our job to scrutinize and ask questions when potential impacts threaten our community.

Out of the Trilogy hearing decision 2009-072 were recommendations from the board for Trilogy to do an environmental comparison of various locations that were discussed at the hearing. Was this scientific comparison done and given to the landowners to help them with their decision in coming us with the new proposed location?

-Would not sharing the 1-27 location eliminate the need to building more pipeline from Tier 1 old growth lands and eliminate the need to clear more Tier 1 land from the proposed 2-27 location?

-Would Trilogy share the environmental comparison study with us and the rest of the community? If the study has not yet been completed, would Trilogy be willing to do one for consideration by all involved?

We appreciate all the detailed consideration given to alternate locations and all the consideration, scouting and discussion that must have gone into securing the surface lease and pipeline right-of-way located within SE 27-46-2 W5M and wonder if the very near plans to share location and facility

for the future drills of Advantage for two more sour gas wells into the same pool have been considered in this very sensitive Tier 1 location by Trilogy, Advantage, and CPC?

-Please elaborate as much as possible on the sharing of infrastructure and pipeline for all three of these very similar projects. (I appreciate that Advantage and CPC may be required to collaborate as well). Is Trilogy willing to ask them to?

-Will all the gas product of all the three similar projects fit into the proposed and existing Advantage/CPC pipeline that meets at CPC 8-26 lease? If not, will more tier 1 lands be needed? We feel that it is beneficial that all parties understand each others goals, concerns and plans in order to keep this community we live in viable for the next generation(s).

We respectfully ask that Trilogy respond at some point to our questions, concerns, and requests.

-If your answers trigger more questions, will you please give me more time to ask them of you?

-Will you please share this submission at the Battle Lake Synergy group meeting on October 7, 2010 for discussion, or if time does not permit, the next time the community meets?

-If possible will Trilogy supply answers or comments and have them put into the minutes?

I wish to share all the hard work and thought that I and those that have helped me with this submission have put in, with my neighbors and my community. I hope that my submission may trigger questions, or comments from all of those that have an investment in this place I call home. In the place my husband has called home his whole life and the place that my children hope to live when they make their homes here in the Battle Lake area.

I wish Trilogy the all the best with their new development and hope that they respect that all of the community, including "interested parties" must give a little every time a new development occurs in our community regardless of the definition of "directly affected". In my opinion all landowners and residents are directly affected for the good of the public interest. It is beneficial for everyone to have a say and question the planning of projects such as Trilogy's proposal for drill into 16-22.

Sincerely,

Verna Phippen

The following is a letter from Landon Whitlock at Trilogy, re: the proposed well site. (Typed as is.):

October 7, 2010

***Re: Trilogy Proposal for Battle Lake Well Site & Pipeline Tie-in
Trilogy 102 Pembina 16-22-46-2 W5M***

Since the ERCB Decision 2009-072 was released December 15, 2009, Trilogy Resources Ltd has reviewed and given detailed consideration to the alternate locations that were discussed prior to and during the ERCB Hearing. Trilogy has committed the past months to further exploring available options and securing an alternate location in the SE 27-46-02-W5M. After much consideration, scouting and discussion, Trilogy has been able to secure a Surface Lease and Pipeline Right-of-Way located within the SE 27-46-02 W5M.

The well site location selected has been situated out of the Tier 1 lands but the pipeline route will still need to traverse Tier 1 lands to be able to tie into the Advantage 1-27 well.

The Emergency Planning Zone ("EPZ") for the well site has not been changed and will remain at 130 meters, which will be within the boundaries of the SE 27-46-2 W5M. The Pipeline EPZ has increased from 20 meters to 40 meters because the length of the tie-in has increased. Both the well site and pipeline EPZ radius' will be within the boundaries of the quarter section and will not impose any egress issues in the event of an emergency.

Please see attached plans and Directive 056 information.

Trilogy would appreciate the opportunity to meet with you, either as a group or individually, to present Trilogy's plans in further detail and to discuss them with you.

If you have any questions please feel free to contact me directly at the number listed below.

Yours truly,

Trilogy Resources Ltd.

*Landon Whitlock, Surface Landman
Email: landon.whitlock@trilogyenergy.com
Direct telephone: (403) 718-2337
Direct fax: (403) 262-9792*

Encl.

Please note: a copy of Trilogy's application, Directive 056 information and the maps that were enclosed with Landon Whitlock's letter are not included in these minutes. Anyone requiring a copy should contact Paul McLauchlin directly.

LANDOWNER UPDATES:

- Dave Doze reminded everyone of the regular monthly WARBURG-PEMBINA SURFACE RIGHTS MEETING held in Warburg at the community hall on Tuesday, October 12th, 2010 at 7:30pm. The speaker is Danielle Smith of the Wild Rose Party and she will be discussing Bills 19, 26, and 50.
- Michael Black didn't have any concerns to report.
- Nancy Watson didn't have any concerns to report.

- Mike Todorow stated that he was still waiting for an email from Baytex' Environmental Department. Pat Schmaltz (Baytex) expressed his frustration with the dept. as well. He said that he had taken it to senior management and is still waiting for a response.
- Ken Jenny inquired about ESSO; he would like to invite them again to give an update on the reclamation project on Alberg's property. Ken said that he will inquire with Andy Biblow on the matter. Ken also reminded everyone that he would still like to hear from someone regarding the spreading of drilling fluids. Steve (ERCB) said that he would look into it.
ACTION ITEM #159

MEETING MINUTES DISTRIBUTION:

- The minutes will be sent electronically, along with an agenda and the final draft of the BMP and if there is no response by a certain date regarding them, then Paul will "move" that the minutes are "approved".

ADJOURNMENT:

- The meeting was adjourned at approximately 9pm.

ADDENDUM:

- The following is email correspondence between Verna Phippen, Tim Belec and Dave Helmer (it was cc'd to other industry reps and to Paul McLauchlin) regarding the AENV update on the MEC appeal that appeared in September's minutes. As per Paul's request, they have been added to these minutes.
- **Please note:** Monte states that he did not bring up the issue of the water at September's meeting as the minutes proclaim and that pertain to Verna Phippen's reference in the following email. (As Recording Secretary, I apologize for the error.)

Verna Phippen wrote:

- *FYI, I am not sure why Monte brought this up, but since he did, I chose to comment.*

Good morning all,

Re: AENV update, MEC appeal, Page 2 of Sept. 2, 2010 minutes.... "Monte questioned whether there was any way to know where the water was being used. He informed that at one point, MEC was selling their excess water to Trilogy, but Monte wondered how that was monitored. Dave responded that in the past, the companies held onto any excess water."

It is my understanding that water cannot be "sold" so to speak as Industry receives their water for free! It is however legal to sell the "transportation of water". I believe it was Scollard that used to purchase the transportation of water from MEC and not Trilogy. If I remember correctly from the Trilogy hearing (decision 2009-072) the only interest that Trilogy holds in the Battle Lake watershed is the current proposed bottom hole 16-22 location, which is a sour gas well and does not require water for injection purposes, but I could be wrong.

Paul or David, could you please confirm my statements and vet it through Synergy or correct me if I have misinterpreted something.

It is my opinion that using fresh water for injection purposes is wrong on many levels and the practice should be completely eliminated. There are better ways to enhance production that do not have such a devastating effect on our fresh water and the environment.

Tim Belec responded:

- *My understanding is that a license holder cannot re-allocate under his license. That can only be done by the "Director". Perhaps Mr. Helmer can qualify this. Verna is certainly right that water can not be sold.*

If MEC is diverting a portion of its license to Trilogy, even though it is for like use, what assurance does the Director have that the use is equivalent to that which was licensed? Also, I am sure there would be limits on this diverting if it is even allowed. Water licenses are not for discretionary use but the use is definitely prescribed.

Dave Helmer replied:

- *Absolutely.*

The water right or water licence is to use a set volume of water from a specific location for a prescribed purpose (and location). To modify a licence to include additional water is normally a relatively easy administrative process but can be a highly involved one as well. In the later case, it is because of what the water licence is appurtenant to (i.e. what the licence is attached to). It can be either attached to the land where the water source is located or to the undertaking itself.

Usually it is the same thing especially for licences related to agriculture but can be distinct depending on what the original intent on the application was. For example, we normally consider stock watering from a dugout as appurtenant to the water source. When the land is sold, the water right goes with the land because you cannot realistically separate the water source from the land. Another example is a municipality where the point of use continually expands.

In the latter case, the water right can be considered appurtenant to the undertaking because it is fully anticipated that the municipality will continue to modify over time.

I came a short while after the Water Resources Act ceased to exist but from my basic knowledge, the concept of appurtenancy is not clearly identified in the Water Resources Act but was more clearly identified in the current Water Act. As such, there are past practices that we come across that are not consistent with the current Act. It is something

currently on my radar to work through as I can see some of the licence holders holding onto their unused allocation with the idea that they will use the water completely at their own discretion.

Again, this is usually a relatively easy administrative process to handle but, as clearly articulated below, it is at the discretion of the Director. By the term "on my radar" I mean that there is some expectation management to do with the licence holders such that they don't make plans and allocate budget to projects unknowingly.

Verna Phippen wrote:

- *Mr. Helmer,
Was MEC in this case doing something they should not have? This license was (and is still) held for 30 years plus, and as the field was depleting, so should the use of water for injection purposes. Yet the amount of water requested for renewal every 5 years stayed constant except for the last renewal. What it looks like was any excess, as Monte pointed out was being sold. Should that not have been picked up by the Director?
How is this now being monitored?*

Dave Helmer responds:

- *I don't believe they were doing anything illegal as the temporary licence and understanding seemed to incorporate Talisman's (predecessor to Blue Mountain predecessor to Scollard) projects anyways. This comes back to what the original intent to use the water. When MEC's deemed licence expired, they were very explicit that they were supplying a portion of the allocation to Blue Mountain.*

One of the reasons why the allocation was reduced at the time of decision was that MEC was no longer supplying Scollard with injection water so we reduced MECs allocation accordingly.

We will have to deal with each instance we come across on a case by case basis. Every five years the company needs to renew their licence. If they have changed their scheme or purpose in a significant manner, then we will have to collectively determine the most appropriate way to ensure the water is used in a manner consistent with the legislation but being as fair and reasonable as possible.

Verna Phippen wrote:

- *Was Talisman's predecessor Blue Mountain or Blue Sky?
I never saw anything in the license that would indicate that every company in the neighborhood was entitled to water from one licence. Should not each company have to apply for their own license? I have always said that from a landowners point of view, they are all one big company! It is hard to tell where one ends and one begins!*

Dave Helmer replied:

- *I can't recall exactly the name (Blue Mountain or Blue Sky) but I can say that MEC's deemed licence application identified the water needs for the other company as well. A licence can be issued to a single entity for more than one end user (i.e. a municipality provides water to a wide variety of rate-payers including industry) so there is no specific*

requirement to make each company apply for their own licence. What is the important point is that a licence holder does not have discretion on providing water to other water users...they should come through Alberta Environment. As said below, it is normally a fairly routine process but can become complicated in some circumstances depending on how the appurtenance is defined.

The next meeting is on Thursday, November 4th, 2010

**ACTION ITEM LIST
October 7, 2010**

#	ACTION	RECOMMENDED DATE	PERSON RESPONSIBLE	DONE
144	Hold Open House	November 4, 2010	All in attendance	
148	Invite "Water Balance Study" Guest Speaker	TBA	Jim Stevens	
154	Invite David Schnidler (Water Expert) to speak to BLWSG	TBA	Arnold Renschler	
155	Post all accepted BLWSG minutes on the Synergy Alberta website	ASAP after each acceptance	Paul McLauchlin	
156	Set up Communications Sub-committee	ASAP	All in attendance	
159	Invite someone to speak about "drilling fluids"	TBA	Steve Harrington	

ATTENDANCE LIST
October 7, 2010

INDIVIDUAL	REPRESENTING
Monte Hurt	Advantage
Shane Koss	Baytex
Pat Schmaltz	Baytex
Carolyn Nichols	ConocoPhillips
Nancy Watson	County of Wetaskiwin
Ed Kryger	MEC Operating Co.
Bryan Ryckman	MEC Operating Co.
Michael Black	Resident
Joanne Broderson	Resident
Dan Carroll	Resident
Dave Doze	Resident
Ken Jenny	Resident
Mike Todorow	Resident
Terry Wildman	Resident
Ken Moen	Scollard
Eric Scheerschmidt	Scollard
Paul McLauchlin	Facilitator
Michelle Payne	Recording Secretary