Item 1 – MUNICIPAL TAX ASSESSMENTS

Municipal tax on the oil and gas industry

There are two main taxation issues that require immediate MNRF and MoF attention and adjustment.

Two categories under which Ontario oil and gas extraction companies (the "Producers") pay municipal taxes are:

1. **Pipelines.** These include all pipelines in the oil and gas gathering pipeline network needed to get the raw oil and gas product out of the ground, then gathered and transported to the manufacturing facility, then from the manufacturing facilities to the sales point. The majority (~75%) of municipal taxes paid by the Producers are in relation to these gathering pipelines.

2. **Manufacturing Facilities.** The taxation of these facilities is supposed to be at fair market value and includes items such as tank batteries (groups of storage tanks for oil and brine), compressor sites, well heads, sheds and buildings that house this equipment and the land upon which it all resides. These are usually located on land leased from local area farmers and are usually classified as "commercial" and assessed separately from the rest of the farm property associated with the same roll number.

The fundamental problem with the municipal taxation of both the Pipelines and the Manufacturing facilities is that the concept of natural decline/depletion of oil and natural gas reserves, over time, needs to be recognized in the assessment process and municipal taxation policies. Revenues are declining with production while taxes are increasing and this has become quickly unsustainable in the industry (please see graphs below).

If this situation is not resolved soon, it will lead to the death of the oil and gas production industry in Ontario. It has already contributed to the insolvency of many companies. The same dire problem exists in Alberta; in 2019, Alberta cut municipal taxes by 35% across the board for the Producers to provide immediate relief, while the province works on amendments to their policies for equitable taxation.

The MPAC tax treatment of the Pipelines and Manufacturing Facilities are explained in more detail below.

1. Pipelines - gathering line taxation

A gas gathering pipeline is originally constructed to meet the maximum oil and gas production of the wells it serves. As such, it carries the most throughput of oil or gas on the first day the wells produce. The throughput immediately begins to decrease as the wells deplete. This is contrary to the design and utility of a transmission pipeline, which is a high pressure natural gas "highway" used to transport large volumes of oil or natural gas between two points. The transmission pipeline often carries the same and increased throughput continuously or consistently throughout its lifetime of 60+ years.

Gathering lines, which are small volume lines, are used in the oil and natural gas production and extraction industry; they should (must) be distinguished by MPAC from utility transmission pipelines, rather than all pipelines being taxed in the same manner under the *Assessment Act*. Tax rates and pipeline values have continued to climb over the past 25 years, while the natural gas market price has declined 60% in the same time horizon, largely due to competitive pricing forces.

As oil and gas volumes decrease because the wells deplete, it is wrong public and industry policy that gathering lines are forced to continue to pay the same higher transmission pipeline taxation costs, which do not experience a concurrent decline, while the production revenues decline to zero, leaving the produced volumes vulnerable to not covering the increasing tax costs. The tax burden is increasing while the residual production is declining to zero. That outcome is improper illogical and even nonsensical.

The error of the OEB lies in a fundamental, aggressive misclassification of these gathering pipelines, the sole purpose of which is to *gather* the oil and gas produced from the depleting wellheads and send the gas to the manufacturing facility and later to the metering/sales point. The <u>OEB error results in these gathering lines being classified by MPAC as "transmission lines" with inadequate levels of obsolescence and depreciation</u>, which would result in taxation of gathering lines at a much lower and suitable rate. This misclassification seriously increases the cost of production to Ontario producers, and is highly problematic to the oil and gas production and extraction industry for several reasons, notably:

- *it violates all global, traditional industry classifications*: there has always been a very well recognized and precise world-wide industry nomenclature developed – and for good reason – among and between terms such as 'gathering', 'distribution' and 'transmission'; these are entirely different stages in the wellhead to burner-tip chain and these pipelines serve entirely different purposes with different value added;
- *confusion* in the industry will arise if all pipelines are classified and taxed as 'transmission', based on the OEB's illogic just because as the decision states that all pipelines 'transport', 'transmit' or move oil and gas;
- *incorrect cost burden*/consequences triggered by cost misallocation from excessive, incremental, punishing taxation onto an industry that cannot continue to bear these pipeline tax costs, thereby damaging Ontario companies and hurting job creation;
- *making the industry unprofitable* as the taxes make an otherwise profitable industry no longer profitable; producers cannot afford to pay the taxes currently due and continuing to accrue with extremely large penalties and interest levied on the amounts payable;
- *risk result that oil and gas fields prematurely become uneconomic* to service and produce due to this excessive taxation; and
- *premature abandonment and well plugging*, thereby wasting the oil and natural gas resource, reducing the royalties paid to private landowners or the Ministry of Natural Resources and Forestry ("MNRF") and potential future taxation revenues to municipalities.

Lagasco Action as an Example:

In July 2019, Lagsaco filed an application with the OEB for determining natural gas pipeline classification (OEB file number EB-2019-0166). Deloitte expert evidence was filed to support the differentiation between the different types of pipelines and support Lagasco's, and the industry's position that gathering lines should not and cannot be taxed in the same manner as transmission lines. Lagasco is currently awaiting scheduling from the OEB for these proceedings.

OPI's Request to the MNRF:

The OPI is requesting that the MNRF, working closely with the MoF, pro-actively endorse and support OPI's efforts to immediately revise the current pipeline taxation regime. We need to ensure the MNRF, as our industry regulatory body, remains fully informed and up to date on the challenges threatening our industry and the steps we are taking to rectify them.

Without the MNRF and MoF commitment to understanding and supporting rectification of this situation, Ontario's oil and gas industry is likely experience complete failure, and collapse soon. Orphan wells are not a scenario that Ontario needs. A straightforward way to address depletion would be to add a table to Section 25 of the Assessment Act for depletion and obsolescence that would be applicable to gathering lines.

2. ***Manufacturing Facilities – compressor sites, oil batteries and well heads***

After the raw natural gas and crude oil are extracted from the ground by the Producers, they travel by gathering line to the Manufacturing Facilities, where by-products such as water, H_2S gas, and other by-products are removed to make the products saleable to the end customers. These manufacturing facilities are assessed by MPAC at their "fair market value (FMV)" and taxed under the commercial rack rates by the various municipalities in which the Manufacturing Facilities reside.

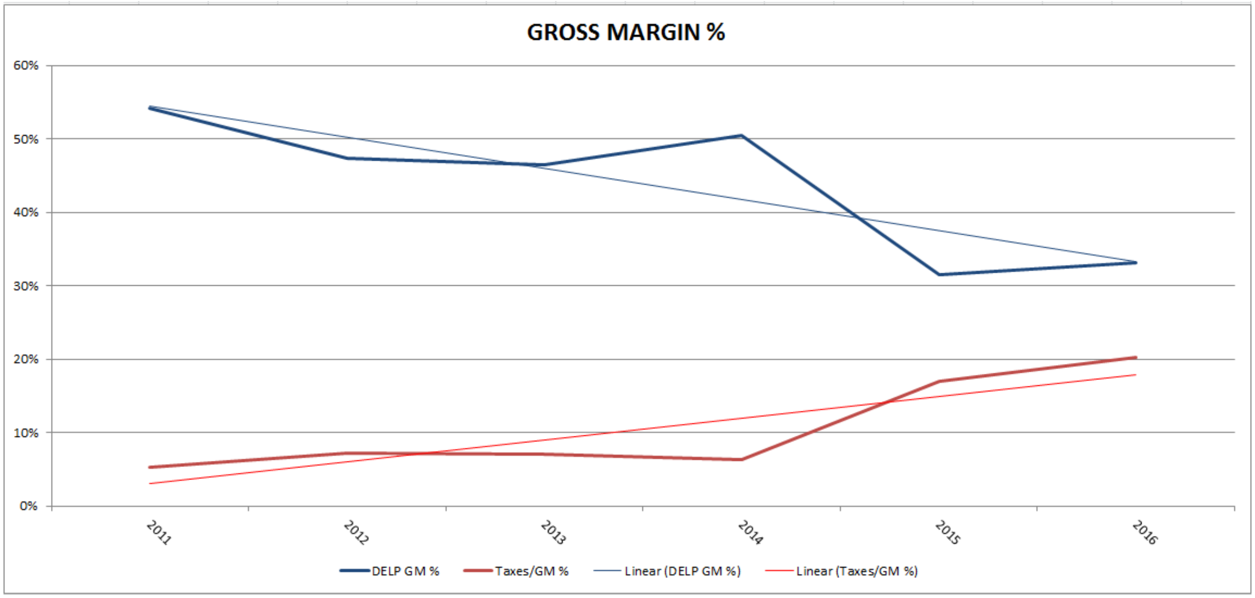
Most of these sites are old (20+ years) and, like the pipelines referenced above, were established when oil and gas production was much higher than it is today. As such, they were designed and sized for a much larger throughput then they are currently processing. Many of the FMV assessments that MPAC has for these sites are and continue to be grossly overvalued.

Dundee Energy Limited Partnership, a company that has since gone bankrupt, commenced a Superior Court application to have these sites classified as "manufacturing facilities" within the meaning of the *Assessment Act*. Similar properties are classified as such and the manufacturing equipment as well as the foundations upon which it sits although assessable becomes non-taxable. Lagasco Inc., which acquired the assets of Dundee in 2018, has taken over this Superior Court application, which is expected to be argued in June 2020. If unsuccessful, Lagasco will be conducting a valuation of each of these Manufacturing Facilities in order to force the alignment of the FMV with the actual value of these properties. The FMV assessed by MPAC at many of these sites is easily 5-10x actual value, even on a depreciated basis using government of Canada capital cost allowance rates for the equipment. On a throughput basis, the sites are worth even less as many of them have throughput of 1-3% of their original throughput amount.

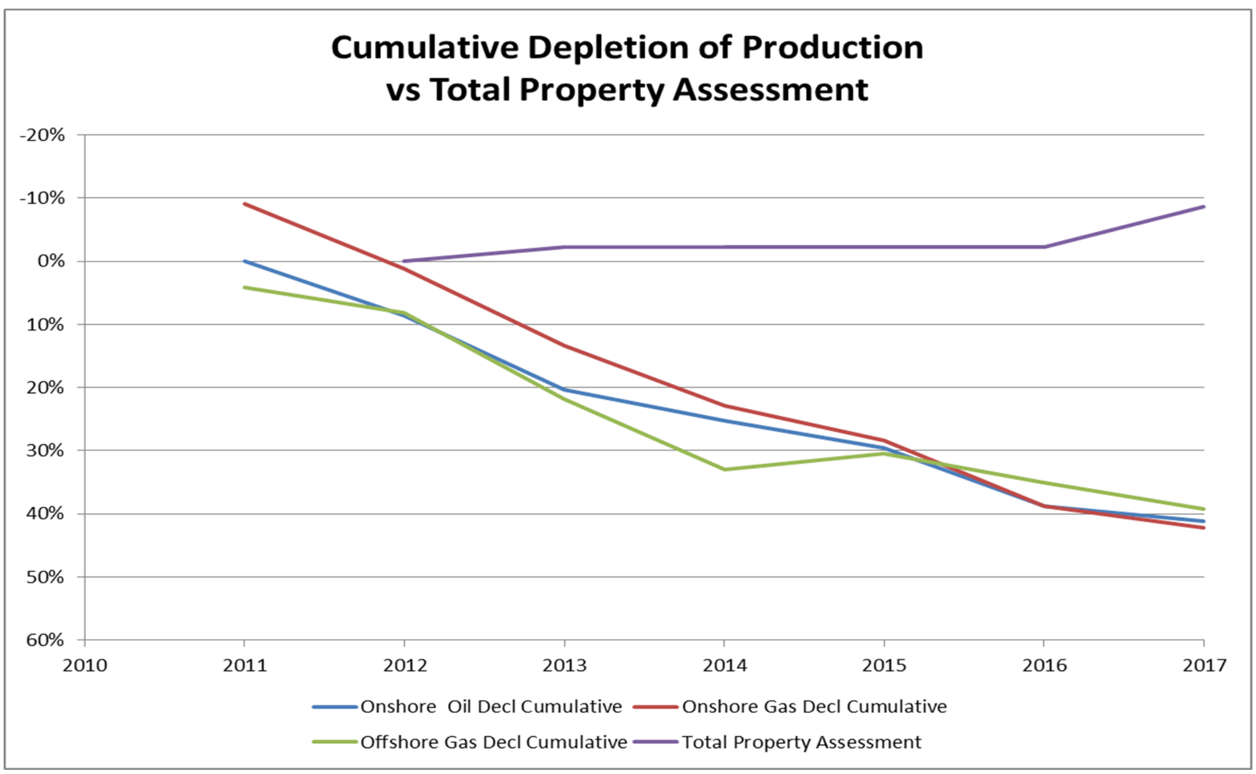
Municipal tax assessment valuations must be brought into line in the two areas discussed above in order to allow the oil and gas production industry in Ontario to remain viable. This is an industry that has existed for over a century and a half and its stakeholders and investors would like to continue to develop Ontario's vast natural resources in a safe and sustainable manner.

It is now time for the Government of Ontario to correct the misapplied MPAC taxation regime on the oil and gas industry.

Appendix A – Illustrative Example Gross Margin vs. Assessed Value (Lagasco Inc. example)



Depletion vs. Assessed Value (Lagasco Inc. example)



Item 2 – PLUGGING AND ABANDONMENT WORKS

Problem Summarized

When the federal government recently announced the Federal Aid Program for the Canadian Oil and Gas industry, the province of Ontario was excluded from the provinces eligible to apply for aid.

History

The Ontario Petroleum Institute (OPI) wrote to the Ontario MoF on April 13, 2020 appealing them to develop a financial assistance program for the energy sector in response to the Coronavirus Disease (COVID-19) pandemic, and that a financial support package considers the needs of the Ontario oil and natural gas industry.

On April 17, 2020, the Prime Minister Justin Trudeau announced aid for the energy sector of $1.7 billion to clean up orphaned wells in Alberta, Saskatchewan and British Columbia. The CBC reported that according to Finance Canada, there are about 4,700 orphan wells in Alberta, 600 in Saskatchewan and 350 in British Columbia.

Ontario having produced oil and natural gas since 1860 has thousands of orphaned wells.

Request

The OPI has requested that the Government of Canada provide funding support for an Ontario Orphan Well Reclamation Program of $270 million to reclaim orphaned and inactive wells that pose environmental and safety hazards for landowners and the public. In addition, the Program will maintain a viable service industry, create jobs and support communities in Ontario.

The OPI is committed to working with the Governments of Canada and Ontario to secure a sustainable future for a long-standing and historic industry where its first heartbeat in North America started in Southwestern Ontario in 1858.

The OPI would welcome the opportunity to speak with both the MNRF, MoF and federal government regarding this proposal at your earliest convenience.

Item 3 – UTILITY GAS PRICE ADJUSTMENTS

Consultation to Review Natural Gas Supply Plans. Ontario Energy Board EB-2019-0137

Who is the Intervenor, and What is the Core Problem?

The Ontario Petroleum Institute ("OPI"), representing Ontario producers, intervened to expose the discriminatory natural gas pricing structure that the former Union Gas [now Enbridge Gas Inc. ("EGI")], embedded systematically into the Ontario OEB-approved gas purchase regulatory regime over decades. The effect of this improper treatment is to continue to disable the economic viability of local Ontario gas production by a 'slow death by multiple cuts'. These matters of concern have been raised frequently by the OPI at Queens Park and attempted periodically in the OEB hearing room, and while to date, the OEB has expressed interest to hear more about the issues, the utility has consistently resisted an exploration (or exposure) of these disturbing issues. The severity of the situation has become even more exacerbated over the last few days with the impact of the COVID-19 pandemic.

In short, what has happened is that the Ontario gas producer has been rounded-up and corralled into the box of large volume gas buying practices of the evolved utility, with an edge of disrespect, awareness but disregard for the factual attributes of what Ontario gas production is about in this century.

The current reality is that EGI, the only utility which can take and transport local gas production in its distribution territory, is exercising its dominant market and other powers in the Ontario marketplace, the effect of which is to reduce the economic viability of the local gas production market. This strategy is implemented directly and indirectly through inappropriate cost allocation, and by more subtle means, which is disrupting the industry.

Instead of fostering a vibrant local gas market, which was the *origin* of Ontario's gas market, Union and now EGI have failed to recognize the new value of Ontario-produced natural gas, which is now the 'greenest' gas in Ontario's distribution pipelines. EGI has already demonstrated a propensity to deploy its market and utility rate power to jam local producer production into EGI's overall gas pricing model, which unduly discriminates against purchasing Ontario gas production. This is achieved by the utility exercising methodologies to assess unreasonable charges to Ontario producers to flow on EGI's system, in addition to blocking, or failing to pay, the Ontario producer the appropriate value for natural gas produced and delivered to local markets.

Regrettably, the fear of the local producing industry is that the recent merger of Union and EGI, has measurably reduced the ability of the local producers to do business in Ontario directly due to the discriminatory rates and arbitrary terms for doing business, about which there is zero negotiation.

Summarized Issues, Benefits and Solutions

The requested corrective changes sought by the OPI membership, to recognize the benefits of local 'green' gas and to eliminate the inappropriate cross-subsidy from local producers to EGI and its customers, are entirely *de minimis* in terms of rate impacts for EGI and the 3.7 million customers.

Ontario-produced natural gas is fortunately highly proximate to end-use customers, which is a significant advantage/benefit from a facilities and environmental perspective. Local Ontario gas is physically delivered to EGI at the ends of EGI's distribution pipelines - downstream of Dawn, the Dawn-Trafalgar transmission lines and EGI compression. In most cases, Ontario-produced natural gas must be compressed (at a cost) into EGI's distribution network and can only flow if there is capacity in the utility system to allow the gas to enter. The Ontario producers essentially act to balance the utility's system, which is a notable benefit. But, when EGI deems there is no capacity to take local gas into the utility system, Ontario producers are turned away from delivery points, and their gas must stay in the ground or enter at a different point, while ex-Ontario gas is brought here and burned.

Due to the reasons described above and several additional benefits, OPI believes that <u>the value of Ontario-produced gas is not recognized in the price EGI unilaterally sets/dictates in its Gas Purchase Agreement ("GPA")</u>. The price EGI offers Ontario producers is unrelated to the benefits and value of the gas delivered into the EGI system. Rather, the diminished price EGI offers is based on the Canadian Gas Price Reporter ("CGPR") Dawn Index price, a forward looking price, less the arbitrary allocation of transportation rates to Dawn and OEB-approved EGI balancing fees. This regulatory construct constitutes an involuntary, utility-imposed cross-subsidy from the Ontario producer, forced by EGI, and until now, sanctioned unknowingly by the OEB in the rate-setting process.

This price discrimination is undue; it is the root of the problem, and effectively results in Ontario producers subsidizing the utility and its customers – not at all the other way around. Ontario producers are paid a lower price for their environmentally preferred gas with no negotiating strength to have local gas attributes recognized.

Simple Corrective Recommendations

1. Ontario Producers recommend that they receive the *Total Gas Supply Commodity Charge* ("TGSCC") for Ontario natural gas delivered to EGI in the Union South Rate Zone. TGSCC price appropriately represents, for rate-setting purposes, the true value of natural gas commodity used in the local communities, where Ontario producers deliver natural gas; it is the appropriate Board-approved rate charged *to* customers for the commodity.

   Enbridge is not to make a profit on natural gas commodity delivered to customers but the price paid to the Ontario producers is substantially lower than the price charged to consumers in the same proximity.

   Local producers have in a few recent instances been able to contract for direct sales to customers and receive prices at or near that charged by Enbridge demonstrating the market price of gas at or near the end user is substantially higher than that paid under the onerous contracts dictated by Enbridge

2. Local Ontario gas producers should not be charged for transportation to the Dawn Hub or balancing, because their gas *is* never transported to Dawn. (That phantom transportation story is a convenient utility myth/model to push local Ontario gas deliveries into an irrelevant pricing methodology, which may well be suitable for large volume US and Western Canadian purchases – but is inconsistent with what is really going on, when Ontario production is injected locally into utility pipelines.)

3. The gas purchased by EGI from local producers should be purchased *at the point of delivery* (metered) onto EGI's distribution system.

4. In addition to receiving the TGSCC, Ontario producers should receive a proportionate share of the delivery charges EGI administers to its customers because local producers are offering a valuable service to the utility and its customers by delivering local gas. (All utility customers benefit by local gas displacing ex-Ontario delivered gas because it systematically avoids otherwise incurred costs paid for unneeded compression to get gas to the ends of the utility system. Local producers injecting gas into the utility system save all customers costs.) Additionally, local producer gas is greener, creates jobs in Ontario and pays royalties and taxes in Ontario. A substantial portion of the total royalties are paid to the Government of Ontario as over 65 percent of the total gas production is from Lake Erie.

Summary

The OPI and its members recognize the importance of the natural gas production in this province and are making every effort to ensure that it is remains a viable industry. In order to do so, it will be necessary for all stakeholders, in both the private and public sectors, to work together cooperatively and harmoniously. We would very much appreciate the MNRF and MoF support in our initiatives.

Item 4 – ROYALTY RESTRUCTING

Problem Summarized

During March 2020, in addition to the Covid-19 crisis lurking into every seam of society, globally, the oil and gas industry around the world and in Canada has been devastated in an unprecedented, sudden manner, resulting in a state of immediate crisis. Prompt action is required by industry and its regulatory agencies to save the industry and avoid the devastation of a long-term destruction of industry purpose, continuity and value.

The purpose of this Memorandum is for Lagasco to brief the MNRF and request that the MNRF take the immediate steps that are requested and required in the form of temporary relief from Lake Erie Crown Royalties, due to acute and substantial commodity price declines.

Background

North America's first commercial oil was produced at Oil Springs in southwestern Ontario in 1858. Several drilling and associated production peaks subsequently occurred from 1895 to 1995. There are ~27,000 wells on record in the province; active are ~1,200 oil wells and ~1,400 natural gas wells, of which over 400 are on the bed of Lake Erie. These active wells are of varying ages and well constructions.

Ontario's oil and gas industry currently employs mostly rural workers. In addition to rural job creation, the industry contributes consistently and strongly to local communities, municipalities and the Ontario government through payment of taxes, government royalties, landowner royalties, lease payments, and several other fees. Local rural communities rely on the success and sustainability of the local fossil industry, just as northern communities rely on forestry and mining.

Since the first natural gas wells were drilled on the bed of Lake Erie, the well owner companies have been paying a gross overriding royalty, being a percentage of the gross revenue produced from these wells on the Lake, to the Crown. Over the years, this percentage has changed based on the Crown's incentives to the oil and gas companies to explore, from a low of 5% to the current rate of 12.5%. Over the past year, the Crown royalties paid for this Lake production are approximately $100,000 per month or $1.2 million per year. These are the expenses from which we make our royalty relief request, below. As many of our production costs are fixed, immediate relief from these expenses will enable us to continue to be solvent and retain our valuable staff and "weather the storm" brought on by the low prices and Covid-19.

Sudden Declines, Deteriorated Market Conditions

Within Ontario, Canada and globally, oil and gas commodity prices have recently seen a drastic and unprecedented decline, which appears to be holding. Oil prices have declined by almost 55% in the past month and over 60% in the past year. Additionally, natural gas prices have declined by more than

40% in the past year from their previously subdued levels caused by the shale and fracking revolution. Oil and gas companies throughout the world are suffering significant devaluations and bankruptcies. In many state jurisdictions in the United States and in Alberta, governments are quickly assembling temporary relief packages and asking what steps they can take to help their local industries during this major commodity fluctuation. Thousands of abandoned wells, as a result of these pending industry failures, are anathema to governments and landowners, at huge costs be they financial or environmental – all of which, with proper planning, can be avoided, *now*.

Lagasco is effectively forced to seek similar and immediate solutions - as have many other non-state-owned companies with their regulators and governments in other jurisdictions around the world.

Lagasco Royalty Relief Request

Lagasco is hereby formally asking for the MNRF's support, and that of the Ontario Cabinet, and MoF, for relief from the current Lake Erie monthly royalty payments (approximately $100,000 per month).

A proposed Flexible Royalty Chart is proposed below, which sets out the requested royalty relief in stages, in anticipation of prices resurrecting based upon Dawn Canadian mmbtu index pricing to above $3.00+, $4.00+ levels, after which royalties on Lake Erie would resume in a staged, sensible manner. This type of relief is proportionate and realistic under the current circumstances, especially as it is hopefully temporary and transparent. It will also allow us to use the Crown royalty savings towards plugging in order to responsibly abandon wells as their useful lives come to an end and avoid the orphaned well issues that are faced out in Alberta, and elsewhere.

Price (Dawn Cdn/mmbtu)	**Gross Crown Royalty Amount Payable**	**Effect on Plugging and Abandonment of Wells**
<$3	Nil	Survival mode, remain a viable business
$3-$4	2%	Plug at least 5 wells per year using royalty savings
$4-$5	4%	Plug at least 15 wells per year using royalty savings
>$5	6%	Plug at least 15 wells per year using royalty savings

Many of Lagasco's costs are fixed in nature. As such, large and sudden commodity price fluctuations cause severe hardship. It takes some time for Lagasco to cut costs further and recover – and this is the focus to begin with, depending on the severity and the duration of the price excursions/declines. The large declines, coupled with the effects of Covid-19, have been unforeseen, and devastating to the Ontario oil and gas business. We are available any time to further discuss this Relief Request and answer any questions you may have.

Seeking sensible, temporary relief from Royalty payments is our number one cost management and cutting priority at the moment. To date, Lagasco has had one meeting with MNRF staff to discuss the above proposal in hopes of a timely resolution.

Item 5 – MNRF AS REGULATOR

Problem Summarized

The purpose of this Memorandum is to provide insight into challenges the Ontario Oil and Gas industry is experiencing through its interactions with the POS and to suggest a new pathway for government and private industry to work together. Working together will ensure the economic sustainability of our industry and the mitigation of environmental liabilities, which will certainly arise if these issues identified within the POS are not addressed in the very near future. This Memorandum will:

1. Outline some of the challenging market conditions faced by the Ontario Oil and Gas industry currently;
2. Demonstrate the inconsistent and obstructionist regulation of the Ontario Oil and Gas industry by the POS of the MNRF;
3. Suggest a path forward with realistic and sensible objectives to limit environmental liability and return the Ontario Oil and Gas industry to a more stable footing.

Background

North America's first commercial oil was produced at Oil Springs in southwestern Ontario in 1858. Drilling and associated production peaks subsequently occurred in 1895, 1907, 1917, 1940, 1960, 1966, 1985, 1995. There are approximately 27,000 wells on record in the province with roughly 1,200 oil wells and 1,400 natural gas wells currently operational with varying ages and well constructions.

The Ontario Oil and Gas industry currently employs mostly rural workers. In addition to job creation the industry contributes to local communities, businesses, municipalities and the Ontario government through direct employment, municipal property taxes, pipeline taxes, government royalties, landowner royalties, lease payments, purchases of good and services and several other fees and taxes.

Primarily due to its age, size and geology, the Ontario Oil and Gas industry is a niche industry where standards and practises employed in other oil and gas producing jurisdictions are not always practicable. The MNRF POS regulates the Oil and Gas industry in Ontario. Over the very long history of the petroleum industry in Ontario regulations and standards have been updated with technological changes and best practises. The MNRF POS has inspectors that periodically inspect the wells, works, and operations within the oil and gas industry.

Current Market Conditions

Within Ontario, Canada and globally, oil and gas commodity prices have recently seen a drastic and unprecedented decline. Oil prices have dropped more than 50% in the past few months and natural gas prices by more than 30% in the past 5 months from their already subdued levels since the shale revolution. Oil and gas companies throughout the world are suffering significant devaluations and bankruptcies. In many jurisdictions, including throughout the United States and in Canada governments are putting together aid packages and asking what they can do to help the industry during this major commodity fluctuation. In Alberta, the regulators are helping the industry in an attempt to shepherd it through these difficult times and support the businesses in that jurisdiction. We have found that in Ontario, the opposite is in fact occurring which is very troubling to the industry and needs to be rectified very shortly in order for the industry to survive.

Inconsistent and obstructionist regulation

The Ontario MNRF POS has recently imposed several deficiency lists, orders and fines on operators causing undue hardship. Many deficiencies identified by the MNRF POS are inconsistent with past regulation and inspections, not based on safety or common sense and add significantly to operating and compliance costs at a time when operators struggle to remain solvent. Regulation by the MNRF POS is also not consistent amongst operators adding to the uncertainty, injustice. A few examples of inconsistent and obstructionist MNRF POS regulation follows:

1. Requiring TSSA certification of pressure vessels in the field operating at low pressures. This has never been a requirement for the industry, and is an attempt to change standards retroactively. It was never requested or addressed during previous transfers of the same assets (some within a 2 year period) and would add significant costs to the industry rendering many oil and gas wells uneconomic even at higher commodity prices.

2. Interpretation of pop tanks as storage tanks under the Ontario Operating standards and therefore requiring berming around these tanks. Pop tanks are used as secondary containment in case of the failure of a pressure relief valve and are not used to store fluids in the field. POP tanks have been in operation in the same manner as they are now for many years and berming has never been mentioned or required and comes at significant cost as it would require upgrades to many existing facilities.

3. Requirement of consent from past operators for well re-entry applications. Ontario operators cannot get consent from past operators or cannot get this consent in a timely manner and this has never been required in the past. Many past operating companies are no longer active or have gone bankrupt and are not readily available for consultation.

4. Enforcing equipment setback requirements for rig operations which have never been enforced in the past. Most well sites are not designed for these setbacks. MNRF does not choose to impose these setbacks when plugging wells for its own orphan well program but is now trying to impose them for other industry plugging jobs. In many cases, these setbacks cannot be maintained while remaining on the lease.

5. Approval timelines for well transfers, well licenses and permits are simply unacceptable. They are often in excess of 6 months and have taken up to a year. The approval processes

(including compliance review) has become so time consuming, onerous and expensive that it is hindering many companies' abilities to operate in Ontario and has led to the recent loss of an $18 MM financing and sale transaction for one Ontario operator.

6. Compliance review for well transfers increasingly onerous. New deficiencies identified with each subsequent re-inspection of the works resulting in a never ending spiral of inspections, deficiencies, work to fix the deficiencies, re-inspection, identification of new deficiencies not new but not previously identified, and so forth. This is not an efficient use of MNRF POS or company resources.

7. POS decisions are not made in a timely manner. Requests for meetings and discussions are made which take weeks or months to arrange. Business decisions and MNRF order compliance discussions need to occur in a timely manner which is not possible. As a result, one company missed compliance with a plugging order when a variance has been requested with no timely response or resolution to date.

8. Enforcing standards to rule. The standards are often murky and subject to interpretation. Practices that were perfectly acceptable to the POS last year are no longer. The inconsistency makes planning difficult as the industry cannot operate as usual but instead must react to the POS constant re-interpretation of the operating standards.

These significant issues with the POS group has acted to paralyze the industry blocking it from conducting the necessary activities to react to changing pricing and business environments. The prohibitive wait times on applications, transfers and requests have resulted in the termination of agreements, financings, work projects and other restructurings needed by the industry to remain profitable in these challenging times. This adds to costs and uncertainty in the industry un-necessarily. If not resolved it will certainly result in additional bankruptcies and potential orphaned wells which could otherwise have been avoided.

Suggested Path Forward

The Ontario industry has an excellent track record of both safe operations and environmental responsibility and stewardship. The OPI suggests that the MNRF POS work to support the industry with operators instead of imposing orders, fines and court summons. In a mature industry such as this with such a strong track record, it is not appropriate or practicable to impose new and onerous interpretations of the Ontario Operating Standards that add significantly to operating costs. Ontario's small and niche industry should be recognized as such and there should be some flexibility and common sense used when imposing regulations . To achieve this it will require the MNRF POS to work closely with operators to understand Ontario operations and the implications and impacts of some of the regulatory practises, with a fundamental shift in attitude to one of assistance and support of our industry.

The OPI further suggests that the MNRF have a transparent process for applications, transfers and requests with deadlines for stages in the process. This will allow industry to see where in the process applications and requests are and if they are stalled or on hold.

The OPI would welcome an opportunity to work closely with the MRNF to resolve these issues. The Ontario industry boasts the first commercial oil well in the world and a history of over 150 years but it fears that without some key regulatory changes it will not weather the current crisis with serious negative consequences to all industry stakeholders as well as for the Province of Ontario.