LAWS AND REGULATIONS RELATING TO THE CANADIAN NATURAL GAS AND OIL INDUSTRY

Overview

The oil and gas industry is subject to extensive controls and regulations. In Alberta, provincial legislation and regulations govern land tenure, royalties, production practices and rates, environmental protection, the prevention of waste and other matters. Federal legislation and regulations may also apply. It is not expected that any of these controls and regulations will affect our operations in a manner materially different than they would affect other natural gas and oil producers of similar size. The relevant controls and regulations should be considered carefully by our prospective investors. Outlined below are some of the more significant aspects of the legislation and regulations governing the Canadian oil and gas industry. All current legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted.

The Alberta Department of Energy is responsible for developing policy and managing the development of Alberta's oil, natural gas and other mineral resources, including overseeing land tenure, royalty and other fiscal systems. The AER is an independent quasi-judicial agency of the Government of Alberta that regulates oil and gas activities in the province, with a mandate to provide for the safe, efficient, orderly and environmentally responsible development of the province's energy resources. The AEP administers complementary environmental policies in the province. In particular, the AEP's central mandate is the protection and management of the environment and water resources, as well as certain other related matters such as waste management and climate change, pursuant to several statutory regimes and instruments, such as the EPEA and the Water Act.

Approval Processes

In Alberta, approvals, licences and permits for the exploration, development, operation, abandonment and reclamation of crude oil and natural gas wells may be provided by various levels and branches of the Alberta and Canadian government, but primarily the AER pursuant to various statutes, including the OGCA, the Water Act, the EPEA and others.

A licence is required to commence to drill a well, undertake any operations preparatory or incidental to drilling of a well, or continue any drilling, producing or injecting operations. Only a working interest participant that is entitled to produce oil, gas or crude bitumen from the well, or to drill or operate the well for other authorized purposes may apply for or hold a licence for a well. Depending on the proposed activity, a project proponent may be required to notify local residents, First Nations, occupants, other affected companies or local authorities, so those parties can fully understand the potential impact of the project.

Obtaining Mineral Rights and Leases

In Alberta, the Crown owns 81% of the crude oil and natural gas rights. The remaining 19% are either freehold mineral rights owned by individuals and companies, and by the federal government on behalf of the First Nations or National Parks. A project proponent must first acquire a lease, licence or permit from the owner of the mineral rights before it will be permitted to drill for crude oil and natural gas. The Alberta Department of Energy grants the right to explore for and develop the Crown energy and mineral resources in the province. A PNG Licence or Crown Lease gives the company the right to drill for and recover the crude oil and natural gas granted by the PNG Licence or Crown Lease. In return for the right to develop crude oil and natural gas resources, payments flow back to the province or the private landowner in the form of the initial lease consideration, and rental and royalty payments. Further, private owners of mineral rights are taxed by the province on the production of crude oil and natural gas from their holdings.

Subject to certain exceptions, in order to acquire crude oil and natural gas rights, a company must be registered, incorporated or contained in the Alberta, as required by the Mines and Minerals Act. Rights to explore, drill for and produce crude oil and natural gas that are owned by the Crown are acquired by entering into a lease or licence issued under the Mines and Minerals Act. There are two ways to acquire a Crown Lease or PNG Licence. The first way is transfer of an existing PNG Licence or Crown Lease negotiated between private parties. The second is through a public sale. The Alberta Department of Energy issues leases and licences through an auction process held approximately every two weeks. Project proponents may submit requests to Alberta Energy to include the mineral rights for certain lands in a sale

Crown Leases are issued for an initial five year term, which can be continued as to all or any portion which the Minister of Energy may determine. PNG Licences are issued for an initial term of between two and five years, which can be extended for an intermediate five year term, and later continued indefinitely, in a similar manner as Crown Leases. The Mines and Minerals Act requires that exploration or development activities be undertaken according to prescribed levels of evaluation or production.

Freehold crude oil and natural gas rights are negotiated directly with the mineral rights owner. Crude oil and natural gas leases on First Nations' lands can be obtained through a public tender process, responding to a proposal process, or direct negotiations with the First Nations. All leases on reserve lands must be approved by both the applicable First Nation and IOGC.

In addition to obtaining mineral rights, to access the crude oil and natural gas it is necessary to gain surface access on either privately owned or Crown occupied land. A project proponent is not permitted to enter onto land in order to conduct operations without having first obtained the consent of the owner and the occupant of the surface, or having become entitled to right of entry by reason of an order of the Surface Rights Board. In the event the project proponent is unable to negotiate a surface lease with the owner of the land, it may apply to the Surface Rights Board for relief. The Surface Rights Board has the authority to grant rights of entry, and assist landowners and developers to resolve disputes about said rights of entry, related compensation, negotiation and recovery of rental payments, damages and reviews of compliance or past decisions.

To gain entry into Crown occupied lands in Alberta, a project proponent must negotiate rights of entry into Crown land with the Crown. This is facilitated through the AER. A project proponent may also enter into a road usage agreement with the licence holder of an existing road. If an agreement cannot be reached with a licence holder for use of the road, the project proponent may ask the AER to consider the request for use of the road and to assist with resolution of the dispute through mediation or by issuing an order regarding usage of the road if the road is licensed for energy resource activities, or the AEP if the road is licensed for other purposes. To gain surface access to First Nations' lands, a project proponent must apply for access, and both the applicable First Nations and IOGC must approve surface leases and rights of way.

Rights and Obligations of Holders of Crude Oil and Natural Gas Rights

Companies obtaining the right to explore for and develop Crown resources are subject to numerous rights and obligations attached to the licences and leases issued and imposed by various applicable statutory regimes. Tenure holders must meet all regulatory requirements.

Pricing and Marketing

Oil

In Canada, producers of oil negotiate sales contracts directly with oil purchasers, with a competitive open market setting the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. Oil exports may be made pursuant to export contracts with terms not exceeding one year in the case of light crude, and not exceeding two years in the case of heavy crude, provided that an order approving any such export has been obtained from the NEB. Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such a licence requires a public hearing and the approval of the Governor in Council. The Governor in Council is effectively the Governor General acting on the advice of the Federal Cabinet. The NEB is currently undergoing a consultation process to update the current regulations governing the issuance of export licences. The updating process is necessary to meet the criteria set out in the Jobs, Growth and Long-Term Prosperity Act of Canada. In this transitory period, the NEB has issued, and is currently following an "Interim Memorandum of Guidance concerning Oil and Gas Export Applications and Gas Import Applications under Part VI of the National Energy Board Act".

Natural Gas

In Canada, the price of natural gas results from transactions between buyers and sellers in an open, transparent market environment. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m^3/day) must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 40 years) or for a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council acting on the advice of the Federal Cabinet of the Government of Canada and the NEB. The price received by the Company depends, in part, on the prices of competing natural gas and other substitute fuels, access to downstream transportation, distance to markets, length of the contract term, weather conditions, the supply and demand balance and other contractual terms.

The Government of Alberta also regulates the volume of natural gas which may be removed from the province for consumption elsewhere based on such factors as availability of reserves, transportation arrangements and market considerations.

The North American Free Trade Agreement

On January 1, 1994, the North American Free Trade Agreement ("**NAFTA**") among the governments of Canada, the U.S. and Mexico became effective. The NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the U.S. or Mexico will be allowed, provided that the restrictions are justified under certain provisions of the General Agreement on Tariffs and Trade then only if the export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of the energy resource (based upon the proportion prevailing in the most recent 36-month period); (ii) impose an export price higher than the domestic price; and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

The NAFTA prohibits discriminatory border restrictions and export taxes. The NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes, to minimize disruption of contractual arrangements and to avoid undue influence with pricing, marketing and distribution arrangements, all of which are important for Canadian natural gas and oil exports.

Trans Pacific Partnership

On October 5, 2015, Canada entered into the Trans-Pacific Partnership ("**TPP**"), a regional trade agreement, with eleven other countries. The TPP is broad in scope and affects many industries and commodities. With respect to crude oil, currently NAFTA rules of origin do not allow for the use of non-NAFTA originating diluent, and consequentially Canadian heavy crude oil exports to the United States may not be eligible for duty-free treatment. The TPP rules of origin applicable to Canadian crude oil exports will apply to a certain volume of diluent (although the volume is yet to be determined), and therefore a greater volume of crude oil exports to the United States will not be subject to this duty. We note that the TPP has not been ratified and currently is not in effect.

Royalties and Incentives

In addition to federal regulation, each Canadian province has legislation and regulations which govern royalties, production rates and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas, and NGLs production. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the natural gas and crude oil product produced. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests. Producers of natural gas and oil from Crown lands in Alberta are also required to make annual rental payments, currently at a rate of C$3.50 per hectare.

Royalty rates for conventional oil are set by a single sliding rate formula which is applied monthly and incorporates separate variables to account for production rates and market prices. Royalty rates for conventional oil range from 0% to 40%, and rate caps are set at C$140/Bbl.

Royalty rates for natural gas are similarly determined using a single sliding rate formula incorporating separate variables to account for production rates and market prices. Royalty rates for natural gas range from 5% to 36%, and rate caps are set at C$15/GJ.

Occasionally, the Alberta government creates incentive programs, which often provide for royalty rate reductions, royalty holidays or royalty tax credits. Such programs are generally introduced when commodity prices are low to encourage exploration and development activity by improving earnings and cash flow within the industry.

Further, the Government of Alberta finalized the new Modernized Royalty Framework ("**MRF**") in April 2016. The MRF creates a single royalty structure for crude oils, liquids and natural gas, including the same royalty rate. By eliminating different treatments for different hydrocarbons, the MRF seeks to reduce exploration risk by allowing producers to assess development opportunities based on markets instead of well classifications.

Starting January 1, 2017, crude oil, natural gas liquids and natural gas production will have a flat royalty rate of 5%. Payout will occur when the total revenues from a well equal the Drilling and Completion Cost Allowance (not the actual drilling costs), regardless of the type of hydrocarbon produced. Afterwards, the company will pay higher royalty rates that vary depending on the resource and market prices. Royalty rates will drop to match declining production rates when the well reaches a Maturity Threshold.

According to Alberta Government's announcement on July 12, 2016, early access to the new framework is optional and will be application-based. As part of their application to opt in, early companies will need to prove their activity is above and beyond what was already planned.

Wells spud before July 13, 2016 will continue to operate under the existing royalty framework until December 31, 2026. Wells spud during the early election period (July 13, 2016 to December 31, 2016) that did not elect to opt in early to the MRF or did not meet the criteria will continue to operate under the existing royalty framework until December 31, 2026. Wells spud between July 13, 2016 and December 31, 2016 may be eligible for the MRF if the well represents additional capital investment and it can be demonstrated the well would not otherwise be drilled in 2016. Any wells previously started will stay under the old royalty system. In other words, for wells drilled before 2017, the existing rates will remain in effect until 2026; however, wells drilled after July 13, 2016 may be applicable under the MRF if the well represents additional capital investment and would not otherwise be drilled.

All wells drilled before 2017 will qualify for and continue to benefit from the current Natural Gas Deep Drilling Program and Emerging Research & Technology Initiative, which expire at the end of November 2016 and June 2018, respectively.

On February 1, 2016, the Alberta government announced the Petrochemicals Diversification Program, a 10-year royalty credit program that will award up to a total of C$500 million of royalty credits to new petrochemical facilities. The intention of the program is to incentivize the construction of new petrochemical facilities in Alberta, in particular methane and propane upgrading facilities. Petrochemical facilities do not pay royalties, but earned royalty credits can be traded to an oil or natural gas producer, which can in turn use the credits to reduce its royalty payments.

Rights Reversions

Alberta has included in its leases a clause that provides for the reversion to the Crown of mineral rights below the deepest productive geological formation at the conclusion of the primary term. Alberta also has a policy of "shallow rights reversion" which provides for the reversion to the Crown of mineral rights above the top of the shallowest productive geological formation at the time of continuation of a Crown Lease or PNG Licence. For Crown Leases or PNG Licences issued subsequent to January 1, 2009, shallow rights reversion will be applied at the conclusion of the primary term of the lease or licence. The application of shallow rights reversion to Crown Leases or PNG Licences that were issued prior to January 1, 2009 has been indefinitely suspended by the Crown.

Liability Management Rating Program

In Alberta, the AER implements the Licensee Liability Rating Program ("**AB LLR Program**"). The AB LLR Program is a liability management program governing most conventional upstream oil and gas wells, facilities and pipelines. The OGCA establishes an orphan fund ("**Orphan Fund**") to pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program if a licensee or working interest participant ("**WIP**") becomes defunct. The Orphan Fund is funded by licensees in the AB LLR Program through a levy administered by the AER. The AB LLR Program is designed to minimize the risk to the Orphan Fund posed by unfunded liability of licensees and prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines. The AB LLR Program requires a licensee whose deemed liabilities exceed its deemed assets to provide the AER with a security deposit to cover the potentially unfunded cost of remediation and reclamation obligations. The ratio of deemed liabilities to deemed assets is assessed once each month and failure to post the required security deposit may result in the initiation of enforcement action by the AER.

Effective May 1, 2013, the AER implemented important changes to the AB LLR Program that resulted in a significant increase in the number of oil and gas companies in Alberta that are required to post security. Some of the important changes include:

- a 25% increase to the prescribed average reclamation cost for each individual well or facility (which will increase a licensee's deemed liabilities);

- a C$7,000 increase to facility abandonment cost parameters for each well equivalent (which will increase a licensee's deemed liabilities);

- a decrease in the industry average netback from a five-year to a three-year average (which will affect the calculation of a licensee's deemed assets, as the reduction from five to three years means the average will be more sensitive to price changes); and

- a change to the present value and salvage factor, increasing to 1.0 for all active facilities from the current 0.75 for active wells and 0.50 for active facilities (which will increase a licensee's deemed liabilities).

The changes to the AB LLR Program, the implementation of which was completed in August 2015, stem from concern that the previous regime significantly underestimated the environmental liabilities of licensees.

Inactive Well Compliance Program

On July 4, 2014, the AER introduced the inactive well compliance program (the "**IWCP**") to address the growing inventory of inactive wells in Alberta and to increase the AER's surveillance and compliance efforts under Directive 013: Suspension Requirements for Wells ("**Directive 013**"). The IWCP applies to all inactive wells that are noncompliant with Directive 013 as at April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within 5 years. Commencing on April 1, 2015, each licensee was required to bring 20% of its inactive wells into compliance every year, either by reactivating or suspending the wells in accordance with Directive 013 or by abandoning them in accordance with Directive 020: Well Abandonment.

Environmental Regulation

Companies operating in the natural gas and oil industry are subject to environmental regulation pursuant to local, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain natural gas and oil industry operations and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facilities sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines or the issuance of clean-up orders. Under the EPEA, changes in these regulations have had an incremental effect on the cost of conducting operations in Alberta.

In addition, the EPEA sets out the requirements for the satisfactory abandonment and reclamation of well, pipeline and facility sites. Applicable environmental laws may also impose remediation obligations upon certain responsible persons with respect to a property designated as a contaminated site. Responsible persons may include persons responsible for the substance causing the contamination, persons who caused the release of the substance, and any past or present owner, operator, tenant or other person in charge, management or control of the site. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of requisite licences and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Pursuant to the Jobs, Growth and Long-Term Prosperity Act of Canada, the Government of Canada amended or repealed several pieces of federal environmental legislation and in addition, created a new federal environment assessment regime. The changes to the environmental legislation under the Prosperity Act are intended to provide for more efficient and timely environmental assessments of projects that previously had been subject to overlapping legislative jurisdiction.

In December 2008, the Government of Alberta released a new land policy for surface land in Alberta, the ALUF. The ALUF sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The ALSA was proclaimed in force in Alberta on October 1, 2009 and provides the legislative authority for the Government of Alberta to implement the policies contained in the ALUF. Regional plans established pursuant to the ALSA will be deemed to be legislative instruments equivalent to regulations and will be binding on the Government of Alberta and provincial regulators, including those governing the oil and gas industry. In the event of a conflict or inconsistency between a regional plan and another regulation, regulatory instrument or statutory consent, the regional plan will prevail. However, if there is a conflict between a regional plan and another statute, the statute will prevail. Further, the ALSA requires local governments, provincial departments, agencies and administrative bodies or tribunals to review their regulatory instruments and make any appropriate changes to ensure that they comply with an adopted regional plan. The ALSA also contemplates the amendment or extinguishment of previously issued statutory consents such as regulatory permits, leases, licences, approvals and authorizations for the purpose of achieving or maintaining an objective or policy resulting from the implementation of a regional plan. Among the measures to support the goals of the regional plans contained in the ALSA are conservation easements, which can be granted for the protection, conservation and enhancement of land, and conservation directives, which are explicit declarations contained in a regional plan to set aside specified lands in order to protect, conserve, manage and enhance the environment.

To date, the Government of Alberta has approved two regional plans, in the Lower Athabasca and South Saskatchewan regions. The regional plans have included the establishment of conservation areas within those regions that restrict the acquisition of mineral rights after the plan comes into effect. Our Company does not have any lands in these regions, but as regional plans for other regions are approved it may impact our Company's operations.

Our Company is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature, as a result of the increasingly stringent laws relating to the protection of the environment. Our Company's internal procedures are designed to ensure that the environmental aspects of new developments are taken into account prior to proceeding. Our Company believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

Climate Change Regulation

International

In December 2002, the Government of Canada ratified the Kyoto Protocol (the "**Kyoto Protocol**"), which required a reduction in GHG emissions by signatory countries between 2008 and 2012. The Kyoto Protocol officially came into force on February 16, 2005, but Canada formally withdrew from the Kyoto Protocol on December 12, 2011.

In anticipation of the expiry of the Kyoto Protocol in 2012, government leaders and representatives from approximately 170 countries met in Copenhagen, Denmark in December 2009 to attempt to negotiate a successor to the Kyoto Protocol. The resulting Copenhagen Accord was a broad political consensus rather than a binding international treaty like the Kyoto Protocol. The Copenhagen Accord did not establish binding GHG emissions reduction targets and was not been endorsed by all participating countries. However, in response to the Copenhagen Accord, the Government of Canada indicated that it will seek to achieve a 17% reduction in GHG emissions from 2005 levels by 2020, in line with the reduction commitment made by the United States.

Further international meetings were held in Cancun, Mexico in December 2010, Durban, South Africa in December 2011, and Paris, France in December 2015, which resulted in the Paris Agreement. As part of the Paris Agreement the Government of Canada further committed to reducing GHG emissions by 30% below 2005 levels by 2030.

Federal

Currently, Canada's action on climate change is through a four part approach that seeks to balance environmental and economic concerns:

- Actions to Reduce Canada's GHG Emissions: Canada has pledged, as part of the December 12, 2015 Paris Agreement, to lower greenhouse gas development to limit the global temperature rise to under 2016.

- Help Canadians Adapt to a Changing Climate: since 2006, the Government of Canada has invested C$235 million in domestic adaptation initiatives to improve the understanding of climate change and help Canadians plan for climate impacts.

- Continental Action: The United States–Canada Clean Energy Dialogue is a collaboration intended to develop clean energy science and technology.

- Leadership in International Climate Change Efforts: The Government of Canada is encouraged by international progress towards a new, fair and effective international climate change agreement that includes commitments from all major emitters. Canada has delivered on its fast-start financing commitment by providing C$1.2 billion over 2010–2013 to support projects in over 60 developing countries, and in November 2014, pledged C$300 million to the Green Climate Fund in support of further climate change action in developing countries.

Alberta

Alberta enacted the CCEMA on July 1, 2007, amending it through the Climate Change and Emissions Management Amendment Act, which received royal assent on November 4, 2008. The CCEMA is based on an emissions intensity approach similar to the Updated Action Plan and aims for a 50% reduction from 1990 emissions relative to GDP by 2020.

Alberta facilities emitting more than 100,000 tonnes of GHGs per year must comply with the CCEMA. Similar to the Updated Action Plan, the CCEMA and the associated SGER make a distinction between "Established Facilities" and "New Facilities". Established Facilities are defined as facilities that completed their first year of commercial operation prior to January 1, 2000 or that have completed eight or more years of commercial operation. Established Facilities are required to reduce their emissions intensity to 88% of their baseline for 2008 and subsequent years, with their baseline being established by the average of the ratio of the total annual emissions to production for the years 2003 to 2005. New Facilities are defined as facilities that completed their first year of commercial operation on December 31, 2000 or a subsequent year and have completed less than eight years of commercial operation, or are designated as New Facilities in accordance with SGER. New Facilities are required to reduce their emissions intensity by 2% of baseline in the fourth year of commercial operation, 4% of baseline in the fifth year, 6% of baseline in the sixth year, 8% of baseline in the seventh year and 10% of baseline in the eighth year. The CCEMA does not contain any provision for continuous annual improvements in emissions intensity reductions beyond those stated above, however pursuant to a recent announcement from the Government of Alberta, by 2016 emissions intensity must be reduced to up to 85% of baseline, and by 2017 emissions intensity must be reduced to up to 80% of baseline.

Under the CCEMA, regulated emitters can meet their emissions intensity targets by contributing to the Climate Change and Emissions Management Fund at a current rate of C$15 per tonne of CO_2, although pursuant to a recent announcement from the Government of Alberta this rate will increase to C$20 per tonne in 2016 and C$30 per tonne in 2017. Emissions credits can be purchased from regulated emitters that have reduced their emissions below the 100,000-tonne threshold or non-regulated emitters that have generated emissions offsets through activities that result in emissions reductions in accordance with established protocols published by the Government of Alberta.

Further, the Government of Alberta has expanded the scope of carbon pricing in Alberta. Beginning in January 2017 all economic sectors will be subject to a C$20/tonne carbon price, that will increase to C$30/tonne on January 1, 2018, and escalate annually thereafter.

The Government of Alberta has also announced plans to reduce methane emissions from oil and gas operations by 45 per cent by 2025. This will be accomplished by applying new emissions design standards to new facilities, and developing a voluntary joint initiative among industry, environmental groups and indigenous groups on methane reduction and verification that will take action on venting and fugitive emissions from existing facilities, including enhanced measurement and reporting requirements for new and existing facilities. Regulated mandatory standards will become effective in 2020, and will be implements by the AER, Alberta Energy and AEP.

On December 2, 2010, the Government of Alberta passed the Carbon Capture and Storage Statutes Amendment Act, 2010, which deemed the pore space underlying all land in Alberta to be, and to have always been, the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions.

OTHER RELEVANT LAWS AND REGULATIONS

Employment Laws and Regulations

Employer obligations in Alberta are established, regulated and adjudicated by various workplace statues and regulations. We are subject to the Alberta Employment Standards Code which establishes certain minimum standards applicable to all employees, such as overtime, holidays, parental leaves. Human rights prohibitions such as discrimination based on gender, age or physical disability are regulated by the Human Rights Act. Personal employee information which may be collected, used or disclosed by us is subject to the PIPA. This act requires an employer to assign an individual to establish and administer privacy policies in a company which are compliant with the PIPA. We must safeguard personal information. Workplace injuries are subject to the Worker's Compensation Act, which establishes a statutory insurance scheme and mandates all employers to contribute premiums to a government-sponsored fund to compensate workers that are injured due to occupational illness or injury. All employers are subject to the Labor Relations Code which sets out the process by which an employee may join a union and then have the union enter into collective bargaining on behalf of all employees with the company. As at the Latest Practicable Date, our Company does not have any union employees.

Overseas Ownership Restrictions

Under the Mines and Minerals Act, to be eligible to be a lessee of a Crown Lease or PNG Licence, a company must be registered under the Companies Act, registered, incorporated or continued under the ABCA, incorporated or continued under the Bank Act (Canada), a railway company incorporated under an Act of Canada, a loan or trust company, an insurer licensed under the Insurance Act, or approved by the Minister. Therefore, any ownership by overseas companies or entities of Crown Leases or PNG Licences must be made indirectly through whole or part ownership of an eligible company. Please also refer to the sections headed "Risk Factors — Risks Relating to the Alberta Natural Gas and Oil Industry — Ownership of all permits, leases, licences and approvals, including our Crown Leases and PNG Licences, is subject to federal, provincial and local laws and regulations and may be unable to be obtained or renewed or may be cancelled" and "Key Canadian Legal and Regulatory Matters — Certain Canadian Overseas Ownership Restrictions" in this Prospectus for further information on applicable overseas ownership restrictions.